



**Meeting: Harbour Committee**

**Date: 27<sup>th</sup> June 2016**

**Wards Affected: All wards in Torbay**

**Report Title: Tor Bay Harbour Authority Budget Monitoring 2016/17**

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## **1. Purpose**

- 1.1 This report provides Members with projections of income and expenditure for the year 2016/17 compared with approved budgets.
- 1.2 This report identifies the overall budgetary position for Tor Bay Harbour Authority as at end of May 2016 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 projection 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 Harbour Master's use of delegated powers to waive certain harbour charges which has not been exercised this financial year to date.

## **2. Summary**

- 2.1 The Tor Bay Harbour Authority budget was approved by the Harbour Committee on 21<sup>st</sup> December 2015.
- 2.2 This is the first budget monitoring report presented to the Harbour Committee for

the financial year 2016/17.

- 2.3 Additional income anticipated in year has been applied to the Repairs & Maintenance and External Support budgets to ease pressures on these spend headings. A reinstatement of 24 hour security cover at Brixham Harbour is being proposed by the Executive Head of Business Services

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## 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:

	<b>£000</b>
Original Budget 2016/17	0
Projected Deficit 2016/17	36

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

	<b>Total Budget</b>	<b>Actual to Date (including prior years)</b>	<b>Projected Outturn</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Environment Agency grant funding for Torquay Harbour – Haldon & Princess Piers	1,272	745	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. These works are being carried out in Phases over a number of years commencing in 2011. A detailed assessment of both Piers was undertaken in April/May 2016, which identified the remaining works required for these structures. Consequently, a bid for grant in aid funding will be submitted to the Environment Agency and 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

<b>Capital Scheme</b>	<b>Amount Borrowed</b>	<b>Start of Repayments</b>	<b>Principal outstanding</b>
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
		<b>TOTAL</b>	<b>£6,716,084</b>

3.5 The Tor Bay harbour Authority debt position at the end of May 2016 is set out in the table below:-

	<b>Corporate Debtor System</b>		<b>Harbour Charges</b>	
	Unpaid by up to 60 days	Unpaid over 60 days	Unpaid by up to 60 days	Unpaid over 60 days
Debt outstanding	£15k	£28k	£144k	£216k
Bad Debt Provision	£20k			

The outstanding Harbour Charges debt largely reflects the uptake of payment by instalments and the overall figure is reducing.

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

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 Over recent years the Harbour Committee has agreed to make annual contributions to the Council's General Fund building to a total of £460,000 by 2015/16. The Committee understood that the recommendation relating to the cash contribution should then be reviewed. It was also agreed by the Harbour Committee that any operating surplus for the years 2013/14, 2014/15 and 2015/16 be passed to the Council's general fund. (Providing the harbour reserve levels are not below the minimum recommended level).
- 3.9 The Harbour Committee Budget Working Party initially considered a schedule of budget reductions/income generating proposals by the Executive Head of Business Services to achieve the corporate General Fund contribution target of an additional £400,000 over 2016/17 to 2018/19. While the Working Party was generally supportive of the viability of income generating proposals it was felt that a number of high-risk budget cuts would threaten the operation of the Harbour function and its ability to raise income. These specific proposals were rejected and a revised additional contribution of £285,500 was offered back to the corporate centre with £97,000 to be applied from 2016/17.
- 3.10 Following developments in the Council's overall budget exercise the corporate centre made a counter request that amounted to :-
- Bringing forward £25k of identified savings in both 2017/18 and 2018/19, into the 2016/17 year
  - Plus an additional £50k of new savings in 2016/17

On consideration of the revised request, the Working Party accepted a plan presented by the Executive Head of Business Services to bring £50,000 of previously identified savings in future years forward to 2016/17. However, income streams proposed to realise the additional £50,000 of new contribution could not be agreed.

- 3.11 The proposals of the Working Party were accepted by Harbour Committee with a decision to make an additional contribution to the general fund of £147,000 in 2016/17, this recommendation being £50,000 below the contribution requested from the corporate centre. Additional savings identified by the Working Party for 2017/18 and 2018/19 have not yet been presented to committee for approval.
- 3.12 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 2016/17

Appendix 2 Harbour Reserve Funds Project List

**Additional Information**

None