



Report No: **296/2010** Public Agenda Item: **Yes**

Title: **Tor Bay Harbour Authority Budget and Harbour Charges 2011/12**

Wards Affected: **All Wards in Torbay**

To: **Harbour Committee** On: **6 December 2010**

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 Tor Bay Harbour Authority, on behalf of the Council as the Harbour Authority, in the next financial year and to consider the Tor Bay Harbour Authority budget for 2011/12. 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 2011/12, by a representative average increase of 2.5% and approve the schedule of harbour charges set out in Appendix 1.
- 2.2 That the Tor Bay Harbour Authority budget for 2011/12, based on a 2.5% increase in harbour charges (as set out in Appendix 2, to this report) be approved.
- 2.3 That during 2011/12 the Tor Bay Harbour Budget Working Party should continue to review the full range of harbour charges, monitor the revenue budget, and recommend a budget for 2012/13.

3. Key points and reasons for recommendations

- 3.1 The provisional Harbour Estimates for 2011/12, together with the Original Approved Estimate for 2010/11 and Projected Outturn for 2010/11 are attached at Appendix 3 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 3 that before any increase in charges is applied, there is the likelihood of a £11,000 deficit on the Torquay/Paignton Harbour account and a deficit on the Brixham Harbour account of £56,000 for the 2011/12 financial year.
- 3.3 Appendix 4 provides a projection of future years budgets and forecasts a deficit position with depleted reserves for both harbour 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>2.5%</u>	<u>5%</u>
Torquay and Paignton Harbours	£11,000	£22,000
Brixham Harbour	£5,800	£11,600

- 3.5 The Harbour Committee's Budget Working Party held a meeting on the 12 November 2010 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 2.5% as shown at Appendix 1.
- 3.6 Members are asked to note that all harbour charges that are subject to VAT have increased by 2.5% as from 1 January 2011 due to the change in the VAT rate.
- 3.7 The Committee are asked to approve the recommended level of harbour charges for Tor Bay Harbour for 2011/12, having considered the budgetary implications set out in this report.
- 3.8 The Committee are also asked to approve the 2011/12 budget for Tor Bay Harbour Authority.

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

Capt. Kevin Mowat
Executive Head of Tor Bay Harbour Authority
Tor Bay Harbour Master

Pete Truman
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Supporting information to Report 296/2010

A1. Introduction and history

A1.1 The Harbour Committee's Budget Working Party, which was formed on 14 September 2009, has continued to scrutinise the approved Tor Bay Harbour Authority budget for 2010/11 and they have made recommendations for a proposed budget for 2011/12. Membership of the Budget Working Party was agreed as Councillors Horne and Carter (C), Ms Hayes, Mr Jennings and supporting officers.

A1.2 The most recent meeting of the Harbour Committee's Budget Working Party was held on the 12 November 2010. In 2009 the Working Party established the following guidelines:

- 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 2012 could be in the region of:

Torquay and Paignton Harbours	£494,000	(£440,000)
Brixham Harbour	£399,000	(£458,000)

A1.4 The Brixham Harbour balance falls below the minimum target level recommended by the Review of Reserves approved by Cabinet (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%, 5%, 7%, 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
2011/12	2.5%	5.5%	£958,671
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 2.5%. However, certain charges are subject to a more significant variation as set out below:

- The harbour dues for small passenger vessels continue the previously agreed staged increase to the same level as private vessel harbour dues at Torquay and this increase will be completed by April 2012.
- The outer harbour mooring fees and trot mooring fees for fishing vessels at Brixham continue the previously agreed staged increase to the same level as private vessel mooring fees in Brixham and this increase will be completed by April 2012. The cost of providing the mooring is the same regardless of the end user.
- A cap has been introduced on charges for visiting vessels over 15 metres in length.
- A new launching and recovery pass for commercial users has been introduced.
- Some visitor charges have increased beyond 2.5% for ease of collection.
- Passenger dues have increased following a benchmarking exercise and to reflect the wear and tear on harbour infrastructure.
- Certain parking charges have increased by more than 2.5% at Paignton harbour.

