

Report to: **Salcombe Harbour Board**

Date: **18 September 2023**

Title: **2024/25 Budget**

Portfolio Area: *Salcombe Harbour*

Wards Affected: **All**

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 2024/25 budget set out within the report is approved.**
- 2. To transfer £150,000 from the Harbour's General (Revenue Account) Reserve to the Renewals Reserve as part of closing the 2023/24 Accounts to earmark this funding to support the cost of replacing the moorings barge.**
- 3. To agree a date for a Harbour Workshop to review the fees and charges for 2024/25 in early October 2023.**

1. Executive summary.

1.1 This report proposes the Salcombe Harbour Authority budget for 2024/25 and provides a forecast for 2023/24. A separate report will be brought to the November Harbour Board meeting to propose the changes to fees and charges for next year to ensure that the Harbour achieves a balanced revenue budget for 2024/25.

2. Background.

2.1 The Salcombe Harbour Strategic Business Plan sets out the challenges and opportunities facing the Harbour. The proposed budget – attached to this report – continues to be 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.
- enhancing safety, awareness and educating harbour users
- providing quality facilities at a fair price
- improving reserve funding to help serve the replacement programme and reduce future borrowing.

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:

Forecast 2023/24

4.1 Gross expenditure is set at £1.399 million in the 2023/24 balanced budget. As at 5 September 2023 a surplus of £28,900 (2.1%) is forecast for 2023/24 as detailed in Appendix A. This is mainly due to additional income from resident Harbour Dues and Casual Foreshore moorings.

4.2 A detailed budget monitoring report for 2023/24 will be brought to the Board in November.

Budget 2024/25

4.3 The forecast position for 2024/25 is shown at Appendix A, with the 2023/24 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 2024/25 budget is based on the current staffing structure and reflects the changes to the security patrol with the service now being provided in-house. This has increased the staffing budget by £60,000 but is offset by a reduction in the security patrol budget of £50,600 shown within Premises related expenditure below. The 2024/25 staffing budget also includes:

- a 5% pay increase for 2024/25 (plus additional costs for the latest local government pay award offer of £1,925 per employee for 2023/24 amounting to £21,200).
- movement of staff through spinal column points where appropriate

	£	£
Staffing Budget 2023/24		507,500
Additional requirements & inflationary pressures:		
Salaries and wages	95,700	
NI and superannuation	35,500	
Overtime	2,000	
Total additional requirements		133,200

Savings:		
Recharge to Headquarters	(15,900)	
Total savings		(15,900)
Net additional requirements/(savings)		117,300
Staffing Budget 2024/25		624,800

b) Premises related expenditure

The main pressure in Premises related expenditure for 2024/25 relates to an increase in the Diving Maintenance Support budget alongside inflationary pressures for areas such as utilities. Once we move into the new Harbour Depot, we will be able to monitor usage and take advantage of the solar offset. It is possible that this budget will decrease in future years. The budgeted amount payable to the Duchy has increased by £4,300 following a review of income targets for 2024/25. The reduction in the Security Contract costs reflects the changes to the security patrol with the service now being provided in-house. This has increased the staffing budget by £60,000 but is partly offset by the reduction of £50,600 shown below.

	£	£
Premises Budget 2023/24		415,200
Additional requirements & inflationary pressures:		
Diving Maintenance Support	10,000	
Electricity	5,000	
Duchy Rent	4,300	
Navigation Aids	3,000	
Total additional requirements		22,300
Savings:		
Security Contract Costs	(50,600)	
Total savings		(50,600)
Net additional requirements/(savings)		(28,300)
Premises Budget 2024/25		386,900

c) Supplies and services

The Supplies and Services budget for 2024/25 has increased by £10,100. This mainly relates to an increase of £8,000 for our main software provider. This increase includes upgraded firewalls, licencing, ISO accreditation and server upgrades.

	£	£
Supplies & Services Budget 2023/24		89,400
Additional requirements & inflationary pressures:		
Hardware, software and IT maintenance	8,000	
Hire of equipment	1,400	
AONB Estuary Conservation Programme	700	
Total additional requirements		10,100
Supplies & Services Budget 2024/25		99,500

d) Transport

The main additional requirement within transport relates to an increase in the insurance budget of £5,100 for 2024/25 reflecting rising market costs. In addition, the fuel budget has been increased to reflect the current inflationary pressures and an additional budget of £1,500 has been included for ongoing R & M on the Forklift Truck.

