



Report No: **359/2008** Public Agenda Item: **Yes**

Title: **Harbour and Marine Services Budget and Harbour Charges 2009/10**

Wards Affected: **All Wards in Torbay**

To: **Harbour Committee** On: **8 December 2008**

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 2009/10. 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 and the Harbour User Groups, Members consider three proposals, to increase the harbour charges for 2009/10, by either a representative average 3% or by a representative average increase of 5% or by a representative average increase of 7%**
- 2.2 **That the Harbour and Marine Services budget for 2009/10, based on either a 3%, 5% or 7% increase in harbour charges (as set out in Appendix 3, Appendix 4 and Appendix 5 to this report) be approved.**
- 2.3 **That in accordance with minute 395(iii)/12/07 non-commercial customers previously displaced by the Torquay Harbour Town Dock continue to be given a phased increase to the charges being proposed for new non-commercial customers.**

- 2.4 That Members note a VAT rate of 15% on relevant charges as set out in Appendices 7, 8 and 9 to this report will be applicable on charges for facilities covering the full year period and that residual charges levied after 31<sup>st</sup> December 2009 will include a new VAT rate of 17.5% at which time an amended schedule will be presented to this Committee for approval.**
- 2.5 That during 2009/10 Harbour and Marine Services continue to review the harbour charges for 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 2009/10, together with the Original Approved Estimate for 2008/09 and Projected Outturn for 2008/09 are attached at Appendix 1 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 1 that before any increase in charges is applied, there is the likelihood of a break-even position at Torquay/Paignton Harbours and a deficit at Brixham Harbour of £62,000 for the 2009/10 financial year.
- 3.3 Appendix 2 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 and 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	£11,500	£19,200	£27,000
Brixham Harbour	£6,100	£10,100	£14,200

- 3.5 It is recommended that Harbour Charges be increased, on average, by either 3% as shown at Appendix 7 or on average 5% as shown at Appendix 8 or on average 7% as shown at Appendix 9. For the purposes of comparison the current schedule of approved Tor Bay Harbour Charges 2008/09 is attached at Appendix 6.
- 3.6 The Schedule of Charges at Appendices 7, 8 and 9 carry the current rate of VAT of 15% (where applicable). For charges covering the whole year the 15% rate will apply to the full period. For charges levied after 31 December 2009 a new VAT rate of 17.5% will apply and a revised Schedule reflecting this increase will be presented to the Harbour Committee in December 2009.
- 3.7 The Committee are asked to decide on the appropriate level of harbour charges for Tor Bay Harbour for 2009/10, having considered the budgetary implications set out in this report.
- 3.8 The Committee are also asked to approve the 2009/10 budget for Harbour and Marine Services.

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

**Capt Kevin Mowat  
Executive Head – Harbour and  
Marine Services**

**Pete Truman  
Principal Accountant**

## Supporting information to Report 359/2008

### A1. Introduction and history

A1.1 Before charges are reviewed Provisional Estimates indicate that the balances of the Harbour Reserve Funds as at 31 March 2010 could be in the region of:-

Torquay and Paignton Harbours	£292,600
Brixham Harbour	£356,700

A1.2 These balances fall below the minimum target levels recommended by the Review of Reserves approved by Council in November 2008.

A1.2 Factors such as the continued uncertainty over future levels of fish toll income at Brixham and the requirement for extensive structural repairs to the piers at Torquay pose significant pressures for 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, and other sources, are sufficient to mitigate these pressures and provide the ability to raise the current Reserve levels.

A1.3 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 7%, 3%, 3%, 3%, and 3.5% have been applied. The table further illustrates the balance of the combined reserves at 1<sup>st</sup> April of the previous charges year.

Charges Year	Overall Increase	Actual RPI	Combined Reserve Levels
2009/10	To be determined	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
2004/05	3.5%	3.1%	£1,164,491

### 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.

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.

### **A3. Other Options**

A3.1 Make no change to the level of harbour charges and accept increased operational deficits for 2009/10 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 Torquay/Paignton Harbour Liaison Forum was undertaken in November 2008. 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. Individual Harbour User Associations have also been asked to comment on the proposed increases in harbour charges. (Related correspondence will be circulated as appropriate).

### **A7. Are there any implications for other Business Units?**

A7.1 No

### **Appendices**

Appendix 1 Provisional Harbour Estimates for 2009/10 & Original Estimates for 2008/09 with no increase in Harbour Charges.

Appendix 2 Projected Harbour Estimates for Future Years

Appendix 3 Provisional Harbour Estimates for 2009/10 & Original Estimates for 2008/09 with a 3% increase in Harbour Charges.

Appendix 4 Provisional Harbour Estimates for 2009/10 & Original Estimates for 2008/09 with a 5% increase in Harbour Charges.

Appendix 5 Provisional Harbour Estimates for 2009/10 & Original Estimates for 2008/09 with a 7% increase in Harbour Charges.

Appendix 6 Existing Layout and Schedule of Tor Bay Harbour Charges 2008/09 (VAT at 15%).

Appendix 7 Schedule of Tor Bay Harbour Charges 2009/10 showing a representative average increase of 3%.

Appendix 8 Schedule of Tor Bay Harbour Charges 2009/10 showing a representative average increase of 5%.

Appendix 9 Schedule of Tor Bay Harbour Charges 2008/09 showing a representative average increase of 7%.

Appendix 10 Letter to Harbour User Groups.

**Documents available in members' rooms**

None

**Background Papers:**

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

Schedule of Tor Bay Harbour Charges 2008/09

Tor Bay Harbour Act 1970

Tor Bay Harbour (Torquay Marina Act &c.) Act 1983

Minutes of Torquay & Paignton Liaison Forum – November 2008

Minutes of Brixham Harbour Liaison Forum – November 2008