



Meeting: Harbour Committee

Date: 21st December 2015

Wards Affected: All wards in Torbay

Report Title: Tor Bay Harbour Authority Budget Monitoring 2015/16

Executive Lead Contact Details: Non-Executive Function

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1. Purpose

- 1.1 This report provides Members with projections of income and expenditure for the year 2015/16 compared with approved budgets.
- 1.2 This report identifies the overall budgetary position for Tor Bay Harbour Authority as at end of October 2015 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 position of the harbour account and adjustments to the Reserve Fund shown in Appendix 1.
- 1.4 The Committee is asked to note the Executive Head of Business Services' 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 Tor Bay Harbour Master's use of delegated powers to waive certain harbour charges, which so far this financial year has amounted to £2,784.91 (excl VAT). No additional charges have been levied.

2. Summary

- 2.1 The Harbour Committee approved the Tor Bay Harbour Authority budget on 15th December 2014.

- 2.2 This is the third budget monitoring report presented to the Harbour Committee for the financial year 2015/16.
- 2.3 Buoyant income levels, particularly from Fish Tolls, have significantly improved the forecast year-end position. The projected surplus has been earmarked to fund the capital cost of additional income generating pontoons at Torquay Inner Dock.

Supporting Information

3. Position

- 3.1 The projected outturn at Appendix 1 reflects amendments to the budget made within the Executive Head of Business Services' delegated powers. Details of each amendment can be found in the associated note.
- 3.2 The performance against budget is summarised below:

	Surplus/ (Deficit) £000
Original Budget 2015/16	(51)
Current Budget 2015/16	17
Projected Outturn 2015/16	12

- 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	853	1,272	(i)

- (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 of the structural repair work. These works are being carried out in Phases, over a number of years commencing in 2011. During 2015, the Council appointed a specialist diving contractor to undertake major underwater repair works to both faces of Princess Pier and the inner face of Haldon Pier. The contract value of

these works is in the region of £700k. This work is due to be completed before Easter 2016. This will then complete Phase 2. Before Phase 3 can commence further funding will have to be secured. A detailed assessment of both Piers will be undertaken in April/May 2016 in order to identify the remaining works in detail and following this assessment a revised bid for grant in aid funding will be submitted to the Environment Agency. 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 initial bid was not successful, the bid was resubmitted to the LEP in October 2014 and once again, this was unsuccessful. As part of the revised bid to the EA, the Council will also be investigating other alternative sources of partnership funding. One of these may be from developer contributions and within the planning consultation response for major harbour side redevelopment projects both the EA and Council Engineers have highlighted that a S106 contribution should be made from such development to the structural repairs at both Haldon and Princess Piers.

- 3.4 The Harbour's liability for prudential borrowing is detailed in the following table. The Principal Outstanding figure incorporates the annual repayment made for 2015/16.

Capital Scheme	Amount Borrowed	Start of Repayments	Principal outstanding
Town Dock (Torquay Harbour)	£1,140,000	2008/09	£745,585
Haldon Pier (Torquay Harbour)	£1,200,000	2010/11	£1,018,209
Brixham Harbour New Fish Quay Development	£4,750,000	2011/12	£4,188,612
Torquay Inner Harbour pontoons (Inner Dock)	£800,000	2014/15	£763,678
TOTAL	£7,890,000		£6,716,084

- 3.5 The Tor Bay Harbour Authority debt position at the end of November 2015 is set out in the table below :-

	Corporate Debtor System		Harbour Charges	
	Unpaid by up to 60 days	Unpaid over 60 days	Unpaid by up to 60 days	Unpaid over 60 days
Debt outstanding	£13k	£10k	£15k	£71k
Bad Debt Provision	£50k			

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 Business Services, in consultation with the Chairman of the Harbour Committee, has produced a list of Harbour Reserve Fund 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 in 2014/15 and 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. A similar request was made last year and the Harbour Committee agreed to make a further contribution to the Council's General Fund of £160,000 for 2015/16.

3.9 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 reminded of a withdrawal from the Reserve Fund of £86k (10%) effective from the 1st April 2015. The Council agreed this action in November 2014 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 2015/16

Appendix 2 Harbour Reserve Funds Project List