



**Meeting:** Harbour Committee

**Date:** 17<sup>th</sup> December 2018

**Wards Affected:** All wards in Torbay

**Report Title:** Tor Bay Harbour Authority Budget and Harbour Charges 2019/20

**Executive Lead Contact Details:** Non-Executive Function

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## 1. Purpose

- 1.1 Members are requested to consider the proposed Tor Bay Harbour Authority budget and charges for 2019/20 in order that customers can make an informed choice regarding the leasing of harbour facilities in the next financial year.
- 1.2 The Committee is requested to approve the proposed charges for 2019/20 having considered the budgetary implications set out in this report.
- 1.3 The Committee is further asked to approve the 2019/20 budget for Tor Bay Harbour Authority.

## 2. Proposed Decision

- 2.1 That, taking into account the opinions expressed at the Harbour Liaison Forums, Members **approve** the Harbour Committee's Budget Review Working Party (BRWP) recommendation to increase the harbour charges for 2019/20 by a representative average of 2.0%, and **approve** the schedule of harbour charges set out in Appendix 1;
- 2.2 That any additional contribution to the Council's General Fund from the Tor Bay Harbour Authority accounts above the base level of £802,000 be on the basis of the operating surplus of the Harbour Account by way of:
  - First £25,000 to the General Fund
  - Any amount over £25,000 split 60% retained by the Harbour Account and 40% to the General Fund;

2.3 That, the Tor Bay Harbour Authority budget for 2019/20 be **approved**,

### **3. Summary**

- 3.1 Appendix 2 details the original estimate and projected out-turn for 2018/19, the provisional estimates for 2019/20 and beyond and reflect the likely operating position for the consolidated harbour account assuming a representative average annual 2% increase Harbour charges.
- 3.2 The Harbour can sustain a significant contribution to the Council's General Fund over the period while increasing the Harbour Reserve balance back to the minimum recommended level (Appendix 2).
- 3.3 As a guide, a 1% increase in harbour charges will generate an additional £12k income (£8k from Torquay & Paignton harbours, £4k from Brixham harbour).
- 3.4 The BRWP met in October and November, and this report reflects their findings and recommendations. They recommend an average increase of Harbour Charges by 2.0% as detailed at Appendix 1.
- 3.5 The BRWP recommend splitting the harbour reserve fund into two, with one part ring-fenced to meet any deficit in the revenue budget, and the other part set aside for harbour capital projects (see paragraph 4.9).

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## **Supporting Information**

### **4 Introduction and history**

- 4.1 The BRWP met on several occasions and has proposed a budget for 2019/20.
- 4.2 The Council's General Fund budget continues to face significant pressures with a forecast shortfall of c£17m by 2021. All business units have been tasked to make further savings and/or look at income opportunities to help reduce the corporate deficit. Over recent years the Harbour Committee has agreed to make annual contributions to the General Fund; in 2018/19 this was £802,000 pa.
- 4.3 An additional £50k pa was requested of the Harbour Authority with effect from 2019/20 and at their 10 September meeting this was considered by the BRWP. They concluded that this placed too great a risk on the medium term financial sustainability of the harbour and would result in potential revenue losses over the next three years and the draining of the Reserve within five years.
- 4.4 The published position was discussed between the Head of Finance and the Assistant Director of Assets & Business Services. A number of measures were agreed:
- Realignment of the Salaries structure
  - Postponement of new borrowing costs by one year

- Rebasing of Marina rental income and growth in subsequent years
- Transfer of IFCA subscription into the Harbour account
- Transfer of the toilets liability to a new external corporate management contract and out of the Harbour account
- Increased income streams from recharged utilities

4.5 These measures were successful in reducing the provisional losses in the first two years and generating surpluses in subsequent years, allowing a Reserve balance of around £500k to be maintained. As a quid pro quo it was agreed that any 2018/19 surplus would be passed to the Centre to mitigate the corporate overspend.

4.6 This revised position was not accepted by the BRWP on 29<sup>th</sup> October as they remained concerned that the risk in guaranteeing an additional fixed contribution of £50,000 to the General Fund against uncertain income streams was too high.

4.7 A counter proposal was recommended that the base contribution of £802,000 to the General Fund would remain static but that any future annual surpluses generated by the Harbour Account would be shared as follows:

- The first £25,000 trading surplus would be passed to the General Fund;
- 60% of any additional trading surplus would be retained by the Harbour account and 40% passed to the General Fund in a 'gain share' arrangement.

4.8 The initial estimate of Harbour Reserve Funds at 31 March 2019 is forecast to be £717,000, comprising £645k of harbour reserve and £72k of projects' reserves.

The Reserve table in Appendix 2 reflects this Reserve level being maintained through to 2023/24 with the ability to fund new desirable investment projects such as the Torquay Fuel Station.

4.9 The table below indicates the increase in charges in recent years, compared with the consumer price index (CPI) taken at the April point of the previous year. In the last five years increases of 2.0%, 3.0%, 3.0%, 2.0% and 3.0% have been applied. The table further illustrates the balance of the combined reserves at 1 April of the charges year.

