



Meeting: Harbour Committee

Date: 23rd June 2014

Wards Affected: All wards in Torbay

Report Title: Tor Bay Harbour Authority Budget Monitoring 2014/15

Executive Lead Contact Details: Non-Executive Function

Supporting Officer Contact Details: Kevin Mowat
Executive Head of Tor Bay Harbour Authority
Tor Bay Harbour Master

 **Telephone: 01803 292429 (Ext 2724)**

 **E.mail: Kevin.Mowat@torbay.gov.uk**

Pete Truman

Principal Accountant

 **Telephone: Ext 7302**

 **E.mail: Pete.Truman@torbay.gov.uk**

1. Purpose

- 1.1 This report provides Members with projections of income and expenditure for the year 2014/15 compared with approved budgets.
- 1.2 This report identifies the overall budgetary position for Tor Bay Harbour Authority as at end of May 2014 to enable appropriate action to contain expenditure and maintain reserves at appropriate levels.
- 1.3 The Committee is asked to note that the amended outturn positions of the two harbour accounts and adjustments to the Reserve Funds shown in Appendix 1.
- 1.4 The Committee is asked to note the Executive Head of Harbour Tor Bay Harbour Authority's use of delegated powers to make decisions in relation to the budget allocated to Tor Bay Harbour.
- 1.5 The Committee is asked to note the Harbour Master's use of delegated powers to waive certain harbour charges, which this financial year amounted to £1,297.86 (excl VAT) and which were spread across both Harbour accounts. No additional charges have been levied.

2. Summary

- 2.1 The Tor Bay Harbour Authority budget was approved by the Harbour Committee on 16th December 2013.

- 2.2 This is the first budget monitoring report presented to the Harbour Committee for the financial year 2014/15.
- 2.3 Torquay Harbour has benefited from additional income from the successful inner harbour pontoon scheme. However, the Torquay & Paignton account also reflects costs resulting from the severe storms earlier in the year for which funding sources are being investigated. The Brixham account is expecting to suffer from a decline in fish toll income.

Supporting Information

3. Position

3.1 The projected outturn at Appendix 1 reflects amendments to the budget made within the Executive Head of Tor Bay Harbour Authority's delegated powers. Details of each amendment can be found in the associated note.

3.2 The performance against budget is summarised below:

	Original Budget 2014/15	Projected Outturn 2014/15
	£000	£000
Torquay and Paignton Harbours Surplus/(Deficit)	(9)	(17)
Brixham Harbour Surplus/(Deficit)	(35)	(64)

3.3 The current progress of Harbour capital schemes is detailed below:

	Total Budget	Actual to Date (including prior years)	Projected Outturn	Notes
	£000	£000	£000	
Environment Agency grant funding for Torquay Harbour – Haldon & Princess Piers	1,272	337	1,272	(i)
Brixham Harbour – Various Repairs	240	252	252	(ii)
Brixham Breakwater Repairs	100	100	100	(iii)
Torquay Inner Harbour Pontoons	800	770	912	(v)

- (i) An initial application for external funding from the Environment Agency was successful and the grant of approximately £1.3m is currently being used for Phase 2 which commenced in the autumn of 2011 and further work followed in winter 2012. Work towards a further bid of funding from the Environment Agency is now being finalised. In May 2014 a Partnership Funding Bid was submitted to the Local Enterprise Partnership for £4.57m towards essential flood defence work for these Piers.
- (ii) Essential repair work was required to the quay edge capping, access ladders and fenders within the fishing vessel basin. Funding for this spend has been approved from the Brixham Harbour reserve and work is now complete. The final cost has slightly exceeded the original budget.
- (iii) The Environment Agency (EA) has approved £150k within their medium-term financial plan (2014/15) but the Council's Engineers have now secured Local Levy funding from the EA to undertake these works in 2014.
- (iv) This project was approved by Council in February 2013 for delivery in March 2014. Unfortunately, additional costs have been incurred due to the need to rock-socket some of the steel piles.

