

Report to: **Salcombe Harbour Board**

Date: **20 September 2021**

Title: **2022/23 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 2022/23 budget set out within the report is approved.
2. The Board RECOMMENDS to Council that the proposed 2022/23 fees and charges as set out in Appendix C are approved for implementation from 1 April 2022.

1. Executive summary.

This report proposes the Salcombe Harbour Authority budget for 2022/23 and provides a forecast for 2021/22.

In addition, following a request from Members at the last budget meeting the report also proposes the fees and charges for 2022/23 which will ensure that the Harbour achieves a balanced revenue budget for 2022/23.

2. Background.

2.1 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:

- compliance with the Port Marine Safety Code
- supporting the retention of a competent and engaged workforce
- improving reserve funding to help serve the replacement programme and reduce future borrowing
- continuing to follow any future COVID secure/compliance legislation and working practice to protect our team and stakeholders

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:

4.1 Forecast 2021/22

Gross expenditure is set at £1.23 million in the 2021/22 balanced budget. As at 9th September 2021 a surplus of £89,800 (7.3%) is forecast for 2021/22 as detailed in Appendix A. This is mainly due to additional income from resident Harbour Dues, Visitor moorings and dues and Whitestrand summer berthing permits. The above is offset in part by extra expenditure on chain and shackles at £17,000 and rent to Duchy estimated at £11,500.

4.2 A detailed budget monitoring report for 2021/22 will be brought to the Board in November.

4.3 Budget 2022/23

The forecast position for 2022/23 is shown at Appendix A, with the 2021/22 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 2022/23 budget is based on the current staffing structure and assumes:

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

	£	£
Staffing Budget 2021/22		459,700
Additional requirements & inflationary pressures:		
Salaries and wages	16,700	
NI and superannuation	8,000	
Call Out and Standby allowances	10,500	
Staff training	1,000	
Employers Liability Insurance	500	
Total additional requirements		36,700
Savings:		
Recharge to Headquarters	(17,700)	
Total savings		(17,700)
Net additional requirements/(savings)		19,000
Staffing Budget 2022/23		478,700

b) Premises related expenditure

The main pressure in the Premises budget for 2022/23 relates to an increase in the price of chain and shackles estimated at £17,000. This is partly offset by a presentational change in the 2022/23 budget as the rent for the workshop is now shown within the loan repayments budget.

	£	£
Premises Budget 2021/22		380,100
Additional requirements & inflationary pressures:		
Chain and Shackles	17,000	
Cleaning	1,000	
Security Patrol	600	
Utilities	300	
Total additional requirements		18,900
Savings:		
Rent for Workshop	(16,800)	
Rent to Duchy	(400)	
Total savings		(17,200)
Net additional requirements/(savings)		1,700
Premises Budget 2022/23		381,800

c) Supplies and services

The Supplies and Services budget for 2022/23 has increased by £2,300. 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. This is in part balanced by savings in cash collection and office expenses.

	£	£
Supplies & Services Budget 2021/22		80,400
Additional requirements & inflationary pressures:		
Consultancy fees	5,000	
Miscellaneous including the AONB Estuary Conservation Programme	300	
Total additional requirements		5,300
Savings:		
Cash collection expenses	(2,000)	
Harbour Guide	(500)	
Postage	(500)	
Total savings		(3,000)
Net additional requirements/(savings)		2,300
Supplies & Services Budget 2022/23		82,700

d) Transport

The main additional requirement within transport relates to an increase in the insurance budget of £6,500 for 2022/23. This is to bring the insurance budget both for transport and marine liability in line with expenditure and to meet rising market costs.

	£	£
Transport Budget 2021/22		61,500
Additional requirements & inflationary pressures:		
Transport Insurance	6,500	
R & M – Crane and Launches	1,500	
Total additional requirements		8,000
Savings:		
Travel costs	(500)	
Total savings		(500)
Net additional requirements/(savings)		7,500
Transport Budget 2022/23		69,000

e) Central support and HQ costs

	£	£
Central Support & HQ Budget 2021/22		55,700
Inflation	1,100	
Total additional requirements		1,100
Central Support & HQ Budget 2022/23		56,800

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 2022/23 is shown in Appendix B.

