

**SOUTH HAMS DISTRICT COUNCIL**

<b>NAME OF COMMITTEE</b>	<b>Salcombe Harbour Board</b>
<b>DATE</b>	<b>29 September 2014</b>
<b>REPORT TITLE</b>	<b>2015/16 BUDGET</b>
<b>Report of</b>	<b>Principal Accountant Salcombe Harbour Master</b>
<b>WARDS AFFECTED</b>	<b>All South Hams</b>

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**Summary of Report**

The 2015/16 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 2015/16 budget items set out within the report is approved.**

**Officer contact:**

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**RECOMMENDATION****1. BACKGROUND**

- 1.1 The Salcombe Harbour Strategic Business Plan 2012-2017, dated 26 March 2012, sets out the challenges and opportunities facing the Harbour over the coming years was endorsed and adopted at the Council meeting on 19 July 2012 (SH 31/12).
- 1.2 The preparation of a detailed and balanced harbour budget for financial year 2015/16 ensures that adequate resources are in place to deliver the services identified in the business planning process, and that the Harbour remains financially viable and sustainable in the medium to long term.

- 1.3 The budget, as detailed in this report, links strongly to the approved Business Plan and is based on the assumptions and strategic direction contained therein.

## 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. Wherever possible, efficiency savings have been identified and these have been incorporated.

2.1.2 The anticipated net income and expenditure position is shown at Appendix A, with the 2014/15 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 are the single largest area of expenditure: approximately 40% of the Harbour's outgoings. The 2015/16 budget assumes a 1% pay award and also takes into account the movement of staff through the pay structure's 'spinal column points' where appropriate. Staffing levels and associated costs are kept under periodic review with the next review anticipated to occur early 2015. The table below details the variations from the 2014/15 baseline.

	£	£
<b>Staffing Budget 2014/15</b>		<b>393,900</b>
<b>Additional Requirements:</b>		
1% Pay Award (estimated) plus staff increments.	6,300	
Staff Training & Recruitment	4,100	
Other miscellaneous variances	800	
<b>Total Additional Requirements</b>		<b>11,200</b>
<b>Savings :</b>		
Overtime	(4,900)	
Increased Recharge to HQ	(500)	
<b>Total Savings</b>		<b>(5,400)</b>
<b>Net Additional Requirements / (Savings)</b>		<b>5,800</b>
<b>Staffing Budget 2015/16</b>		<b>399,700</b>

## 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 2014/15 baseline.

	£	£
<b>Premises Budget 2014/15</b>		<b>282,400</b>
<b>Additional Requirements &amp; Inflationary Pressures</b>		
Chain purchase	4,000	
Tools	500	
Rent to Duchy	2,100	
Other miscellaneous variances	400	
<b>Total Additional Requirements</b>		<b>7,000</b>
<b>Savings :</b>		
Marks & Beacons	(2,500)	
Foreshore & Deepwater Moorings	(2,500)	
Replacement Mooring Buoys	(2,000)	
Utility charges	(600)	
Other miscellaneous variances	(300)	
<b>Total Savings</b>		<b>(7,900)</b>
<b>Net Additional Requirements / (Savings)</b>		<b>(900)</b>
<b>Premises Budget 2015/16</b>		<b>281,500</b>

## 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, clothing, minor equipment and general office supplies. The table below details the variations from the 2014/15 baseline.

	£	£
<b>Supplies &amp; Services Budget 2014/15</b>		<b>67,900</b>
<b>Additional Requirements &amp; Inflationary Pressures</b>		
Equipment	2,200	
Legal Fees	8,000	
Estuary Officer	100	
Consultancy	3,400	
<b>Total Additional Requirements</b>		<b>13,700</b>
<b>Savings</b>		
Printing, Stationery and Advertising	(1,000)	
Telephones & Communications	(2,000)	
Clothing	(1,000)	
General Office Expenditure	(500)	
Fees and subscriptions	(1,500)	
<b>Total Savings</b>		<b>(6,000)</b>
<b>Net Additional Requirements / (Savings)</b>		<b>7,700</b>
<b>Supplies &amp; Services Budget 2015/16</b>		<b>75,600</b>

## 2.5 Transport

2.5.1 Transport related expenditure includes the costs of operating and maintaining the Harbour launches, water taxis and vehicles. The table below details the variations from the 2014/15 baseline.

