



Report No: **259/2009** Public Agenda Item: **Yes**

Title: **Harbour and Marine Services Budget and Harbour Charges 2010/11**

Wards Affected: **All Wards in Torbay**

To: **Harbour Committee** On: **7 December 2009**

Change to Budget: **Yes** Change to Policy Framework: **No**

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1. What we are trying to achieve

- 1.1 This report provides Members with the opportunity to consider the level of harbour charges to be levied by Harbour and Marine Services, on behalf of the Council as the Harbour Authority, in the next financial year and to consider the Harbour and Marine Services budget for 2010/11. This is being considered at this time to enable implementation and payment to be made in advance of the granting of facilities for the coming financial year.

2. Recommendations for decision

- 2.1 That, having had regard to the opinions expressed by the Harbour Liaison Forums, Members consider the recommendation from the Harbour Committee's Budget Working Party, to increase the harbour charges for 2010/11, by a representative average increase of 5% and approve the schedule of harbour charges set out in Appendix 1.
- 2.2 That the Harbour and Marine Services budget for 2010/11, based on a 5% increase in harbour charges (as set out in Appendix 2, to this report) be approved.
- 2.3 That Members approve the schedule of harbour charges set out in Appendix 3, which reflects the new VAT rate of 17.5% that will be applicable on existing charges for 2009/10 levied from the 1 January 2010.
- 2.4 That during 2010/11 the Budget Working Party should continue to review the full range of harbour charges, including commercial customers using the Torquay Harbour Town Dock and other harbour facilities.

3. Key points and reasons for recommendations

- 3.1 The provisional Harbour Estimates for 2010/11, together with the Original Approved Estimate for 2009/10 and Projected Outturn for 2009/10 are attached at Appendix 4 and reflect the likely operating position for the two harbour accounts for next year, without any increase in Harbour Charges.
- 3.2 It will be noted from Appendix 4 that before any increase in charges is applied, there is the likelihood of a £16,000 deficit at Torquay/Paignton Harbours and a deficit at Brixham Harbour of £37,000 for the 2010/11 financial year.
- 3.3 Appendix 5 provides a projection of future years budgets and forecasts a deficit position with depleted reserves for both harbours accounts before any growth in the income base. It also shows the position of both accounts after applying the cumulative effects of potential increases in user charges but without any growth in marina rental income.
- 3.4 An increase in Harbour Charges is estimated to produce the following additional annual income:

	<u>3%</u>	<u>5%</u>	<u>7%</u>
Torquay and Paignton Harbours	£13,173	£21,955	£30,737
Brixham Harbour	£6,195	£10,325	£14,931

- 3.5 The Harbour Committee's newly formed Budget Working Party held a meeting on the 11 November 2009 and this report represents the findings and recommendations of that group. The Budget Working Party is recommending that Harbour Charges be increased, on average, by 5% as shown at Appendix 1. For the purposes of comparison the current schedule of approved Tor Bay Harbour Charges 2009/10 (with VAT at 17.5%) is attached at Appendix 3.
- 3.6 Members are asked to note that all harbour charges that are subject to VAT will effectively increase by 2.5% on the 1 January 2010 due to the change in the VAT rate. The revised Schedule of Harbour Charges for 2009/10, showing reinstated VAT rate of 17.5% (where applicable) are set out in Appendix 3.
- 3.7 The Committee are asked to approve the recommended level of harbour charges for Tor Bay Harbour for 2010/11, having considered the budgetary implications set out in this report.
- 3.8 The Committee are also asked to approve the 2010/11 budget for Harbour and Marine Services.

For more detailed information on this proposal please refer to the supporting information.

Capt. Kevin Mowat
Executive Head of Harbour and Marine Services
Tor Bay Harbour Master

Pete Truman
Principal Accountant

Supporting information to Report 259/2009

A1. Introduction and history

A1.1 At the Harbour Committee meeting on 14 September 2009 it was resolved that a Budget Working Party should be formed to scrutinise the draft Harbour and Marine Budget for 2010/11 prior to presentation to the Harbour Committee. Membership of the Budget Working Party was agreed as Councillors Horne and Carter (C), Ms Hayes, Mr Jennings and supporting officers.

A1.2 The Harbour Committee's Budget Working Party held a meeting on the 11 November 2009 and recommended the following:

- that the Harbour Committee should establish a set of accounting principles;
- that the annual Budget Report should include details of planned capital spending;
- that details should be provided, in pie-chart format, showing the breakdown of internal support service charges;
- that the budget forecast details should show a column with the percentage variation between the previous year's original budget and the proposed budget;
- that the annual Budget Report should clearly indicate which budget lines are under pressure and more likely to be at risk to variation, complete with the reasons why.

