

Report to: **Salcombe Harbour Board**
Date: **18 September 2023**
Title: **2022/2023 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:

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Recommendations:

- 1. That the Board notes the income and expenditure variations for the 2022/23 financial year, notes the overall trading surplus of £156,524 and resolves to allocate this surplus to the Harbour's General (Revenue Account) Reserve.**
- 2. That the Board supports the payment of merit pay to the Harbour staff of up to £8,000 funded from the Harbour's General (Revenue Account) Reserve.**

1. Executive summary

- 1.1 This report advises Members of the Harbour's final trading position in 2022/23 together with brief details of the main variations from the original budget. A summary of harbour reserves and an analysis of the payments made between Salcombe Harbour and the District Council in 2022/23 have also been provided.

2. Background

- 2.1 The Harbour budget is agreed annually in the autumn by the Harbour Board and subsequently approved by Full Council. Budgeted revenue

expenditure for 2022/23 was set at £1,303,000 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. A trading surplus of **£156,524** has been achieved for 2022/23. This surplus equates to 12.0% of the budgeted turnover.
- 3.2 Often circumstances that arise throughout the year differ from the budgeted position, giving rise to financial variations. In 2020 the Covid-19 pandemic impacted in a way that was difficult to be anticipated and mitigated against. During the following year Salcombe certainly benefited from the 'staycation' trade. While travel abroad has now started to return to normality the harbour has remained busy. Visitor foreshore moorings were again fully booked across a much larger period of the season than normal and fair weather meant there were few restrictions in trade from sea. 2022, as per the previous year, also saw all resident facilities taken up including at Newbridge and Frogmore where historically there has been availability.
- 3.3 The 2022/23 surplus has mainly been generated from additional income received in the year. As part of the annual budget process the income targets are reviewed by the Harbour Master to ensure they are as realistic as possible. This has been a particularly challenging exercise both during and after the Covid pandemic. As income levels start to settle down this should become an easier task and all budgets will continue to be reviewed in detail as part of the budget setting process to ensure they are as realistic as possible.
- 3.4 Appendix 1 shows how the surplus of **£156,524** has been achieved in 2022/23. The main variations from budget are shown in the table below together with supporting notes to explain the significant movements:

	Budgeted expenditure / (income) £	Variations £	Variations %	£	
APPROVED NET BUDGET			-	-	
Reductions in expenditure/additional income					
Harbour dues income	(411,100)	(84,232)	(20.5%)		A
Mooring hire income	(500,500)	(77,899)	(15.6%)		B
Loan repayments	49,300	(36,500)	(74.0%)		C
Miscellaneous income	(40,200)	(20,287)	(50.5%)		D
Pontoon income	(210,100)	(12,300)	(5.9%)		E
Interest received	(300)	(8,500)	(2,833.3%)		F
Water Taxi income	(36,000)	(8,286)	(23.0%)		G
Sub total of variations				(248,004)	
Increases in expenditure/reductions in income					
Employees expenditure	478,700	38,612	8.1%		H
Premises related expenditure	388,500	32,072	8.3%		I
Transport related expenses	69,000	19,129	27.7%		J
Other minor variances		1,667	-		
Sub total of variations				91,480	
2022/23 SURPLUS				(156,524)	

Notes

A. **Harbour dues income** – Additional income of £84,232 was generated in 2022/23, equating to 20.5% of the budget. Another year with all resident moorings allocated, commercial operators busy and an increase in those boat arriving by road and launching into the harbour equates to the majority of this variation being derived from resident Harbour Dues. The remaining variation is from visiting yacht Harbour Dues driven again by good weather yet not quite matching the previous year.

B. **Mooring hire income** – Additional income of £77,899 was received in 2022/23. The majority of this variation is generated from visitor

mooring hire. This is predominantly from vessels arriving by land booking visitor foreshore facilities but also from deep water mooring use by visiting vessels from sea, given the good weather this about matches the previous year.

