

Report to: **Salcombe Harbour Board**
Date: **14 November 2022**
Title: **Revenue Budget Monitoring 2022/2023**
Portfolio Area: *Salcombe Harbour*
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

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

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Recommendations:

That the Board notes the forecast income and expenditure variations for the 2022/23 financial year and the projected surplus of £92,200.

1. Executive summary

- 1.1 This report updates Members on income and expenditure variations against the approved budget and forecasts the year end position.
- 1.2 Gross expenditure is set at £1.303 million in the 2022/23 balanced budget. As at 31 October 2022, a surplus of £92,200 is projected, as shown in Appendix A. This equates to 7.1% of the gross budget for 2022/23.

2. Background

2.1 A detailed and balanced budget for Salcombe Harbour is set every year. In order to keep Members up to date a regular budget monitoring report is brought to the Board.

3. Outcomes/outputs

3.1 A surplus of £92,200 is currently forecast for 2022/23. The income and expenditure variations are detailed in Appendix A. The main variances are shown in the table below:

TABLE 1: 2022/23 BUDGET FORECAST

	2022/23 Budget expenditure /(income)	Budget variations		£	Note
		%	£		
	£		£	£	
APPROVED BUDGET				-	
Reductions in expenditure/ additional income					
Mooring hire income	(500,500)	(15.9%)	(79,600)		A
Harbour dues income	(411,100)	(17.6%)	(72,500)		B
Pontoons income	(210,100)	(5.9%)	(12,300)		C
Sub total of variations				(164,400)	
Increases in expenditure/ reductions in income					
Employees	478,700	5.7%	27,200		D
Transport	69,000	36.5%	25,200		E
Rents	138,800	11.5%	15,900		F
Other minor variances	-		3,900		
Sub total of variations				72,200	
PROJECTED SURPLUS				(92,200)	

Notes

- A. **Mooring hire income** – The additional income of £79,600 primarily results from a consistently busy year with prolonged spells of settled weather providing supplementary seasonal income from moorings used by visitors from land (£40,000) and sea (£28,000). This year we have seen many foreign visitors in comparison to the previous years of COVID uncertainty. These figures show a positive trend despite holidays/travel abroad being more accessible with less pressure upon remaining local and relying on a staycation. Visitor income (especially those vessels visiting sea) is susceptible to bad or inconsistent weather both in the short term and seasonally. With no guarantee of income, budget expectations are always adjusted with more caution and safety margin.
- Historically some resident moorings in less desirable areas of the harbour have been left unallocated yet for the third season demand has surpassed supply in all areas resulting in some small surpluses from other mooring facilities, notably resident foreshore.
- B. **Harbour Dues income** – The good season, as noted above, led to a high numbers of craft afloat. This includes resident craft, those visiting from sea and those visiting from land. As can be seen from the mooring hire income above, a larger proportion of the Harbour Dues surplus can be attributed to those vessels visiting by land.
- C. **Pontoons income** – The additional income of £12,300 was primarily generated by another very busy summer on Whitestrand Pontoon (and the remote pontoon added for extra capacity) where all tenders pay a berthing fee of £45 per month, generating a surplus of £8,000.
- D. **Employees** - Additional employee costs of £27,200 are currently anticipated in 2022/23. This mainly relates to the pay award announced on 2 November 2022 which amounts to £1,925 on all pay points. This is significantly higher than the budgeted provision of 2%.
- E. **Transport** – Additional transport costs of £25,200 are currently projected for 2022/23. This mainly relates to the dramatic increase in fuel prices and new legislation for 2022 that no longer allows us to use red diesel in our ashore plant and equipment. This will have a direct increase in particular on our winter usage of fuel. Some of these increased costs are recharged back to carparks in facilitating the use of the car/boat park.
- F. **Rents** – Due to the additional income currently forecast for 2022/23 it is anticipated that an additional £15,900 of rent will be payable to the Duchy of Cornwall based on a percentage of our increased mooring and pontoon income.

4. Issues for consideration

- 4.1 The projected surplus of £92,200 equates to 7.1% of the gross budget for 2022/23.
- 4.2 Salcombe Harbour Authority has continued to carry out its statutory duties during 2022/23 with few COVID-19 impacts in comparison to previous years, where lockdowns and summer isolations affected trade and our ability to operate efficiently. Full time staff have had periods of illness in relation to Covid but thankfully all were outside of the main season and spread out/unrelated.
- 4.3 Following the change in seasonal staff rotas affecting the boatpark and patrols during the 2021 summer the same shifts were adopted for 2022 to assist with daily routines, a busier AM taxi and increased patrols and facility/boat checks. The latter has certainly increased the efficiency and fairness of identifying those vessels failing to comply with byelaws both in regard to registration and behaviour across the harbour as a whole. This has also been supported by a change in the hours of operation of the contracted Night Security team, the future of which is an upcoming Harbour Board workshop.
- 4.4 Following the consistently elevated fuel prices we will evaluate alternative sources of fuel.

5. Reserves and Loans

- 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.

A summary of the projected Harbour reserve and loan balances as at 31 March 2023 are shown in Appendix B. The projected 2022/23 surplus of £92,200 would go into the General Reserve at the year end, in accordance with normal accounting practice. This gives a predicted year end balance of £371,656 for the General Reserve.

- 5.2 Revenue expenditure funded from Reserves is likely to be £17,000 higher than the original budget approved for 2022/23. Below is a breakdown of this overall variance:

Revenue expenditure to be funded from Reserves				
	2022/23	2022/23	2022/23	
	Budget	Forecast	Variance	Notes/approval
	£	£	£	
Renewals Reserve				
Replacement engine	10,000	10,000	-	
General Reserve				
Port Marine Safety Code compliance	-	8,000	8,000	Approved at the Harbour Board 15 November 2021 – SH.26/21 (up to £10k)
Duty Holder Arrangements external advice	-	3,000	3,000	Approved at the Harbour Board 24 January 2022 – SH.35/21 (up to £5k)
Merit Payment – relating to 2021/22	-	6,000	6,000	Approved at the Harbour Board 13 June 2022 – SH.10/22.
Totals	10,000	27,000	17,000	

6. Payments between Salcombe Harbour and SHDC

6.1 To aid transparency an analysis of the payments between Salcombe Harbour and the District Council is shown in Appendix C. This compares the budgeted amounts and the forecast payments for 2022/23. There are no significant variances anticipated at this stage in the year.

7. Proposed Way Forward

7.1 Regular budget monitoring updates will be brought to the Board.

8. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Pier and Harbour Order (Salcombe) Confirmation Act 1954 makes provision for the Council to manage and improve

		the harbour and for the financial arrangements in connection with the exercise of those powers.
Financial	Y	The report identifies a projected surplus of £92,200 for 2022/23.
Risk	Y	Budget variances – continual budget monitoring ensures early identification of variances. Reporting to the Board provides an opportunity for Members to identify and instigate remedial action where appropriate.
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 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 A – Salcombe Harbour Revenue Forecast 2022/23

Appendix B – Harbour Balances and Loans Forecast 2022/23

Appendix C – Payments between Salcombe Harbour and SHDC in 2022/23

Background Papers: None