

Report to: **Salcombe Harbour Board**
Date: **26 September 2022**
Title: **2023/24 Budget and Fees & Charges**
Portfolio Area: *Salcombe Harbour*
Wards Affected: **All**
Relevant Scrutiny Committee: Overview & Scrutiny Committee

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

Date next steps can be taken: **N/A**
(e.g. referral on of recommendation or implementation of substantive decision)

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Recommendations:

1. The Board RECOMMENDS to Council that the proposed 2023/24 budget set out within the report is approved.
2. The Board RECOMMENDS to Council that the proposed 2023/24 fees and charges as set out in Appendix C are approved for implementation from 1 April 2023.

1. Executive summary.

1.1 This report proposes the Salcombe Harbour Authority budget for 2023/24 and provides a forecast for 2022/23. In addition the report also proposes the fees and charges for 2023/24 which will ensure that the Harbour achieves a balanced revenue budget for 2023/24.

2. Background.

2.1 The Salcombe Harbour Strategic Business Plan 2017-2022 sets out the challenges and opportunities facing the Harbour. The proposed budget – attached to this report – continues to be based on the assumptions and strategic direction contained within the Business Plan.

Key drivers for the proposed budget include:

- compliance with the Port Marine Safety Code
- supporting the retention of a competent and engaged workforce
- enhancing safety, awareness and educating harbour users
- providing quality facilities at a fair price
- improving reserve funding to help serve the replacement programme and reduce future borrowing

3. Outcomes/outputs

3.1 The preparation of a detailed and balanced harbour budget 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.

3.2 The Harbour's enabling legislation empowers the Harbour Authority to levy fees and charges to meet running costs, repay any capital debts and establish reserves to renew, extend or improve the Harbour.

4. Issues for consideration:

Forecast 2022/23

4.1 Gross expenditure is set at £1.30 million in the 2022/23 balanced budget. As at 3 September 2022 a surplus of £90,200 (6.9%) is

forecast for 2022/23 as detailed in Appendix A. This is mainly due to additional income from resident Harbour Dues and Casual Foreshore moorings. The above is offset in part by additional rent payable to the Duchy estimated at £11,800.

4.2 A detailed budget monitoring report for 2022/23 will be brought to the Board in November.

Budget 2023/24

4.3 The forecast position for 2023/24 is shown at Appendix A, with the 2022/23 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.

a) Employee costs

Staff costs are the single largest area of expenditure. The 2023/24 budget is based on the current staffing structure and assumes:

- a 3% pay increase for 2023/24
- movement of staff through spinal column points where appropriate

	£	£
Staffing Budget 2022/23		478,700
Additional requirements & inflationary pressures:		
Salaries and wages	40,400	
NI and superannuation	14,700	
Call Out and Standby allowances	700	
Employers Liability Insurance	300	
Total additional requirements		56,100
Savings:		
Recharge to Headquarters	(27,300)	
Total savings		(27,300)
Net additional requirements/(savings)		28,800
Staffing Budget 2023/24		507,500

b) Premises related expenditure

The main pressure in Premises related expenditure for 2023/24 relates to an increase in the tools and materials budget (£13,000) alongside inflationary pressures for areas such as utilities. In addition the budgeted amount payable to the Duchy has increased by £6,800 following a review of income targets for 2023/24. This is partly offset by a reduction in next year's budget for chain and shackles (£5,000).

	£	£
Premises Budget 2022/23		388,500
Additional requirements & inflationary pressures:		
Tools & Materials	13,000	
Rent to Duchy	6,800	
Business Rates	2,900	
Trade Waste recharges	2,500	
General R & M	2,000	
Utilities	2,800	
Navigation Aids	1,000	
Total additional requirements		31,000
Savings:		
Chain & Shackles	(5,000)	
Total savings		(5,000)
Net additional requirements/(savings)		26,000
Premises Budget 2023/24		414,500

c) Supplies and services

The Supplies and Services budget for 2023/24 has increased by £6,700. This mainly relates to an increase of £5,000 on the budget for consultancy fees to facilitate the Designated Person delivering structured PMSC compliance updates to the Harbour Board and the rewrite of the Harbour's Marine Safety Management System.

	£	£
Supplies & Services Budget 2022/23		82,700
Additional requirements & inflationary pressures:		
Consultancy fees	5,000	
Legal fees	1,800	
Miscellaneous including the AONB Estuary Conservation Programme	400	
Total additional requirements		7,200
Savings:		
Postage	(500)	
Total savings		(500)
Net additional requirements/(savings)		6,700
Supplies & Services Budget 2023/24		89,400

d) Transport

The main additional requirement within transport relates to an increase in the insurance budget of £6,900 for 2023/24. This is to bring the insurance budget both for transport and marine liability in line with expenditure and to meet rising market costs. In addition the fuel budget has been increased to reflect the current inflationary pressures.

	£	£
Transport Budget 2022/23		69,000
Additional requirements & inflationary pressures:		
Transport & Marine Liability Insurance	6,900	
Fuel	2,500	
Crane R & M	1,000	
Total additional requirements		10,400
Transport Budget 2023/24		79,400

e) Central support and HQ costs

	£	£
Central Support & HQ Budget 2022/23		56,800
Inflation	2,900	
Total additional requirements		2,900
Central Support & HQ Budget 2023/24		59,700

f) Contributions to Harbour reserves

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;

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, augmented by borrowing if necessary. A summary of Harbour Reserve balances and proposed contributions for 2023/24 is shown in Appendix B.

