

Report to: **Salcombe Harbour Board**
Date: **24 June 2019**
Title: **2018/2019 Year End Financial Report**
Portfolio Area: **Salcombe Harbour**
Wards Affected: **All**
Urgent Decision: **N** Approval and clearance obtained: **N**

Date next steps can be taken: **July 2019**

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Recommendations:

That the Board NOTES the income and expenditure variations for the 2018/19 financial year, NOTES the overall trading surplus of £20,499 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 2018/19 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 budget is agreed annually in September by the Harbour Board and subsequently approved by Full Council. Budgeted revenue expenditure for 2018/19 was set at £1,129,600 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 during June and July. A trading surplus of £20,499 has been achieved for 2018/19. This surplus equates to 1.8% of the budgeted turnover.

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 £20,499 has been achieved. Variations from budget are shown in the table below together with supporting notes to explain the significant movements:

| | Budgeted expenditure / (income) £ | Variations increase/ (decrease) £ | Variations increase/ (decrease) % | £ | |
|--|---|---|---|-----------------|---|
| APPROVED NET BUDGET | | | - | - | |
| Reductions in expenditure /additional income | | | | | |
| Harbour dues | (295,900) | (10,807) | (3.7%) | | A |
| Transport related expenses | 55,100 | (9,271) | (16.8%) | | B |
| Employees | 414,500 | (8,897) | (2.1%) | | C |
| Miscellaneous income | (37,800) | (7,982) | (21.1%) | | D |
| Capital charges | 25,100 | (5,600) | (22.3%) | | E |
| Pontoon income | (169,800) | (5,548) | (3.3%) | | F |
| Water taxi income | (36,000) | (4,511) | (12.5%) | | G |
| Supplies & services | 77,700 | (3,221) | (4.1%) | | H |
| Sub total of variations | | | | (55,837) | |
| Increases in expenditure/reductions in income | | | | | |
| Premises related expenses | 330,100 | 17,439 | 5.3% | | I |
| Mooring hire income | (466,500) | 16,487 | 3.5% | | J |
| Other minor variances | | 1,412 | - | | |
| Sub total of variations | | | | 35,338 | |
| | | | | | |
| 2018/19 SURPLUS | | | | (20,499) | |

Notes

- A. **Harbour dues income** – the exceptional seasonal weather has increased the number of both craft resident within the harbour and those visiting from sea. This has led to additional income of £10,807.
- B. **Transport related expenses** – this saving of £9,271 mainly relates to an underspend of £6,500 on elements of the general R & M budget. This has been partly used to fund the tools and materials overspend in 'I' below. The budgets have been re-aligned for 2019/20 to reflect this movement. In addition there has been a saving on transport insurance of £3,110.
- C. **Employees** – seasonal staff pay and overtime have risen through extensions to contracts to cover additional patrol duties, assistance at the Boatpark and to facilitate events. During the transitional period where staff were restructured a Boatman's wage was also paid as seasonal staff. This had led to overspends of £9,921 on seasonal staff and £2,648 on overtime. However, this is offset by an increased recharge from the Harbour to the District Council to reflect the time spent on Dartmouth Lower Ferry during 2018/19 (£16,400). In addition there have been savings on staff training (£2,182) and employer's liability insurance (£2,366) leading to an overall saving on employees costs of £8,897.
- D. **Miscellaneous income** – additional miscellaneous income of £7,982 was generated in 2018/19 mainly from the hiring of the fork lift truck (£3,561), mooring barge (£1,183) and the Fish Quay Project.
- E. **Capital charges** - the loan repayments for the new pontoons project were budgeted from April 2018. However, as the project didn't commence until October 2018 a saving of £5,600 has arisen in 2018/19. Details of the current loans provided by the District Council are shown in Appendix 2.
- F. **Pontoon income** - in line with the good weather the use of Whitestrand and its remote pontoon during July and August has increased in 2018/19 producing additional income of £5,548.
- G. **Water taxi income** – the exceptional seasonal weather has increased the number of both resident and visiting vessels requiring the services of the water taxi. Events on the East Portlemouth side of the harbour have increased the requirement to taxi passengers on particular evenings, leading to additional income overall of £4,511.
- H. **Supplies & services** – the saving in supplies and services of £3,221 has mainly resulted from a reduction in hardware and software expenditure (£5,929), partly offset by the costs of a four page advert within the Salcombe Guide.
- I. **Premises related expenses** - the overall overspend of £17,439 relates mainly to chain purchase (£13,160) to replenish stock. The price of chain has also increased in 2018/19. As advised in the

January Harbour Board meeting, the uncertainty over the Egremont and any recuperation of her moorings meant that the purchase of heavy chain was still required, this stock is now supplemented by good second hand chain recovered from her moorings which will supply general maintenance for years to come. Stock had also depleted from the replacement of a faulty batch of 16mm chain and the entire replacement of particular mooring systems. More unsettled winter weather has caused mooring tackle to wear quicker and for either components to be upgraded or replaced more often.

In addition, the marks and beacons budget was overspent by £3,500 in 2018/19 relating to the rare conservancy cost for an external contractor to paint navigation poles at the entrance to the harbour to satisfy a time critical report by Trinity House. These costs were partly offset by a saving on landings and pontoons expenditure of £3,720. Finally, there was an overspend of £6,559 on the tools and materials budget leading to an overall adverse variance of £17,439 in 2018/19.

- J. **Mooring hire income** – there was an income shortfall of £16,487 (3.5% of the mooring hire income budget) in 2018/19. This relates mainly to the miscoding of some of the advanced visitors foreshore payments in 2017/18 resulting in them being included in the 2017/2018 accounts rather than 2018/19. In addition, no charges were raised towards the Egremont Trust this year.

4. Options available and consideration of risk

- 4.1 Although no changes are anticipated, the figures contained within this report have not yet been externally audited.

5. Reserves and Loans

- 5.1 An analysis of each of the Harbour reserves is shown in Appendix 2. This identifies all items funded from reserves during 2018/19 and contributions made to the reserves. In addition Appendix 2 contains a summary of the loans position with South Hams District Council as at 31 March 2019.

6. Proposed Way Forward

- 6.1 The accounts are being formally audited during June and July.
- 6.2 Regular budget monitoring reports will be brought to the Board's attention in future meetings. The 2020/21 budget will be proposed to the Board in September.

7. Implications

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|--|---------------------------|--|
| Legal/Governance | Y | The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015. |
| Financial | Y | The financial implications to this report are that a surplus of £20,499 was generated in 2018/19. This will be transferred to the General Reserve. This surplus equates to 1.8% of the budgeted turnover. |
| Risk | Y | <i>Public Accountability</i> – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which is recognised by statute as representing proper accounting practice. <i>Resource Planning</i> – the Harbour takes into account any significant issues when developing its 5 year Business Plan and when reviewing its fees and charges. |
| Supporting Corporate Strategy | | Salcombe Harbour is part of the 'Enterprise Theme', creating places for enterprise to thrive and business to grow, contributing to the marine and tourism economy. |
| 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 2018/19
Appendix 2 – Harbour Balances and Loans Outstanding 2018/19

Background Papers: None