A1.3 Before charges are reviewed Provisional Estimates indicate that the balances of the Harbour Reserve Funds as at 31 March 2011 could be in the region of:

Torquay and Paignton Harbours	£417,000	(£420,000)
Brixham Harbour	£383,000	(£448,000)

A1.4 These balances fall below the minimum target levels recommended by the Review of Reserves approved by Cabinet in November 2009 (shown in brackets above).

A1.5 There is uncertainty over future levels of income and expenditure as outlined in A2.3 below and this will put significant pressure on the Harbour accounts over the coming years. It is therefore important that as well as keeping pace with rising costs, income levels from user charges, rent and other sources, are sufficient to mitigate these pressures and provide the ability to raise the current Reserve levels.

A1.6 The table below indicates the increase in charges in recent years, compared with the retail price index (RPI) taken at the April point of the previous year. In the last five years increases of 5%, 7%, 3%, 3%, and 3% have been applied. The table further illustrates the balance of the combined reserves at 1 April of the previous charges year.

Charges Year	Overall Increase	Actual RPI	Combined Reserve Levels
2010/11	5%	-1.2%	£913,342
2009/10	5%	4.2%	£867,793
2008/09	7%	4.5%	£1,194,717
2007/08	3%	2.6%	£1,314,146
2006/07	3%	3.2%	£1,308,031
2005/06	3%	2.5%	£1,146,041

A1.7 Capital Plan/Budget

The items identified in the table below are currently in the Harbour Committee's Capital Plan/Budget.

Capital Item	Project Year or Reserve List	Total Budget £000	Actual to Date (including prior years) £000	Projected Outturn £000
Torquay Harbour – Town Dock	2008	1,140	1,127	1,153
Torquay Harbour – Haldon Pier (Phase 1)	2009	1,200	178	1,800
Brixham Harbour – Various Repairs	2006 to 2008	640	647	647
Brixham Harbour – New Fish Quay & Commercial Units	2008 to 2010	4,750	0	4,750
Brixham Harbour - Breakwater Repairs	Reserve List Band 1	150	0	150
Brixham Harbour - Oxen Cove Slipway improvement works	2010	60	0	60
Torquay Harbour - Haldon Pier (Phase 2)	Reserve List Band 1	5,000	0	5,000
Torquay Harbour – Princess Pier	Reserve List Band 1	3,500	0	3,500
Torquay Harbour – Inner Harbour Pontooning	Reserve List Band 1	1,000	0	1,000
Torquay/Brixham Harbour – Passenger ferries pontoon facilities	Reserve List Band 1	600	0	600
Torquay Harbour – replacement crane	Reserve List Band 3	45	0	45

A1.8 Harbour Accounts – Financial Principles

The Harbour Committee are asked to note the following recommended financial principles for the harbour accounts:

- both harbour accounts should be ring-fenced (assured);
- any operating surplus will pass to the relevant harbour reserve fund;
- operating deficits will be met from the relevant harbour reserve fund;
- the approved budget should not have a forecast surplus or deficit that exceeds £50,000;
- harbour reserve levels should aim to be at least the minimum target levels recommended by the Review of Reserves approved by Council each year;
- all budget lines are properly risk assessed prior to recommendation to the Harbour Committee;
- the Harbour Authority should seek to maximise external funding opportunities;
- the cost of borrowing should be monitored so that the harbour accounts are not over extended.

A1.9 Significant variations to harbour charges

This report recommends that Harbour Charges be increased, on average, by 5%. However, certain charges are subject to a more significant variation as set out below:

- It is recommended that private vessel harbour dues at Paignton/Brixham and harbour dues for small passenger vessels, are increased to the same level as private vessel harbour dues at Torquay and that this increase should be staged between now and April 2012. Harbour authorities have powers to raise harbour dues to pay for the discharge of their legal obligations. The right to use a harbour for the shipping and unshipping of goods, or the embarkation or disembarkation of passengers, is subject to the payment of dues. A Harbour Authority must ensure that adequate resources are available to discharge marine safety obligations and set the harbour dues accordingly. It is not acceptable for dues to be set – and exceptions, special rates and waivers agreed – which compromise the Council's obligation as a harbour authority. The power to levy dues is conferred to ensure that users pay for the discharge of an authority's legal functions. It follows that each harbour authority has a duty to raise at least sufficient funds in dues to provide the resources needed fully to discharge these functions.
- It is recommended that outer harbour mooring fees and trot mooring fees for fishing vessels at Brixham are increased to the same level as private vessel mooring fees in Brixham and that this increase should be staged between now

and April 2012. The cost of providing the mooring is the same regardless of the end user.