- Storage locker charges at Paignton Harbour continue to increase in line with charges in the private sector.
- Labour and equipment hire charges have been adjusted to better reflect the cost of providing the service.

A1.10 Last year the Harbour Committee agreed that private vessel harbour dues at Paignton/Brixham should be increased to the same level as private vessel harbour dues at Torquay and that the increase should be staged between April 2010 and April 2012. The Harbour Committee's Budget Working Party has recommended that the staged increase should not apply this year and that officers should consult further with stakeholders at Brixham and Paignton harbours. This consultation should aim to determine and agree the differences between the three enclosed harbours, in respect of harbour dues, and identify a factor to be applied in future years.

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 Tor Bay Harbour Authority 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 Tor Bay Harbour Authority 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	Budgets for Employee Costs have been increased to reflect changes in pay agreements for staff working outside of normal hours. A reduction in outturn costs is possible due to the waiving of superannuation contributions by some employees but any saving cannot be relied upon until year end.
B	Spending cuts have been applied to Repair and Maintenance budgets for 2011/12. The Brixham repairs and maintenance budget is prone to overspend.
C	Town Dock operating costs remain uncertain.
D	Internal support services costs are difficult to forecast or control. A target reduction has been built into the 2011/12 figures to anticipate corporate spending reductions.

E	Capital finance charges may increase if further borrowing is required to fund repairs to critical infrastructure i.e. Haldon/Princess Piers
F	Marina rental income is unpredictable due to the uncertain economic climate. No change has been assumed from the 2009/10 outturn until new operating figures are received.
G	Income from harbour dues is difficult to forecast as occupancy levels could drop due to the uncertain economic climate.
H	Interest rates are forecast to remain low.
J	Rent concessions at Brixham have reduced following the vacating of premises by Brixham 21.
K	New rental streams generated by the Brixham Regeneration project are reflected in the 2011/12 figure but the figure does not anticipate full occupancy.
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 and water to fishing vessels.

A3. Other Options

A3.1 Make no change to the level of harbour charges and accept increased operational deficits for 2011/12 and future years.

A4. Summary of resource implications

A4.1 The implications on resources are evident within the report.

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 2010 and continued in November 2010. 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. The Torquay Harbour Users Association did not want any increase in harbour charges. User groups at Paignton and Brixham felt that a 2.5% increase would be acceptable but they were against closing the gap in the harbour dues (see A1.10 above).

A6.2 The Executive Head of Tor Bay Harbour Authority has benchmarked other Harbour Authorities and the results are displayed in the table below:

Harbour Authority	% Increase in Charges 2011/12
Cornwall	5.0
Truro & Penryn	4.6
Teignmouth	3.0
Torbay	2.5

Dartmouth	0
Salcombe	2.0
Weymouth	2.0

A7. Are there any implications for other Business Units?

A7.1 No

Appendices

- Appendix 1 Schedule of Tor Bay Harbour Charges 2011/12 showing a representative average increase of 2.5%.
- Appendix 2 Provisional Harbour Estimates for 2011/12 & Original Estimates for 2010/11 with an average 2.5% increase in Harbour Charges.
- Appendix 3 Provisional Harbour Estimates for 2011/12 & Original Estimates for 2010/11 with no increase in Harbour Charges.
- Appendix 4 Projected Harbour Estimates for Future Years
- Appendix 5 Torquay & Paignton Harbour Account - Estimated Internal Support Service Charges 2011/12
- Appendix 6 Brixham Harbour Account - Estimated Internal Support Service Charges 2011/12

Documents available in members' rooms

None

Background Papers:

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

Schedule of Tor Bay Harbour Charges 2010/11
Tor Bay Harbour Act 1970
Tor Bay Harbour (Torquay Marina Act &c.) Act 1983
Minutes of Torquay & Paignton Liaison Forum – November 2010
Minutes of Brixham Harbour Liaison Forum – November 2010