

Report to: **Salcombe Harbour Board**

Date: **16 September 2019**

Title: **2020/21 Budget**

Portfolio Area: *Salcombe Harbour*

Wards Affected: **All**

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

Date next steps can be taken:
(e.g. referral on of recommendation or implementation of substantive decision) **Council on 26 September 2019**

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Recommendations:

1. The Board RECOMMENDS to Council that the proposed 2020/21 budget set out within the report is approved.

1. Executive summary.

This report proposes the Salcombe Harbour Authority budget for 2020/21 and provides a forecast for 2019/20.

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 as Appendix A) is 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
- provision of a new cleaning contract for all Salcombe Harbour Authority premises including showers.
- improving reserve funding to help serve the replacement programme and reduce future borrowing.
- improving navigation within "The Bag" mooring area.

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 2019/20

Gross expenditure is set at £1.16 million in the 2019/20 balanced budget. As at 16th August 2019 a surplus of £26,500 (2.3%) is forecast for 2019/20 as detailed in Appendix A. This is mainly due to the unbudgeted staffing recharge to Dartmouth Lower Ferry (£18,300) and additional Pontoon income of £6,900. A detailed budget monitoring report will be brought to the Board in November.

2) Budget 2020/21

The forecast position for 2020/21 is shown at Appendix A, with the 2019/20 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 2020/21 budget is based on the new staffing structure introduced in 2018/19 and assumes:

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

In addition as part of the 2020/21 budget process a full review of staffing recharges to South Hams District Council has been undertaken by the Harbour Master, resulting in an increase to the recharge of £32,900. This mainly reflects the time spent on Dartmouth Lower Ferry (£21,100), and an additional recharge to car parking of £13,000. However, this is partly offset by an increase in the officer time recharge from the Council, detailed in 7) below. Overall this review has resulted in a net additional charge from Salcombe Harbour to the Council of £23,700.

	£	£
Staffing Budget 2019/20		442,100
Additional requirements & inflationary pressures:		
Salaries and wages	16,800	
NI and superannuation	4,500	
Overtime	1,000	
Total additional requirements		22,300
Savings:		
Recharge to Headquarters	(32,900)	
Employers Liability Insurance	(1,800)	
Total savings		(34,700)
Net additional requirements/(savings)		(12,400)
Staffing Budget 2020/21		429,700

4) **Premises related expenditure**

In conjunction with Salcombe Town Council a contribution of £10,000 has been agreed to support the continuing operation of local toilet facilities. In addition, an increase of £8,000 has been applied to the deep water mooring maintenance diving contract to reflect current market prices.

	£	£
Premises Budget 2019/20		345,000
Additional requirements & inflationary pressures:		
Public Conveniences contribution	10,000	
Diving maintenance support	8,000	
Utilities & Rates	2,600	
Rent to Duchy	500	
Total additional requirements		21,100
Premises Budget 2020/21		366,100

5) **Supplies and services**

Consultancy fees are budgeted to increase by £2,500 with the review of the Safety Management System by the Harbour's designated person for Port Marine Safety Code compliance. The hardware and software budget has been reduced by £2,000 to reflect current levels of expenditure. In addition, a saving of £1,000 is anticipated for the Harbour Guide. The 2019 Guide was restructured to promote marine safety and increase versatility with the inclusion of the full year's tide tables. Although this restructure resulted in a loss of advertising space, production costs were reduced by utilising the Council's design and print resources. Hopefully, continuing this relationship can result in further savings.

	£	£
Supplies & Services Budget 2019/20		78,000
Additional requirements & inflationary pressures:		
Consultancy fees	2,500	
Fees and subscriptions	1,000	
Miscellaneous including professional fees and AONB Estuary Conservation Programme	1,000	
Total additional requirements		4,500
Savings:		
Hardware, Software & ICT support	(2,000)	
Harbour Guide	(1,000)	
Total savings		(3,000)
Net additional requirements/(savings)		1,500
Supplies & Services Budget 2020/21		79,500

6) **Transport**

A budget for marine liability insurance has been introduced for 2020/21 and the fuel budget has been increased by £2,000 in line with previous year expenditure.

	£	£
Transport Budget 2019/20		51,000
Additional requirements & inflationary pressures:		
Marine Liability Insurance	5,000	
Fuel	2,000	
Total additional requirements		7,000
Savings:		
Car allowances	(500)	
Total savings		(500)
Net additional requirements/(savings)		6,500
Transport Budget 2020/21		57,500

7) **Central support and HQ costs**

The Harbour Master has undertaken a review of the officer time charged to the Harbour from the District Council. This has resulted in an overall increase of £9,200 mainly from Assets (£4,100), Finance (£2,500) and Health & Safety (£2,000).

	£	£
Central Support & HQ Budget 2019/20		45,000
Review of recharges and inflation	9,200	
Total additional requirements		9,200
Central Support & HQ Budget 2020/21		54,200

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 2020/21 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 2020/21.

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 was repaid early with a final payment of £114,000 being funded from the Pontoons Reserve. Therefore the only loan outstanding is for the new Pontoons Project which commenced on 1 October 2018 with an annual repayment of £12,800. Further details of this loan can be found in Appendix B.

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

There are a few revenue items which have been earmarked to be funded from reserves in 2020/21 as follows:

- A Workboat - £2,500
- 40/20hp Dory outboard engine - £5,000
- 70hp Workboat outboard engine - £6,000

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

12) **The overall expenditure position 2020/21**

	£
Total Expenditure Budget 2019/20	1,160,200
Net additional requirements/(savings)	21,100
Total Expenditure Budget 2020/21	1,181,300

13) **Income 2020/21**

Mooring Hire

A reduction in the income target for Mooring Hire of £4,300 has been built into the 2020/21 budget. Following the redistribution of moorings to increase Navigational efficiency within the Bag there is a net loss of resident swinging moorings (that moved into the area vacated by the Egremont).

Harbour Guide

As previously noted a reduction in advertising space has lowered the income generated by the Harbour Guide (£1,000) but this is offset by a reduction in design and publishing costs.

Pontoons

Following the redevelopment of the Dentrige Commercial Pontoon, capacity and therefore income has increased slightly, balanced by removing redundant moorings elsewhere.

Miscellaneous including towing charge

The harbour authority has continued to enforce the correct usage of shoreside berthing facilities to improve operational efficiency resulting in illegally berthed vessels removed at a charge.

	£	£
Total Income Budget 2019/20		(1,160,200)
Review of income targets		
Mooring Hire	4,300	
Harbour Guide	1,000	
Pontoons	(4,800)	
Miscellaneous including towing charge	(1,400)	
Net additional income		(900)
Reduced contributions from reserves		14,500
Total Income Budget 2020/21		(1,146,600)

14) **Budget deficit 2020/21**

	£
Total Expenditure Budget	1,181,300
Total Income Budget	(1,146,600)
Budget Deficit	34,700

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
Finance	Y	The report identifies a funding gap of £34,700 for 2020/21 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 16 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 2020/21
- 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