

AGENDA
ITEM

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SOUTH HAMS DISTRICT COUNCIL

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NAME OF COMMITTEE	Salcombe Harbour Board
DATE	23 September 2013
REPORT TITLE	2014/15 BUDGET
Report of	Head of Finance Head of Service – Salcombe Harbour
WARDS AFFECTED	All South Hams

Summary of Report

The 2014/15 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 2014/15 budget items set out within the report is approved.

Officer contact:

Pauline Henstock, Principal Accountant pauline.henstock@southhams.gov.uk 01803 861377

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, 2014/15, 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 2014/15 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 23 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 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 2013/14 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 40% of the Harbour expenditure budget. The 2014/15 budget assumes a 1% pay award. The structure and grading review conducted in July 2013 plus 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 2013/14 baseline.

	£	£
Staffing Budget 2013/14		373,700

Additional Requirements:		
1% Pay Award (estimated) plus additional employers NI & Superannuation contributions, staff increments and Employers liability insurance	20,700	
Staff Training & Recruitment	800	
Total Additional Requirements		21,500
Savings :		
Overtime	(800)	
Increased Recharge to HQ	(500)	
Total Savings		(1,300)
Net Additional Requirements / (Savings)		20,200
Staffing Budget 2014/15		393,900

2.3 Premises Related Expenditure

2.3.1 Premises related expenditure encompasses costs relating directly to the Harbour infrastructure assets:

2.3.2 The table below details the variations from the 2013/14 baseline.

	£	£
Premises Budget 2013/14		271,100
Additional Requirements & Inflationary Pressures		
General R&M, Tools etc, Health & Safety	500	
Utility Charges (increase relates to running showers)	6,200	
Rent	4,600	
Piers, Landings & Pontoons	2,500	
Marks & Beacons	300	
Insurance	100	
Refuse Collection/cleaning	500	
Security Patrol	600	
Total Additional Requirements		15,300
Savings :		
Moorings (Reduced chain purchase)	(4,000)	
Total Savings		(4,000)
Net Additional Requirements / (Savings)		11,300
Premises Budget 2014/15		282,400

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 2013/14 baseline.

	£	£
Supplies & Services Budget 2013/14		62,000
Additional Requirements & Inflationary Pressures		
Equipment	900	
Telephones & Communications	1,900	
Fees & Subscriptions	600	
Conference Expenses	500	
General Office Expenditure	100	
Professional Fees (Recharge to DHNA for Boat Licensing services)	2,000	
Estuary Officer	100	
Chairman	300	
Total Additional Requirements		6,400
Savings:		
Cash collection costs – charge is based on payments by cards	(100)	
Water Dispenser	(400)	
Total Savings		(500)
Net Additional Requirements / (Savings)		5,900
Supplies & Services Budget 2014/15		67,900

2.5 Transport

2.5.1 Transport related expenditure includes the costs of operating and maintaining the Harbour launches, water taxis and vehicles.

2.5.2 The table below details the variations from the 2013/14 baseline.

	£	£
Transport Budget 2013/14		66,400
Additional Requirements & Inflationary Pressures		
Harbour Van	300	
Mooring Barge	2,000	

Total Additional Requirements		2,300
Savings		
Travel Expenses following changes to mileage scheme	(1,600)	
Launch Maintenance	(1,000)	
Transport Insurance - re-alignment of the budget	(9,200)	
Fuel	(1,000)	
Total Savings		(12,800)
Net Additional Requirements / (Savings)		(10,500)
Transport Budget 2014/15		55,900

2.6 Central Support & HQ Costs

2.6.1 Central functions, such as Personnel & Payroll, Information Technology, Finance, Property advice, Strategic Capacity etc. are provided by the District Council. Time recording data is used to identify 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 Grant Thornton.

2.6.2 The table below details the variations from the 2013/14 baseline.

	£	£
Central Support & HQ Budget 2013/14		51,300
Inflationary Pressures:	300	
Total Additional Requirements		300
Central Support & HQ Budget 2014/15		51,600

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 contribution to Harbour Reserves will remain unchanged at £76,000 for 2014/15.

