

SOUTH HAMS DISTRICT COUNCIL

NAME OF COMMITTEE	Salcombe Harbour Board
DATE	24 September 2012
REPORT TITLE	2013/14 BUDGET
Report of	Head of Finance Head of Service – Salcombe Harbour
WARDS AFFECTED	Salcombe and Malborough, Westville and Alvington, Saltstone, Kingsbridge North and Kingsbridge East

Summary of Report

The 2013/14 budget builds upon the principles adopted in the Salcombe Harbour Strategic Business Plan and details the financial impact of the proposals contained therein.

Financial implications: It is prudent financial management for a balanced budget to be set and allows a realistic review of fees and charges.

RECOMMENDATION:

That the Board RECOMMENDS to Council that the 2013/14 budget items set out within the report is approved.

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RECOMMENDATION**1. BACKGROUND**

- 1.1 The Salcombe Harbour Strategic Business Plan 2012-2017 dated 26 March 2012 was endorsed and adopted at the Council meeting on 19 July 2012 (SH 31/12). This document sets out, in principle, the challenges and opportunities facing the Harbour over the coming years, together with an assessment of their financial implications.
- 1.2 The formulation of a detailed budget for the forthcoming year, 2013/14, will allow the financial implications to be understood in detail and to

ensure that adequate resources are in place to deliver the services identified through the business planning process.

- 1.3 The Harbour, like all organisations, has finite resources. The budget has been considered with the utmost regard to the affordability and value for money for Harbour users and the financial wellbeing and sustainability of the Harbour over the medium to long term.
- 1.4 The 2013/14 budget, as detailed in this report, links strongly to the approved Business Plan and is based on the assumptions and strategic direction contained therein.
- 1.5 It is incumbent upon the Harbour to set a balanced budget. Accordingly, proposals to generate sufficient additional income to match the level of expenditure detailed herein are the subject of a further report to be considered at the 24 September meeting.

2. ISSUES FOR CONSIDERATION

2.1 Budget Pressures

- 2.1.1 Harbour expenditure requirements have been reviewed in detail, taking into account both the aspirations of the Business Plan document and other considerations, such as the impact of much higher inflation.
- 2.1.2 Wherever possible, efficiency savings have been identified and these have been built into the budget accordingly.
- 2.1.3 The anticipated net income and expenditure position is shown at Appendix A, with the 2012/13 budget used as a baseline position. Variations from this baseline, both in terms of the additional resource requirements and identified efficiencies are discussed in detail below, grouped by category of budget head.

2.2 Employee Costs

- 2.2.1 Staff costs form the single largest area of expenditure for the Harbour, roughly 38% of the Harbour expenditure budget. The 2013/14 budget assumes a 1% pay award and includes an increase in employers pension contributions from 13.8% to 15.2%. The movement of staff through the pay structure has also been built into the budget. Staffing levels and associated costs are kept under constant review to ensure they remain appropriate to the requirements of the business.

- 2.2.2 The table below details the variations from the 2012/13 baseline.

	£	£
Staffing Budget 2012/13		355,000
Additional Requirements:		

Additional employers NI & Superannuation contributions and staff increments – automatic progression to next scale point	14,000	
Total Additional Requirements		14,000
Savings :		
Boat Licensing Income	(3,100)	
Notice Boards	(200)	
Total Savings		(3,300)
Net Additional Requirements / (Savings)		10,700
Staffing Budget 2013/14		365,700

2.3 Premises Related Expenditure

2.3.1 Premises related expenditure encompasses costs relating directly to the Harbour infrastructure assets and as such has seen very high inflationary pressure especially in relationship to commodity prices such as steel in the past 12 months. These have had to be reflected within R&M costs.

2.3.2 The table below details the variations from the 2012/13 baseline.

	£	£
Premises Budget 2012/13		286,000
Additional Requirements & Inflationary Pressures		
General R&M, Tools etc, Health & Safety	1,000	
Utility Charges	2,700	
Rent	2,900	
Total Additional Requirements		6,600
Savings :		
Piers, Landings & Pontoons	(1,200)	
Moorings	(18,700)	
Refuse Collection/cleaning	(1,600)	
Total Savings		(21,500)
Net Additional Requirements / (Savings)		(14,900)
Premises Budget 2013/14		271,100

2.4 Supplies and Services

2.4.1 Expenditure classified as Supplies and Services relates to items directly linked to the provision of the Harbour's services, including

communications, protective clothing, minor equipment and general office supplies.