- Cargo dues have been increased in response to an increase in demand.
- The registration fee for personal watercraft (jet-skis) has been increased to reflect the processing time.
- Boat park charges for multi-hull vessels have increased to allow for the actual space occupied.
- A maximum length limit is being set for horizontal racks at Paignton harbour.
- A new charge is being introduced for reserved car park spaces on South Quay Paignton.
- Storage locker charges at Paignton harbour have increased in line with charges in the private sector.
- A new administration charge is being introduced.
- The licence fee for Fish Salesmen has increased and the licence fee for a Fish Buyer has risen to the same level as a Fish Salesmen's licence.
- The cost of a Contractor's Pass has increased above 5%.

A2. Risk assessment of preferred option

A2.1 Outline of significant key risks

The major risk associated with this report is not presenting a realistic budget resulting in major operational deficits to be funded from the Harbour Reserves. Depletion of these Reserves would eventually require support from the Council's Revenue Fund to meet the operational deficits. Accordingly the Executive Head of Harbour and Marine Services has recommended a budget that will meet the operational requirements of the Harbours for the forthcoming year in line with prudent expectations for income.

- A2.2 There is a potential risk of customer resistance to increasing Harbour Charges resulting in a shortfall in targeted income. The Executive Head of Harbour and Harbour and Marine Services has evaluated this risk in line with demand levels for services and the need for harbour income to keep pace with costs. The level of risk is further mitigated by the consultation process with the Harbour User Associations and both of the Harbour Liaison Forums.

- A2.3 Specific risks and budget line pressures are explained in the table below when read in conjunction with Appendix 2.

Key	Risk and/or pressure to budget line
A	The contingency for Job Evaluation has been removed with the exception of a small residual provision while appeals are ongoing
B	Town Dock operating costs remain uncertain

C	Internal support services costs are difficult to forecast or control
D	Capital finance charges may increase if further borrowing is required to fund repairs to critical infrastructure i.e. Haldon/Princess Piers
E	Marina rental income is unpredictable due to the recession
Key	Risk and/or pressure to budget line
F	Income from harbour dues is difficult to forecast as occupancy levels could drop due to the recession and the possible impact of higher than average increases in dues at Paignton & Brixham
G	Interest rates are forecast to remain low but could rise sharply at short notice
H	A reduction in employee costs is possible due to the waiving of superannuation contributions by some employees but any saving cannot be relied upon until year end
J	The Brixham repairs and maintenance budget is prone to overspend
K	Rents and rights income will remain under pressure due to the disruption caused by the fishmarket redevelopment
L	There is continued uncertainty over the future levels of fish toll income because of the Common Fisheries Policy, quota allowances, etc.
M	This assumes that additional income will be generated by recharging electricity to fishing vessels and/or by reducing overall power consumption

A3. Other Options

- A3.1 Make no change to the level of harbour charges and accept increased operational deficits for 2010/11 and future years.

A4. Summary of resource implications

- A4.1 The recommendations will not have any detrimental effect on resources.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

- A5.1 The recommendations will not have any detrimental effect on equalities, environmental sustainability or crime and disorder.

A6. Consultation and Customer Focus

- A6.1 Consultation with the Brixham Harbour Liaison Forum and the Torquay/Paignton Harbour Liaison Forum commenced in September 2009 and continued in November 2009. The responses from both the Torquay/Paignton Harbour Liaison Forum and the Brixham Harbour Liaison Forum will be circulated prior to the meeting in the form of minutes of the meetings. This year individual Harbour User Associations have not been asked to comment directly on the proposed increases in harbour charges. However, the Chairman of each Association has had the opportunity to comment at the Liaison Forum meetings and where such comments have been received they have been recorded in the relevant minutes.

A7. Are there any implications for other Business Units?

- A7.1 No

Appendices

- Appendix 1 Schedule of Tor Bay Harbour Charges 2010/11 showing a representative average increase of 5%.
- Appendix 2 Provisional Harbour Estimates for 2010/11 & Original Estimates for 2009/10 with an average 5% increase in Harbour Charges.
- Appendix 3 Existing Layout and Schedule of Tor Bay Harbour Charges 2009/10 (VAT at 17.5%).
- Appendix 4 Provisional Harbour Estimates for 2010/11 & Original Estimates for 2009/10 with no increase in Harbour Charges.
- Appendix 5 Projected Harbour Estimates for Future Years
- Appendix 6 Torquay & Paignton Harbour Account - Estimated Internal Support Service Charges 2010/11
- Appendix 7 Brixham Harbour Account - Estimated Internal Support Service Charges 2010/11

Documents available in members' rooms

None

Background Papers:

The following documents/files were used to compile this report:

Schedule of Tor Bay Harbour Charges 2009/10
Tor Bay Harbour Act 1970
Tor Bay Harbour (Torquay Marina Act &c.) Act 1983
Minutes of Torquay & Paignton Liaison Forum – November 2009
Minutes of Brixham Harbour Liaison Forum – November 2009