

Report to: **Salcombe Harbour Board**

Date: **17 September 2018**

Title: **2019/20 Budget**

Portfolio Area: *Commercial Services*

Wards Affected: **All**

Relevant Scrutiny Committee: Overview & Scrutiny Panel

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)

Author: **Cameron Sims-Stirling** Role: **Harbour Master**

Contact: **01548 843791** cameron.sims-stirling@swdevon.gov.uk

Recommendations:

That the Board RECOMMENDS to Council that the proposed 2019/20 budget set out within the report is approved.

1. Executive summary.

This report proposes the Salcombe Harbour Authority budget for 2019/20 and provides a forecast for 2018/19.

2. Background.

1) The Salcombe Harbour Strategic Business Plan 2017-2022 sets out the challenges and opportunities facing the Harbour over the coming years, and the proposed budget – attached to this report – is based on the assumptions and strategic direction contained within the Business Plan. Key drivers for the proposed budget include:

- continuing to absorb the costs of collecting monies by credit card rather than passing them on to the customer
- providing for increased costs in chain, materials and tool age
- providing additional cleaning for shower facilities
- taking out a £230,000 capital loan to fund the replacement of deteriorating pontoons at Whitestrand (remote), Dentrige and those in the East bag (ex-houseboat moorings). The proposed extensions to Batson and Shadycombe pontoons were evaluated not to be a primary concern at this stage
- continuing to fund reserves and cater for projected capital expenditure
- making a final payment on the existing loan.

3. Outcomes/outputs

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.

4. Issues for consideration:

1) Forecast 2018/19

Gross expenditure is set at £1.13 million in the 2018/19 balanced budget. As at 17 August 2018 a small deficit of £10,200 (0.9%) is forecast for 2018/19 as detailed in Appendix A. This is mainly due to an increase in the cost of chain (£8,900), increases in employee costs (£9,000) and a saving on the loan repayment for the Pontoons project, due to a delay in the start date, now scheduled for 1 October 2018 (£5,700). A detailed budget monitoring report will be brought to the Board in November.

2) Budget 2019/20

The forecast position for 2019/20 is shown at Appendix A, with the 2018/19 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.

3) **Employee costs**

Staff costs are the single largest area of expenditure. The 2019/20 budget is based on the new staffing structure detailed below:

- Bringing the boatmen into line with industry standards, adjusting the shift pay to match duty responsibility and promote self-management
- Removing an assistant harbour master post, sharing duties between the remaining two (office and workshop), increased level of compliance and duties, seasonal responsibility for the boatmen passed between the two
- Redistributing the expenditure on the boat park attendant, shared with SHDC
- Recognising additional responsibility for the senior moorings officer technical/appointed person during winter lifting operations
- Making temporary senior case manager permanent.

It assumes:

- a 2% pay increase
- movement of staff through spinal column points where appropriate

	£	£
Staffing Budget 2018/19		414,500
Additional requirements & inflationary pressures:		
Salaries and wages	24,900	
NI and superannuation	6,000	
Overtime	1,000	
Total additional requirements		31,900
Savings:		
Recharge to Headquarters	(4,300)	
Total savings		(4,300)
Net additional requirements/(savings)		27,600
Staffing Budget 2019/20		442,100

4) **Premises related expenditure**

Following a budget increase in transport R & M last year and a corresponding reduction in tools and materials, the budget has been re-aligned in 2019/20 to reflect actual expenditure levels. In addition the cost of chain has increased along with transport charges. Premises cleaning charges have also risen due to taking on the responsibility of the showers in an effort to improve facilities.

	£	£
Premises Budget 2018/19		330,100
Additional requirements & inflationary pressures:		
Tools and materials – <i>increase funded from general transport R & M budget below</i>	6,500	
Chains and shackles	4,000	
Utilities & Rates	1,100	
Cleaning charges	1,500	
Total additional requirements		13,100
Savings:		
Rents	(2,200)	
Total savings		(2,200)
Net additional requirements/(savings)		10,900
Premises Budget 2019/20		341,000

5) **Supplies and services**

	£	£
Supplies & Services 2018/19		77,700
Additional requirements & inflationary pressures:		
Miscellaneous - AONB Estuary Conservation Programme	300	
Total additional requirements		300
Supplies & Services Budget 2019/20		78,000

6) **Transport**

	£	£
Transport Budget 2018/19		55,100
Additional requirements & inflationary pressures:		
Car allowances	400	
Harbour van	2,000	
Total additional requirements		2,400
Savings:		
General R & M – <i>saving used to increase the tools and materials budget in premises related expenditure above</i>	(6,500)	
Total savings		(6,500)
Net additional requirements/(savings)		(4,100)
Transport Budget 2019/20		51,000

7) **Central support and HQ costs.**

	£	£
Central Support & HQ Budget 2018/19		44,100
Inflationary pressures	900	
Total additional requirements		900
Central Support & HQ Budget 2019/20		45,000

8) **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 2019/20 is shown in Appendix B.

9) **Contribution to Council reserve**

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 is proposed to continue at £58,000 in 2019/20.

10) **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. In 2019/20 the Batson Pontoons loan is being repaid early. This final payment of £114,000 is being funded from the Pontoons Reserve and will result in a saving of £82,500 in future interest payments. Therefore the loan repayments for 2019/20 have been reduced to solely reflect the new Pontoons Project, with an annual repayment of £12,600 based on the current PWLB interest rate for a 25 year loan of 2.59%. Further details of these loans can be found in Appendix B.

11) **Items to be met from reserves.**

There are a couple of revenue items which have been earmarked to be funded from reserves in 2019/20 as follows:

- A Volvo D2-60 engine - £8,000
- Harbour van - £20,000

This expenditure is offset by a contribution from the renewals reserve shown in Appendix B.

12) **The overall expenditure position 2019/20**

	£
Total Expenditure Budget 2018/19	1,129,600
Net additional requirements/(savings)	26,600

Total Expenditure Budget 2019/20	1,156,200
---	------------------

13) **Income 2019/20**

	£
Total Income Budget 2018/19	(1,129,600)
Additional interest	(400)
Reduced contributions from reserves	2,000
Total Income Budget 2019/20	(1,128,000)

14) **Budget deficit 2019/20**

	£
Total Expenditure Budget	1,156,200
Total Income Budget	(1,128,000)
Budget Deficit	28,200

5. Proposed Way Forward.

It is proposed that the fees and charges are reviewed to reduce the deficit identified above to £0. This is the subject of a separate report.

6. 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 funding gap of £28,200, 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 17 September meeting
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.
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 2019/20
- B. Salcombe Harbour Balances & Loans

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes/No
SLT Rep briefed	Yes/No
Relevant Exec Director sign off (draft)	Yes/No
Data protection issues considered	Yes/No