	£	£
Transport Budget 2023/24		79,400
Additional requirements & inflationary pressures:		
Transport & Marine Liability Insurance	5,100	
Fuel	2,500	
Forklift Truck R & M	1,500	
Total additional requirements		9,100
Transport Budget 2024/25		88,500

e) Central support and HQ costs

The central support costs charged from the District Council have been reviewed for 2024/25. This has resulted in an increase in costs of £18,200 and mainly relates to an increase in officer time from finance (£10,200) and SLT support of £13,900. This is partly offset by reductions in other services such as Legal (£3,500).

	£	£
Central Support & HQ Budget 2023/24		59,700
Review of recharges	18,200	
Pay award	4,700	
Total additional requirements		22,900
Central Support & HQ Budget 2024/25		82,600

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 2024/25 is shown in Appendix B.

Taking into account the budgeted reserve contributions for 2024/25, total reserve balances are anticipated to increase from £1.065m at 31 March 2024 to £1.196m as at 31 March 2025.

The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Harbour to build up funds to meet known and potential financial commitments. Given the level of surpluses generated recently it is proposed to transfer £150,000 from the Harbour’s General (Revenue Account) Reserve to the Renewals Reserve

as part of closing the 2023/24 Accounts. This will allow the funding to be earmarked to support the significant cost of replacing the moorings barge. This will leave a projected balance of £235,600 in the General (Revenue Account) Reserve.

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 £63,000 in 2024/25.

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 are two loans with the District Council and these are detailed in Appendix B. They relate to the Pontoons Project which commenced on 1 October 2018 with an annual repayment of £12,800 and the recent Harbour Depot project with an annual repayment of £36,500. Further information regarding the Harbour Depot project can be found in the exempt report presented to the Harbour Board on 15 March 2021. Members will be aware that this project has experienced a delay in completion and the first loan repayment will be made in 2023/24 rather than 2022/23 as originally envisaged.

i) Items to be met from reserves.

In 2024/25 one item of expenditure has been identified to be funded from Harbour reserves. This relates to the purchase of an engine up to £15,000 as shown in Appendix B. The specific nature of the engine will depend on operational demand in 2024/25.

j) The overall expenditure position 2024/25

	£
Total Expenditure Budget 2023/24	1,398,500
Net additional requirements/(savings)	131,100
Total Expenditure Budget 2024/25	1,529,600

k) Income 2024/25

Income targets have been reviewed in 2024/25 prior to the proposed changes to fees and charges for next year.

	£
Total Income Budget 2023/24	(1,398,500)
Review of income budgets	
Mooring Hire – Casual Foreshore	(20,000)
Harbour Dues - Annual	(17,000)
Mooring Hire – Casual Deep Water	(5,000)
Interest - increase in interest rates	(12,100)
Total Income Budget 2024/25	(1,452,600)

l) Budget deficit 2024/25

	£
Total Expenditure Budget	1,529,600
Total Income Budget	(1,452,600)
Budget Deficit 2024/25	77,000

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 2023/24 to 2024/25.

5.2 The net amount payable to the Council in 2024/25 is anticipated to reduce by £5,100 to £30,300. This mainly relates to an increase in the central support costs charged from the District Council (£22,900) offset by an increase in the Harbour salary recharges to the Council of £15,900 and additional interest payable of £12,100 following the recent increase in interest rates.

6. Proposed Way Forward.

6.1 The Harbour Master is intending to hold a Fees & Charges Workshop in early October to review the current fees and charges and look at various options for 2024/25.

6.2 A separate report will then be brought to the November Harbour Board meeting to propose the changes to fees and charges for next year to ensure that the Harbour achieves a balanced revenue budget for 2024/25.

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 £77,000 for 2024/25 . A separate report will be brought to the November Harbour Board to propose the changes to fees and charges for next year to address this funding gap and ensure that the Harbour achieves a balanced revenue budget for 2024/25. The report recommends to transfer £150,000 from the Harbour's General (Revenue Account) Reserve to the Renewals Reserve as part of closing the 2023/24 Accounts to earmark this funding to support the cost of replacing the moorings barge.
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		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
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 2024/25
- B. Salcombe Harbour Balances and Loans
- C. Budgeted Payments between Salcombe Harbour and SHDC for 2024/25

Background Papers:

None