	£	£
<b>Transport Budget 2014/15</b>		<b>55,900</b>
<b>Additional Requirements &amp; Inflationary Pressures</b>		
Variable car allowances	400	
Fuel for launches	400	
<b>Total Additional Requirements</b>		<b>800</b>
<b>Savings</b>		
Harbour Van	(500)	
Launches	(4,000)	
Crane	(1,500)	
Mooring barge	(1,000)	
Other miscellaneous variances	(500)	
<b>Net Additional Requirements / (Savings)</b>		<b>(7,500)</b>
<b>Transport Budget 2015/16</b>		<b>49,200</b>

## 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. The table below details the variations from the 2014/15 baseline.

	£	£
<b>Central Support &amp; HQ Budget 2014/15</b>		<b>51,600</b>
<b>Inflationary Pressures:</b>	300	
<b>Total Additional Requirements</b>		<b>300</b>
<b>Central Support &amp; HQ Budget 2015/16</b>		<b>51,900</b>

## 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** –for the replacement of the Harbour’s infrastructure assets, excluding pontoons;
- **Pontoon Reserve** –for the replacement of pontoons; and

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 is that, wherever possible, sufficient funds are set aside on an annual basis to provide for the replacement of Harbour assets and augmented by borrowing only if absolutely necessary.

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

2.7.4 The contribution to Harbour Reserves has been increased by £8,000for 2015/16.

## 2.8 Contribution to Council Reserves

2.8.1 The Harbour contributes to the Council’s Marine Infrastructure reserve. This is a contribution towards marine infrastructure (eg slipways and quay walls) which are not owned by the Harbour, but from which it benefits. The contribution to this reserve has increased by £10,000 to £25,000.

## 2.9 Capital Charges

2.9.1 Capital charges refer to the cost of servicing loans which have been provided by the District Council for the purchase of Harbour assets. The remaining Capital Charges relate to 4 loans as detailed below.

Description	Loan Date	Term (Yrs)	Outstanding Loan amount at 1/4/15 (£)
Whitestrand Pontoon Improvements	2003/04	25	27,560
Piling in the Bag	2003/04	25	6,760
Residents' Pontoon	2007/08	25	,96,000
Batson Pontoon	2009/10	25	144,400
<b>Total</b>			<b>274,720</b>

2.9.2 The annual repayment due during 2015/16, which includes the repayment of both principal and interest, is £24,800 but this assumes that the loans for the Whitestrand improvements and the piling in the Bag (total £34,320) are repaid from the general reserve. This will result in a total saving of £32,799 in interest charges from 2015/16 until the original end date of the loan in 2027/28.

## 2.10 The Overall Expenditure Position

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

	£
<b>Total Expenditure Budget 2014/15</b>	<b>982,700</b>
<b>Net Additional Requirements / (Savings)</b>	<b>14,000</b>
<b>Total Expenditure Budget 2015/16</b>	<b>996,700</b>

## 2.11 Income

2.11.1 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 29 September Board meeting.

	£
<b>Total Income Budget 2014/15</b>	<b>(982,700)</b>
<b>Increased Income available within the budget:</b> Based on a review of 2013/2014 actual revenue and the 2014/2015 actuals to date compared to budget forecast.	<b>(8,200)</b>
<b>Total Income Budget 2015/16</b>	<b>(990,900)</b>

## 2.11 Budget Deficit 2015/16

	<b>£</b>
<b>Total Expenditure Budget</b>	<b>996,700</b>
<b>Total Income Budget</b>	<b>(990,900))</b>
<b>Budget Deficit</b>	<b>5,800</b>

### 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 £5,800, 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 29 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  
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

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Harbour Master

Salcombe Harbour Board  
29 September 2014