2.8 Projects Funded from Reserves

2.8.1 The following projects are anticipated to be funded from Reserves during 2014/15:

- 2.8.1.1 Renewals Reserve:
- Mooring Barge Refit £25,000

2.9 Projects Funded From Revenue

2.9.1 The 2014/15 budget includes provision to fund projects from revenue to the value of £10,000, this is a reduction from 2013/14 of £5,000 which will be used to fund the running costs of the Harbour Showers. This comprises the following:

- £5,000 Pontoon Disposal
- £5,000 Improvements to Tender Berthing at Whitestrand

2.10 Contribution to SHDC Marine Infrastructure Reserve

2.10.1 The Salcombe Harbour Authority has responsibility for maritime activity within the Salcombe and Kingsbridge Estuary below the MHW mark and raises income for its activities from Harbour Dues, to fulfil its statutory responsibilities and mooring hire, to maintain the berthing infrastructure. South Hams District Council has responsibility for operational land above the MHW mark, but has limited opportunities to raise income to maintain these assets.

- 2.10.2 All boating activity within the Estuary from time to time will need access over the District Council's Operational land e.g. the slipway at Batson, the public landing pontoon at Batson, Whitestrand and Normandy Pontoons to the car park, the slipway and quay at Kingsbridge, the slipway and steps at Bowcombe, and the Ferry/Public landings at Kingsbridge and Salcombe. This list is indicative and by no means exhaustive.
- 2.10.3 With no income opportunities the District Council's maritime assets represent a considerable risk to the normal activity of the Harbour Authority and a maintenance financial time bomb for the District Council. This was highlighted recently by the large financial investment required to safeguard the operational future of the Fish Quay. A similar investment will be required in the future to repair/refurbish the public slipway at Batson and all of the other maritime infrastructure owned by the District Council.
- 2.10.4 The principal of the user pays is enshrined within the Governments publication "Opportunities for Ports in Local Government Ownership" which was published in 2006 following the Municipal Ports Review. It is therefore proposed that the Harbour Authority contributes annually to the District Council's Maritime Infrastructure Maintenance Reserve.
- 2.10.5 The initial annual contribution is proposed to be £15,000, which represents approximately 3.5% of the Harbour's income from moorings. This modest amount can be financed from efficiency savings from the Harbour's Revenue Budget so will not adversely affect the cost of boating within the Salcombe and Kingsbridge Estuary.
- 2.10.6 Future contributions would then be subjected to annual inflationary pressures. Then in 2016/17, when the five year Strategic Business Plan 2018 – 2023 is debated and consulted upon, there will be an opportunity to review the level of contribution in relation to the other harbour Reserves, which, after a decade of investment are likely to be able to be reduced.

2.11 Capital Charges

- 2.11.1 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 2014/15 have reduced by £5,100 to reflect the fact that the planned capital borrowing for the Kingsbridge Berthing Improvements project was not required, the project being completely funded from reserves. The remaining Capital Charges relate to 4 loans as detailed below.

Description	Loan Date	Loan Amount £	Term (Yrs)	Payment 14/15 £
Whitestrاند 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
Total				30,000

2.11.2 The annual repayment due during 2014/15, which includes the repayment of both principal and interest, is £30,000.

2.12 The Overall Expenditure Position

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

	£	£
Total Expenditure Budget 2013/14		950,600
Net Additional Requirements / (Savings)		32,100
Total Expenditure Budget 2014/15		982,700

2.13 Income

2.13.1 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 23 September Board meeting.

	£	£
Total Income Budget 2013/14		(950,600)
Increased Income available within the budget: Based on a review of 2012/13 actual revenue and the 2013/14 actuals to date compared to budget forecast.		(17,700)
Total Income Budget 2014/15		(968,300)

2.13 Budget Deficit 2014/15

	£	£
Total Expenditure Budget		982,700
Total Income Budget		(968,300)
Budget Deficit		14,400

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 £14,400, 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 23 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.
Failure of the Marine Infrastructure around the Salcombe and Kingsbridge Estuary owned by South Hams District Council, but not within the bailiwick of the Harbour Authority.	3	3	9	Investment, initially through a contribution to a marine infrastructure maintenance Reserve, provides a viable method of funding future infrastructure repairs.

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

Background Papers:

Strategic Business Plan 2nd Edition dated 26 March 2012.

Appendices attached:

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

Pauline Henstock
Principal Accountant

Ian Gibson
Harbour Master

Salcombe Harbour Board
23 September 2013