<b>Charges Year</b>	<b>Overall Increase</b>	<b>Actual CPI</b>	<b>Reserve Levels</b>
2018/19	2.0%	2.40%	£811,000
2017/18	3.0%	2.30%	£821,000
2016/17	3.0%	1.60%	£719,000
2015/16	2.0%	1.80%	£687,000

#### 4.10 Capital Plan/Budget

The items identified in the table below are currently in the Council's Capital Investment Plan/Budget relating to the Harbour Authority.

Capital Item	Project Year	Total Budget £000	Actual to Date (including prior years) £000	Projected Outturn £000
Harbour Light Restaurant Redevelopment	2018	600	59	600
Oxen Cove Jetty	2018	1,900	585	1,967
Victoria Breakwater, Brixham	2018	3.853	110	3.893
Brixham Harbour Fendering	2018	300	90	300

#### 4.11 Significant variations to harbour charges

This report recommends that Harbour Charges be increased, on average, by 2.0%. However, certain charges, on the advice of Officers, are subject to a more significant variation. The areas affected are:-

- Jet Skis
- Visiting vessels
- Slipway charges

Some charges have been rounded up or down for ease of collection at a remote point of sale eg at the slipway.

### 5 Possibilities and Options

- 5.1 Increase Harbour Charges in 2019/20 by an average inflationary increase of 2.0% and increase the contribution to the General Fund as a share of operational surplus per recommendations in section 2 and as outlined in paragraphs 4.2 to 4.7.
- 5.2 Make no change to the level of harbour charges and accept reduced levels of surplus to the Harbour Reserve.
- 5.3 Do not agree to the recommended additional contribution to the Council's General Fund as set out in para 4.7 and do not contribute further to reducing the Council's overall budget deficit.

### 6 Preferred Solution/Option

- 6.1 See the recommendations in section 2.

## 7 Consultation

- 7.1 The responses from both the Torquay/Paignton Harbour Liaison Forum and the Brixham Harbour Liaison Forum meetings will be circulated prior to the meeting in the form of minutes of the meetings.

## 8 Risks

- 8.1 There is a high risk that continuing the significant contributions to the General Fund will result in the Harbour Authority being unable to remain self-funding. In that scenario the Harbour Authority would require a precept from the General Fund and would be contrary to government best practice for the financial management of municipal ports.
- 8.2 There is a high risk that if income and expenditure do not manifest as expected by this budget then the Harbour accounts could experience operational deficits requiring expenditure from the Harbour Reserve to balance the accounts. The consequence of such depletion would be that that the Harbour would not be financially self-sustaining in the medium term.
- 8.3 There is a medium risk of customer resistance to the increased harbour charges resulting in lower than expected targeted income.
- 8.4 Specific risks and budget line pressures relating to 2019/20 are explained in the table below when read in conjunction with Appendix 2.

Key	Risk and/or pressure to budget line
A	Additional costs are anticipated for the moorings infrastructure at Brixham Harbour.
B	Additional waste costs from the increase of product through Brixham fish market. Savings will accrue from 2019/20 from the outsourcing of toilets management.
C	Provision stripped back to SLA's for Estates Management and Property Services. Engineer fees will be charged per scheme and met from the R&M provision.
D	Transfer of the IFCA (Sea Fisheries) precept liability to the Harbour Account per Mayor's Budget Proposal 2019/20
E	New borrowing costs for Harbour Light development and Oxen Cove Jetty have been re-profiled to commence a year later in 2020/21
F	A further contribution of £50k from 2019/20 was requested by the Council as part of the Budget 2018/19 setting process. This has now been replaced by a proposed "gain share" arrangement with a recommendation that any surplus for the 2018/19 year on the Harbour Account be passed in full to the General Fund.
G	Full year loss of income at Paignton re: Harbour Light in 2019/20 - new rent applied 2021/22. Increase for rent reviews from 2022/23
H	Expectation for 2018/19 increased to reflect 2016/17 actuals. Ongoing growth factored into future years.

I	Reducing demand from private craft at Brixham
J	Base projection assumes £35m value of catch landed annually
K	Previous growth projections have been scaled back in later years.
L	Additional waste, insurance and electricity recharges
M	Withdrawals from the Reserve will include part funding of the Harbour Light redevelopment, metering the water at Brixham and potentially the redevelopment of the fuel station at Torquay.

## **Appendices**

- Appendix 1 Schedule of Tor Bay Harbour Charges 2019/20 showing a representative average increase of 2.0%.
- Appendix 2 Provisional Harbour Estimates for 2019/20 and Subsequent Years with an average 2.0% increase in Harbour Charges.
- Appendix 3 Analysis of Harbour Expenditure by Type
- Appendix 4 Estimated Support Service Charges 2018/19

## **Additional Information**

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

Schedule of Tor Bay Harbour Charges 2018/19

Tor Bay Harbour Act 1970

Tor Bay Harbour (Torquay Marina Act &c.) Act 1983

Minutes of Torquay & Paignton Liaison Forum – September & November 2018

Minutes of Brixham Harbour Liaison Forum – September 2018