Taking into account the budgeted reserve contributions for 2022/23, total reserve balances are anticipated to increase from £758,384 at 31 March 2022 to £853,884 as at 31 March 2023.

g) Contribution to a Council reserve

The Harbour contributes to the Council’s Marine Infrastructure reserve. The contribution to this reserve is proposed to continue at £58,000 in 2022/23.

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 is anticipated to be taken out on 1 April 2022 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 estimated annual loan repayment of £36,500 has been included in the 2022/23 budget at this stage.

i) Items to be met from reserves.

In 2022/23 one item of expenditure has been identified to be funded from Harbour reserves. This relates to the purchase of an engine up to £10,000 as shown in Appendix B. The specific nature of the engine will depend on operational demand in 2022/23.

j) The overall expenditure position 2022/23

	£
Total Expenditure Budget 2021/22	1,228,200
Net additional requirements/(savings)	68,100
Total Expenditure Budget 2022/23	1,296,300

k) Income 2022/23

Income levels have been reviewed in 2022/23 prior to the proposed changes to fees and charges for 2022/23.

	£
Total Income Budget 2021/22	(1,228,200)
Review of income budgets	
Pontoon income	2,100
Miscellaneous income	(2,000)
Reduction in interest due to historically low interest rates	100
Total Income Budget 2022/23	(1,228,000)

I) Budget deficit 2022/23

	£
Total Expenditure Budget	1,296,300
Total Income Budget	(1,228,000)
Budget Deficit 2022/23	68,300

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 2021/22 to 2022/23.

5.2 The net amount payable to the Council in 2022/23 is anticipated to increase by £3,600 to £41,600. This reflects the new loan repayment of £36,500 for the Harbour Workshop, offset by the current rent of £16,800 and an increase in the budgeted Harbour salary recharges to the Council of £17,700 to £152,900 for 2022/23.

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 2022/23 budget. The proposals are as follows:

6.2 Mooring hire is increased by 5% across the majority of the main facility types to partly cover the increased cost in running the harbour.

6.3 Kingsbridge pontoon charges are increased to proportionally match the facility that is offered (charges of other walk ashore foreshore pontoon facilities). This represents an increase from £325.08 to £414.81 inc. VAT per berth holder at current rates (27.5%). Kingsbridge pontoon charges have matched the smaller beam pontoon mooring charges elsewhere in the harbour since the new pontoon was installed, this discount was primarily to represent the restricted tidal access. It is now felt the facility benefits from a similar tidal access to the harbour's other walk ashore pontoon facilities, following dredging campaigns. However, the pontoon berths facilitate larger beams, up to 2.3m, offer a 12-month contract (unlike

the others at 7 months) and have individual finger berths, all representing a much better facility.

6.4 It is proposed that the restructuring of Resident Harbour Dues to more fairly proportion charges against vessels is adjusted per metre and per horsepower across all but rowed craft to generate the remaining budget gap. Visitor Harbour Dues and Moorings (including Town Landings) are frozen retaining a uniform pricing structure, as per the previous year.

Item	Proposed amendment	Comment
Harbour Dues: Annual dues (residents)	£9.50 p/m £0.90 p/hp	Charges are adjusted by metre and horsepower to more evenly spread the percentage change in costs.
Mooring Hire: Annual Deep Water (residents) Annual Foreshore (residents)	5.0% 5.0%	Reflects rising costs of undertaking statutory duties. This increase caters for part of the budget deficit.
Annual pontoons: Shadycombe Creek V Quay, Batson & Kingsbridge Fish Quay pontoon	5.0% 27.5%* 5.0%	*Kingsbridge pontoon charges brought into line with similar facilities as detailed above. Reflects rising costs of undertaking statutory duties. This increase caters for part of the budget deficit.
Foreshore/Deepwater Mooring Licences: All Areas	5.0%	

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 £68,300 for 2022/23 and the proposed changes to fees and charges will raise additional net income of £68,300 thereby addressing the current shortfall and balancing the 2022/23 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		The Council is currently revising its Corporate Strategy. This report supports the emerging priority of protecting our built and natural environment.
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 2022/23
- B. Salcombe Harbour Balances and Loans
- C. Budgeted Payments between Salcombe Harbour and SHDC for 2022/23
- D. Proposed Fees and Charges 2022/23

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