2.4.2 The table below details the variations from the 2012/13 baseline.

	£	£
Supplies & Services Budget 2012/13		61,000
Additional Requirements & Inflationary Pressures		
Cash collection costs – charge is based on payments by cards	1,100	
Postage & telephones	400	
Total Additional Requirements		1,500
Savings:		
Equipment	(500)	
Total Savings		(500)
Net Additional Requirements / (Savings)		1,000
Supplies & Services Budget 2013/14		62,000

2.5 Transport

2.5.1 Transport related expenditure includes the costs of operating and maintaining the Harbour launches, water taxis and vehicles. It has been necessary to reflect very high levels of inflation affecting fuel costs.

2.5.2 Due to changes in the new Insurance Policy the relevant charges relating to the launches and other vehicles/equipment are now included within this section whereas in the past were shown under premises.

2.5.3 The table below details the variations from the 2012/13 baseline.

	£	£
Transport Budget 2012/13		65,900
Additional Requirements & Inflationary Pressures		
Harbour Vehicle	100	
Mobile Crane	3,300	

Insurance	9,000	
Total Additional Requirements		12,400
Savings		
Launches	(8,000)	
Fork Lift Truck	(500)	
Mooring Barge	(2,000)	
Fuel	(1,400)	
Total Savings		(11,900)
Net Additional Requirements / (Savings)		500
Transport Budget 2013/14		66,400

2.6 Support Services

2.6.1 Central functions, such as Personnel & Payroll, Information Technology, Finance, Property advice, Strategic Capacity etc. are provided by the District Council. An accurate time recording system is used throughout the Council, which allows the identification of actual time spent by SHDC employees on Harbour activities. This in turn provides the basis for the level of costs which are recharged to the Harbour. As the Harbour is a ring-fenced account, no subsidy is allowed either from or to the Harbour in respect of central costs. This is subject to an annual audit by The Audit Commission.

2.6.2 The table below details the variations from the 2012/13 baseline.

	£	£
Support Services		51,000
Inflationary Pressures:	300	
Total Additional Requirements		300
Support Services		51,300

2.7 Contributions to Harbour Reserves

2.7.1 The Harbour holds 3 reserves:

- General Reserve – comprising the accumulation of generated trading surpluses.
- Renewals Reserve – to provide for the replacement of the Harbour's infrastructure assets, excluding pontoons.
- Pontoon Reserve – to provide for the replacement of pontoons.

2.7.2 The business planning process included a full appraisal of existing reserve balances and levels of contribution. The principle adopted in the Business Plan, and discussed and approved by the Harbour Board at the 6 June 2008 meeting, is that sufficient funds should be set aside on an annual basis to provide for the replacement of Harbour assets.

2.7.3 This does, however, need to be viewed in terms of affordability and value for money as annual contributions cannot impact on fees and charges in a prohibitive fashion. In light of this, and as set out in the Business Plan, it is recognised that it is not feasible to fund all replacements through accumulated reserves; and that borrowing will also be utilised.

2.7.4 A summary of estimated reserve balances is included at Appendix B.

2.7.5 The table below details the variations from the 2012/13 baseline.

	£	£
Reserve Contributions Budget 2012/13		71,000
Increased contribution to Pontoon reserve	5,000	
Net Additional Requirements / (Savings)		5,000
Reserve Contributions Budget 2013/14		76,000

2.8 Projects Funded from Reserves

2.8.1 The following projects are anticipated to be funded from Reserves during 2013/14:

- 2.8.1.1 Renewals Reserve:
- Launch Engine £7,200
- 2.8.1.2 Pontoon Reserve:
- Kingsbridge Project £150,000
- 2.8.1.3 General Reserve
- Kingsbridge Pontoon project £100,000

2.9 New Projects Funded From Revenue

2.9.1 The 2013/14 budget includes provision to fund new projects from revenue to the value of £15,000. This comprises the following:

- £5,000 Pontoon Disposal
- £5,000 Improvements to Tender Berthing at Whitestrand
- £5,000 Environmental Projects, based on Phosphate Free Salcombe

2.10 Capital Charges

2.10.1 Capital charges refer to the cost of servicing loans which have been provided by the District Council for the purchase of Harbour assets. Repayment obligations for 2013/14 relate to 5 loans, as detailed below. Also included is the repayment for the proposed Kingsbridge Project since this, if approved, would impact on the revenue accounts.

