



**Meeting: Harbour Committee**

**Date: 21<sup>st</sup> September 2015**

**Wards Affected: All wards in Torbay**

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

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

**Supporting Officer Contact Details: Kevin Mowat  
Executive Head of Business Services  
Tor Bay Harbour Master**

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

 **Email: [Kevin.Mowat@torbay.gov.uk](mailto:Kevin.Mowat@torbay.gov.uk)**

**Pete Truman**

**Principal Accountant**

 **Telephone: Ext 7302**

 **Email: [Pete.Truman@torbay.gov.uk](mailto:Pete.Truman@torbay.gov.uk)**

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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 August 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 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 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 £2,226.24 (excl VAT). No additional charges have been levied.

## **2. Summary**

- 2.1 The Tor Bay Harbour Authority budget was approved by the Harbour Committee on 15<sup>th</sup> December 2014.
- 2.2 This is the second budget monitoring report presented to the Harbour Committee

for the financial year 2015/16.

- 2.3 Additional Support Service charges have exceeded expenditure targets. However, buoyant income levels from the Torquay Town Dock and Inner Dock and fish tolls at Brixham have significantly improved the forecast year end position.

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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>Surplus/ (Deficit) £000</b>
Original Budget 2015/16	(51)
Current Budget 2015/16	(29)
Projected Outturn 2015/16	17

- 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	737	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, which commenced in the autumn of 2011 and further work followed in winter 2012. Additional underwater repairs were undertaken on Princess Pier late in 2014. Further underwater repairs to both Princess and Haldon Piers (circa £700k in value) are scheduled to take place during 2015 and the Princess Pier element of this work is now underway. Work towards a further bid of funding from the Environment Agency is ongoing. 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.

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.

<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>£7,890,000</b>		<b>£6,716,084</b>

3.5 The Tor Bay Harbour Authority debt position at the end of August 2015 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	£13k	£23k	£85k	£173k
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 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, 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 set 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 reminded of a withdrawal from the Reserve Fund of £86k (10%) effective from the 1<sup>st</sup> 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

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| Appendix 1 | Harbour Revenue Accounts for 2015/16 |
| Appendix 2 | Harbour Reserve Funds Project List   |

## Additional Information

None