3.4 The Harbour's liability for prudential borrowing is detailed in the following table

Capital Scheme	Amount Borrowed	Start of Repayments	Principal outstanding at 1st April 2014
Town Dock (Torquay Harbour)	£1,140,000	2008/09	£836,642
Haldon Pier (Torquay Harbour)	£1,200,000	2010/11	£1,084,157
Brixham Harbour New Fish Quay Development	£4,750,000	2011/12	£4,365,151
Torquay Inner Harbour Pontoons (Inner Dock)	£800,000	2014/15	£800,000
		TOTAL	£7,085,950

3.5 The Tor Bay harbour Authority debt position at the end of May 2014 is set out in the table below:-

	Corporate Debtor System		HMS	
	Unpaid by up to 60 days	Unpaid over 60 days	Unpaid by up to 60 days	Unpaid over 60 days
Debt outstanding	£19k	£66k	£67k	£144k
Bad Debt Provision	£16k		N/A	

The Harbour Management System (HMS) debt does not have a separate bad debt provision because the income is not credited until it is received. However, following the recent internal audit report the Executive Head of Torbay Harbour Authority has determined that the overall debt position should be shown to the Harbour Committee on each budget monitoring report.

3.6 Under the Council's Scheme of Delegation the Harbour Master can vary (by addition or waiver (in full or as to part)) the approved Schedule of Harbour Charges in such manner as shall be considered reasonable. However, the Harbour Master shall maintain a proper written record of all variations approved using the delegated powers and shall, at least twice a year, report to the Harbour Committee the total value of the additional charges levied and the total value of the charges waived (see paragraph 1.5).

3.7 Harbour Committee minute 398 (5) from December 2011 states the following :-

“That, as recommended by the Harbour Committee’s Budget Working Party, each harbour reserve fund is split with 20% of budgeted turnover ring-fenced to meet any deficit in the revenue budget or winter storm damage and the balance ring-fenced to fund harbour related capital projects.”

Consequently the Executive Head of Tor Bay Harbour Authority, in consultation with the Chairman of the Harbour Committee, has produced a list of Harbour Reserve Funds projects attached as Appendix 2. The Committee is asked to note this list and the obvious ongoing need for healthy Harbour Reserve Funds.

3.8 In December 2013 the Harbour Committee was reminded that Torbay Council's General Fund budget was facing a significant shortfall of some £22m over the period 2014/15 through 2015/16 and that all council business units had been asked to make further savings and/or look at income opportunities to help reduce the corporate deficit. Consequently the Harbour Committee agreed to make an additional contribution to the Council's General Fund to the equivalent value of £150,000 for the years 2014/15 and 2015/16. Since December 2013 further pressure has been placed on the Council's overall budget position and the Executive Head of Tor Bay Harbour Authority and the Chair of the Harbour Committee have been asked to consider a further contribution to the Council's General Fund of £160,000 for 2015/16.

3.9 The additional request for funding outlined in 3.8 above has been considered by the Harbour Committee's Budget Review Working Party to see what could be achieved. As a result of this process the Budget Review Working Party will be able to make a number of recommendations (see Appendix 3) that would achieve the requested level of contribution, when the Harbour Committee sets the harbour budget in December. However, the Harbour Committee's Budget Review Working Party were very clear that such a contribution should be viewed as a one-off event and was not in their opinion something that could be sustained.

3.10 It is important for the Council's overall budget setting process that the Harbour Committee considers, in principle, whether or not the recommendations set out in Appendix 3 can be achieved when the 2015/16 Tor Bay Harbour Authority budget is set later this year.

3.11 If the Council continues to request a significant contribution to the General Fund in the form of a cash dividend and asset rental fee there is a significant risk that the Harbour Authority will be unable to remain self funding. In that situation the Harbour Authority would require a precept from the General Fund and this scenario would be contrary to government best practice for the management of municipal ports.

Appendices

Appendix 1	Harbour Revenue Accounts for 2014/15
Appendix 2	Harbour Reserve Funds Project List
Appendix 3	Proposed Budget Adjustments for 2015/16

Additional Information

None