Description	Loan Date	Loan Amount £	Term (Yrs)	Payment 13/14 £
Whitestrand Pontoon Safety Improvements	2003/04	48,854	25	4,147
Piling in the Bag	2003/04	11,983	25	1,018
Residents' Pontoon	2007/08	150,000	25	11,735
Batson Pontoon	2009/10	190,000	25	13,100
Kingsbridge Pontoons	2013/14	50,000	25	5,100
Total				35,100

2.10.2 The annual repayment due during 2013/14, which includes the repayment of both principal and interest, is £35,100. This is an increase of £5,100 from 2012/13 based on the Kingsbridge Pontoon project requiring a loan of £50,000 to supplement reserves.

2.11 The Overall Expenditure Position

2.11.1 The overall impact of the variations detailed above is shown in the table below.

	£	£
Total Expenditure Budget 2012/13		934,900
Additional Requirements	44,900	
Savings	(37,200)	
Net Additional Requirements / (Savings)		7,700

Total Expenditure Budget 2013/14		942,600

2.12 Income

2.12.1 In order to balance the budget to a net break-even position, it is proposed that a review is undertaken of the Harbour's fees and charges. Proposals have been outlined in this regard, and are detailed in a further report to be considered at the 26 September Board meeting.

	£	£
Total Income Budget 2012/13		(934,900)
Reduced Income available within the budget:		
Security Levy	2,400	
Miscellaneous	4,400	
Reduced Income		6,800
Total Income Budget 2013/14		(928,100)

2.13 Budget Deficit

	£	£
Total Expenditure Budget 2013/14		942,600
Total Income Budget 2013/14		(928,100)
Budget Deficit		14,500

3. LEGAL IMPLICATIONS

3.1 Statutory Powers: Local Government Act 1972, Section 151. The Pier and Harbour Order (Salcombe) Confirmation Act 1954 (Sections 22-36).

3.2 There are no other legal implications to this report.

4. FINANCIAL IMPLICATIONS

4.1 The report identifies a funding gap of £14,500, before any review of charges. It is anticipated that the shortfall can be met by various amendments to the existing charging structure, as identified in a further report to be considered at the 24 September meeting.

5. RISK ASSESSMENT

5.1 The risk management implications are:

Risk/Opportunity	Risk Status			Mitigating and Management Actions
	Impact/Severity	Likelihood/Probability	Risk Score	
The Harbour Authority set a balanced budget, ensuring there is sufficient income to finance the anticipated expenditure. If there is additional unexpected expenditure or less income than forecast, the budget will not balance	3	2	6	The Harbour maintains three different reserves, one for replacement of plant and vessels, one for the replacement of pontoons and a General Reserve. In the event of the budget not balancing at the end of the Financial year and surplus goes into the General Reserve and shortfall would be covered from this reserve.

Corporate priorities engaged:

- CP2: Good Jobs
- CP3: Retain the districts character
- CP4: A clean district
- CP5: An accessible Council
- CP6: Value for money

Consideration of equality and human rights:

There are no equality or human rights issues with this report

Biodiversity considerations:

Harbour Board's budget will affect policies which have a bearing on biodiversity.

Sustainability considerations:

Harbour Board's budget is designed to be sustainable and support sustainable policies.

Crime and disorder implications:

The Budget includes the continuation of the Night Security patrol, aims of which are to reduce marine crime Strategic Business Plan 2nd Edition dated 26 March 2012.

Background Papers:

Appendices attached:

- Appendix A: Anticipated net income and expenditure
- Appendix B: Summary of estimated reserve balances