Taking into account the budgeted reserve contributions for 2023/24, total reserve balances are anticipated to increase from £962,998 at 31 March 2023 to £1,067,098 as at 31 March 2024.

g) Contribution to a Council reserve

The Harbour contributes to the Council’s Marine Infrastructure reserve. The contribution to this reserve is proposed to increase by £5,000 to £63,000 in 2023/24.

h) Capital charges

Capital charges refer to the cost of servicing loans which have been provided by the District Council for the purchase of Harbour assets. Currently there is one loan outstanding in respect of the Pontoons Project which commenced on 1 October 2018 with an annual repayment of £12,800 as shown in

Appendix B. In addition a further loan has been taken out in 2022/23 to fund the Harbour Depot project. Further information regarding this project can be found in the exempt report presented to the Harbour Board on 15th March 2021. An annual loan repayment of £36,500 has been included in the 2023/24 budget.

i) Items to be met from reserves.

In 2023/24 one item of expenditure has been identified to be funded from Harbour reserves. This relates to the purchase of an engine up to £15,000 as shown in Appendix B. The specific nature of the engine will depend on operational demand in 2023/24.

j) The overall expenditure position 2023/24

	£
Total Expenditure Budget 2022/23	1,303,000
Net additional requirements/(savings)	94,800
Total Expenditure Budget 2023/24	1,397,800

k) Income 2023/24

Income targets have been reviewed in 2023/24 prior to the proposed changes to fees and charges for next year.

	£
Total Income Budget 2022/23	(1,303,000)
Review of income budgets	
Harbour Dues - Annual	(25,000)
Mooring Hire - Casual Foreshore	(17,600)
Mooring Hire - Casual Deep Water	(12,800)
Whitestrans Pontoon July/August	(4,900)
Pontoons - Shadycombe Creek	(2,200)
Overnight berthing fees - Town Landings	(1,000)
Miscellaneous income	(3,000)
Increase in reserve contributions	(5,000)
Interest - increase in interest rates	(2,300)
Total Income Budget 2023/24	(1,376,800)

I) Budget deficit 2023/24

	£
Total Expenditure Budget	1,397,800
Total Income Budget	(1,376,800)
Budget Deficit 2023/24	21,000

5. Payments between Salcombe Harbour and South Hams District Council

5.1 To aid transparency an analysis of the budgeted payments between Salcombe Harbour and the District Council is shown in Appendix C. This compares the movement in the budgets from 2022/23 to 2023/24.

5.2 The net amount payable to the Council in 2023/24 is anticipated to reduce by £16,200 to £25,400. This mainly relates to an increase in the budgeted Harbour salary recharges to the Council for 2023/24 of £27,300. Of this amount £13,600 relates to the estimated pay award and annual increments for 2023/24.

6. Proposed Way Forward.

6.1 It is proposed that the fees and charges are reviewed to reduce the deficit identified above to £0 and balance the 2023/24 budget. The proposals are as follows:

- a) It is proposed that restructuring Resident Harbour Dues can meet the majority of the budget deficit. Increasing the horsepower charge from £0.90 to £1.00 inc VAT per horsepower targets the majority of harbour users whilst leaving sailing and paddled craft Harbour Dues static. This would mean that annual mooring prices remain static, which do not pertain to all harbour users but which have been used to regularly meet budget deficits in the past.
- b) Whitestrand pontoon monthly July and August permits, are raised from £45 per month to £50 per month inc VAT. Historically this permit has seen £5 annual rises but has not been adjusted since 2020. This facility charge (not applicable for 10 months of the year) represents the additional pontoon capacity and manpower to manage it for all the tenders that

use this area as a permanent overnight berth/home during July and August.

- c) Visitor Harbour Dues and Moorings (including Town Landings) are frozen retaining a uniform pricing structure, as per the previous year.
- d) A 5% price increase has been added to all SHDC income streams that are managed by Salcombe Harbour Authority, as listed in Appendix D but which have not impacted on this paper.

Item	Proposed amendment	Comment
Harbour Dues: Annual dues (residents)	£9.50 p/m (unchanged) £1.00 p/hp	Applied to Horsepower without affecting smaller sail and paddle powered craft
Mooring Hire: Annual Deep Water (residents) Annual Foreshore (residents) Whitestrand monthly permit (July and August)	0.0% 0.0% 11%	 Raised from £45 to £50 per month
Annual pontoons: Shadycombe Creek V Quay, Batson & Kingsbridge Fish Quay pontoon	0.0% 0.0%	
Foreshore/ Deepwater Mooring Licences: All Areas	0.0%	

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.
Finance	Y	The report identifies a funding gap of £21,000 for 2023/24 and the proposed changes to fees and charges will raise additional net income of £21,000 thereby addressing the current shortfall and balancing the 2023/24 budget.
Risk	Y	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 any surplus is transferred into the General Reserve and any shortfall would be funded from this reserve.
Supporting Corporate Strategy		Salcombe Harbour supports the priority of protecting our Built and Natural Environment within the Council's strategic vision 'Better Lives for All'
Climate Change – Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None
Safeguarding	N	None
Community Safety, Crime and Disorder	Y	The proposed budget includes a continuation of the Night Security Patrol, the aim of which is to reduce crime.
Health, Safety and Wellbeing	N	No adverse impacts.
Other implications	N	

Supporting Information

Appendix:

- A. Salcombe Harbour Budget 2023/24
- B. Salcombe Harbour Balances and Loans
- C. Budgeted Payments between Salcombe Harbour and SHDC for 2023/24
- D. Proposed Fees and Charges 2023/24

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