



Meeting: Harbour Committee

Date: 15th December 2014

Wards Affected: All wards in Torbay

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

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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 October 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 combined harbour account 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 £3,021.31 (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 third budget monitoring report presented to the Harbour Committee for the financial year 2014/15.
- 2.3 The Harbour Revenue account continue to suffer from a decline in income streams particularly fish toll income at Brixham. Torquay Harbour though has benefited from additional income from the successful inner harbour pontoon scheme. Robust spending control measures by the Executive Head of Tor Bay Harbour have succeeded in reducing the projected overspend.

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 In line with the recommendations of the Harbour Committee meeting on the 23rd June 2014 Appendix 1 now shows the consolidated position of the Harbour Authority. i.e. the income, expenditure and reserve fund position relating to all harbour operations across the Bay.
- 3.2 The performance against budget is summarised below:

	£000
Original Budget 2014/15	(44)
Current Budget 2014/15	(99)
Projected Outturn 2014/15	(164)

- 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	466	1,272	(i)
Torquay Inner Harbour Pontoons	800	912	912	(ii)

- (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. Additional underwater repairs to both Princess and Haldon Piers are scheduled to take place between January & March 2015. Work towards a further bid of funding from the Environment Agency has now been submitted. In May 2014 a Partnership Funding Bid was submitted to the Local Enterprise Partnership (LEP) for £4.57m towards essential flood defence work for these Piers. Although this bid was not successful the bid was resubmitted to the LEP in October 2014.

- (ii) 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. The original project cost of £800k has been funded by prudential borrowing with the residual costs being met from the Reserve.

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 30th September 2014
Town Dock (Torquay Harbour)	£1,140,000	2008/09	£792,089
Haldon Pier (Torquay Harbour)	£1,200,000	2010/11	£1,051,901
Brixham Harbour New Fish Quay Development	£4,750,000	2011/12	£4,278,815
Torquay Inner Harbour Pontoons (Inner Dock)	£800,000	2014/15	£782,246
TOTAL	£7,890,000		£6,905,051

3.5 The Tor Bay harbour Authority debt position at the end of November 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	£25k	£72k	£80k	£53k
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 a healthy Harbour Reserve Fund.

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 were 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 was considered by the Harbour Committee in September following advice from the Budget Review Working Party. Consequently it was concluded that the additional contribution could be achieved when the Harbour Committee sets the 2015/16 harbour budget. However, the Harbour Committee's Budget Review Working Party was 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 has been brought to the attention of the Harbour Committee that, 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.

3.11 The Committee is asked to note a withdrawal from the Reserve Fund of £86k (10%) earmarked for the 1st April 2015. This action was agreed by the Council in November when they approved the funding of a Children's Services 5 year Strategy by borrowing funds from various sources, including the harbour reserve. It has been accepted that this withdrawal is a loan to another Council department and will be

repaid between 2017/18 and 2018/19. This should be seen as a good use of a Council reserve fund as it represents a contribution towards a spend to save investment scheme.

Appendices

Appendix 1 Harbour Revenue Accounts for 2014/15

Appendix 2 Harbour Reserve Funds Project List

Additional Information

None