- C. **Loan repayments** – Due to the delay in the Harbour depot project the loan was not effective in 2022/23 and therefore the annual repayment of £36,500 was not due. This saving is partly offset by the rental on the existing Workshop of £16,815 included in note 'I' below.
- D. **Miscellaneous income** – Overall miscellaneous income has exceeded the budget by £20,287 in 2022/23. This variation is primarily associated with the sale of equipment which in this case includes scrap metal. The hire of our harbour plant, such as the crane and forklift also led to income exceeding budget, partly due to our assistance in the development/building of facilities at Batson Boatpark.
- E. **Pontoon income** – Additional income of £12,300 was received in 2022/23. Predominantly this constituted of monthly berthing permits relating to the use of the Whitestrand town landing pontoon, slipway and overflow pontoon. This remains very popular as it gives tenders (and now some customers only boat) a berthing option without waiting for an individual resident mooring or visitor foreshore booking option, despite getting very busy total income did not quite match 2021/22.
- F. **Interest received** – £8,800 of interest was received in 2022/23 compared to a budget of £300. This additional income reflects the increase in interest rates since the budget was set in September 2021. In addition the General (Revenue Account) Reserve balance is higher than anticipated due to the level of surpluses generated in 2021/22 and 2022/23.
- G. **Water taxi income** – income from the water taxi service was £8,286 (23%) higher than budgeted in 2022/23. Despite the taxi income low in 2020 due to the Covid-19 pandemic the use of the service has bounced back surpassing pre-covid levels, facilitated by the roll out of electronic POS equipment allowing card payments and a new credit card style swipe card. Additional staff have also been structured to facilitate extra cover over busy periods.
- H. **Employee expenditure** – Changes to pay scales, structure and a local government pay award of £1,925 per employee, along with associated costs, have led to the majority of the £38,612 overspend including a small proportion of overtime. The pay award was budgeted for at 2% (£11,400) and the actual cost was almost £30,000. Following 2020 where a lot of training was cancelled or postponed, expenditure on training has varied with more than the budget spent in 2021/22 and less in 2022/23 due to training timescales making it suitable to include more the previous year.

Harbour staff have also had to conduct external training in associated marine and other relevant skill sectors, again following the Covid lag, which we are more than happy to facilitate in time rather than expense, where these skills are relevant to the harbour.

- I. **Premises related expenditure** – this area of expenditure was £32,072 higher than anticipated in 2022/23. As mentioned above in note 'C' the expected loan repayment for the new workshop was not payable in 2022/23 generating a saving of £36,500 but this was offset by the (unbudgeted) rent on the existing workshop premises of £16,815. Another £15,556 of the variation relates to an increase in the rent paid to the Duchy based on the additional mooring and pontoon income generated in 2022/23. As mentioned in last year's outturn paper the installation of new chain on VH4, our largest single mooring has led to an overspend in the diving maintenance support budget. Utility charges have also increased due to the rise in wholesale prices. In contrast to the previous year savings were made against the chain and shackle budget, again following the effects of the Covid pandemic on year to year spending. Savings were also made against the security patrol budget where the agreed level of cover was not met, this contract has now finished with the provision of afloat personnel being increased in-house.
- J. **Transport related expenses** – this area of expenditure was £19,129 higher than anticipated in 2022/23 primarily resulting from increased fuel prices and the new legislation relating to the use of red diesel which has required us to purchase white diesel for our ashore plant. Our marine craft insurance has also increased by £5,000. Another item of note is that our forklift has had an unexpected major repair by the manufacturer.

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 2022/23 and contributions made to the reserves. In addition Appendix 2 contains a summary of the loans position with South Hams District Council (SHDC) as at 31 March 2023.

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 3. This compares the budgeted amounts and the actual payments for 2022/23. Overall there has been a net saving in the amount payable

to South Hams in 2022/23 of £28,407 mainly due to the delay in the Harbour Depot project and the additional interest received in 2022/23.

7. Proposed Way Forward

- 7.1 The 2022/23 accounts are being formally audited later this year.
- 7.2 With the support of the District Council it is felt appropriate to recognise the performance of the harbour staff through 2022 which has been another exceptionally challenging yet productive year, especially in terms of the ongoing Batson developments and the knock on effects to the Boatpark, winter storage and our stores.

It is recommended that the Board supports the payment of merit pay to the Harbour staff of up to £8,000 which will be distributed amongst all the full time staff in accordance with their spinal column points. The merit pay will be funded from the Harbour's General (Revenue Account) Reserve.

- 7.3 Looking ahead, the 2024/25 budget is a separate report on this agenda and the fees and charges will be considered by the Board in November 2023.

8. 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 £156,524 was generated in 2022/23. This will be transferred to the General (Revenue Account) Reserve. This surplus equates to 12.0% of the budgeted turnover. In addition it is recommended that the Board support the payment of Merit Pay for the Harbour Staff of up to £8,000 from the Harbour's General (Revenue Account) Reserve.
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 2022/23 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 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 1 – Salcombe Harbour Outturn 2022/23

Appendix 2 – Harbour Balances and Loans Outstanding 2022/23

Appendix 3 – Payments between Salcombe Harbour and SHDC in 2022/23

Background Papers:

None