

Report to: **Salcombe Harbour Board**
Date: **11 July 2016**
Title: **2015/2016 Year End Financial Report**
Portfolio Area: *Salcombe Harbour*
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **N**

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Recommendations:

That the Board **notes** the income and expenditure variations for the 2015/16 financial year, **notes** the overall trading surplus of £18,800 and **resolves** to allocate this surplus to the Harbour's General Reserve fund.

1. Executive summary

1.1 This report advises Members of the Harbour's final trading position in 2015/16 together with brief details of the main variations from the original budget. A summary of harbour reserves is also provided.

2. Background

2.1 The Harbour's 1954 Act directs the Harbour Authority to set a balanced budget; this is agreed annually in September by the Harbour Board and subsequently approved by Full Council. Budgeted revenue expenditure for 2015/16 was set at £1,005,400 and fees and charges were set to balance the budget.

3. Outcomes/outputs

3.1 The Harbour's trading accounts have now been finalised, pending external audit certification in July. Salcombe Harbour achieved a trading surplus of £18,800 based predominantly on more Mooring Hire revenue being generated than forecast. This overall position compares to a projected surplus of £16,200 as at 31 January 2016.

3.2 Inevitably circumstances that arise throughout the year often differ from the budgeted position, giving rise to financial variations. However, the overall impact is mitigated by continuous monitoring and timely decision making where corrective action is required. Appendix 1 shows how the surplus of £18,800 has been achieved. The most significant variations from budget are shown in the table below:

TABLE 1: 2015/16 OUTTURN POSITION

	2015/16 Budget expenditure/ (income) £	Budget variations increase/ (decrease) £	£	
APPROVED NET BUDGET			-	
Reductions in expenditure/additional income				
Employees	399,400	(5,085)		A
Utility charges	27,400	(5,180)		B
Supplies & Services miscellaneous	32,400	(6,466)		C
New projects funded from revenue	5,000	(5,000)		D
Mooring hire income	(430,800)	(27,198)		E
Pontoon income	(158,700)	(4,933)		F
Miscellaneous income	(37,500)	(7,700)		G
Miscellaneous net variances	-	(303)		
Sub total of variations			(61,865)	

Increases in expenditure/reductions in income				
General R & M	18,000	8,864		H
Moorings	53,500	5,707		I
Rents	121,900	5,559		J
Equipment	12,100	11,460		K
Transport	49,200	6,703		L
Harbour dues	(272,100)	4,772		M
Sub total of variations			43,065	
SURPLUS			(18,800)	

Notes

- A. **Employees** – This is mainly due to a saving in staff training of £6,102. The 2016/17 budget has been reduced by £5,000 to reflect this underspend.
- B. **Utility charges** – The £5,180 underspend is due to a number of factors:
- a. Warmer than expected winter.
 - b. Improvements to workshop insulation.
 - c. More accurate metering of water consumption.
 - d. Installation of solar panels.
- C. **Supplies & services** – The budget for legal services included provision for a Harbour Revision Order in the event that SHDC wanted to apply for additional revenue-raising powers. This has not been required, hence the underspend. The 2016/17 legal fees budget has been reduced accordingly.
- D. **New projects funded from revenue** – the budget for new pontoon infrastructure projects was not required during this year because of the good state of the new pontoon stock.
- E. **Mooring hire income** – the additional income of £27,198 was generated due to a higher than expected number of visitor nights. Although the total number of visiting yachts continues to decrease year-on-year, the number of trailer-launched vessels has increased.

- F. **Pontoon income** – The fingers on Batson pontoon and the additional 4 berths generated when Shadycombe pontoon was replaced have generated more pontoon income than originally budgeted.
- G. **Miscellaneous income** – Miscellaneous income is that generated by hiring out surplus capacity e.g. hiring out the barge or plant. This year we have successfully generated better than forecast returns.
- H. **General R & M** – the overspend of £8,864 is mainly due to refurbishment of the Harbour workshop and purchase of new lifejackets.
- I. **Moorings** – The use of contracted divers has been more expensive than budgeted because of a change to HSE rules which requires a 5 man team instead of the 4-man teams previously employed. This has been reflected in the 2016/17 Budget.
- J. **Rents** – Fundus rent is related to moorings income and pontoon income (notes E and F). As the income has been higher than budgeted so too is the rent payable to the Duchy.
- K. **Equipment** – IT Support and maintenance has been significantly higher than budgeted (£6,483) due to delivery of additional eHarbours functionality (e.g. boat park bookings and moorings maintenance) and provision of a new website. In addition office equipment e.g. new desks have been purchased for the Harbour Office and Workshop at an additional cost of £4,021.
- L. **Transport** – The launches have been comprehensively overhauled this winter but required more work than expected, which accounts for this additional expenditure. However, this will negate the need for £20k capital outlay budgeted for 17/18 since the barges still have many years of service life in them.
- M. **Harbour dues** – The forecast revenue for harbour dues has proven to be overly optimistic. Despite better than expected visitor yacht nights (see note E) the visitor numbers for 2015/16 are much lower than forecasted (i.e. we had fewer visitors than expected – hence fewer harbour dues – but on average they stayed longer hence higher mooring income).

4. Issues for consideration.

- 4.1 The long-term trend in visitor numbers continues downwards and year-on-year 'growth' is primarily driven by increases in harbour dues. To remain sustainable, it is recommended that resident moorings be increased as a percentage of the total moorings in the harbour to reduce our dependency on visitor numbers. This is reflected in the proposed Strategic Business Plan.

5. Reserves

5.1 Salcombe Harbour holds three reserves as follows:

- **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.

5.2 An analysis of each of the Harbour reserves is shown in Appendix 2. This identifies all items funded from reserves during 2015/16 and contributions made to the reserves. Appendix 2 also includes a comparison of the final outturn position for each reserve compared to the latest projection as at 31 January 2016.

6. Proposed Way Forward

6.1 The accounts will be formally audited in July.

6.2 Regular budget monitoring reports will be brought to the Board’s attention in future meetings. The 2017/18 budget will be proposed to the Board in September, alongside the forthcoming Strategic Business Plan which sets out high level expenditure requirements for the period 2017-22.

7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Pier and Harbour (Salcombe) Confirmation Order 1954.
Financial	Y	The report identifies a surplus of £18,800 which will be added to the General Reserve.
Risk	Y	The accounts have not yet been subject to external audit but as all the relevant accounting standards and practices have been followed it is unlikely that the overall position will change.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None directly arising from this report.
Safeguarding	N	None directly arising from this report.

Community Safety, Crime and Disorder	N	None directly arising from this report.
Health, Safety and Wellbeing	N	None directly arising from this report.
Other implications	N	None directly arising from this report.

Supporting Information

Appendix 1 – Salcombe Harbour Outturn 2015/16

Appendix 2 – Harbour Balances 2015/16

Background Papers: None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A