

Salcombe Harbour Board – 13 July 2009**FINAL ACCOUNTS 2008/2009****Report of the Head of Finance and the Head of Service Salcombe Harbour.**

Statutory Powers: Local Government Act 1972, Section 151; The Pier and Harbour Order (Salcombe) Confirmation Act 1954

Financial Implications: A trading surplus of £1,438 was generated in 2008/2009.

Purpose

This report advises Members of the Harbour's final trading position in 2008/2009 together with brief details of the main variations from the original budget. A summary of harbour reserves and balances is also provided.

Budget considerations are directly linked to corporate priority six – “the improvement of core services in a cost effective way”.

Recommendations

That the Board RESOLVES to note the final accounts for 2008/2009 as set out within Appendix A.

Introduction

1. The 2008/09 budget was set at a break-even position.
2. The Harbour's trading accounts have now been finalised, pending external audit certification during August 2009. The accounts have been prepared on an accruals basis and take account of all relevant income streams and expenditure items. The final outturn position for the year is a surplus of £1,438. This is after the following exceptional items:-
 - a. Two items of expenditure that would have otherwise had to be funded from reserves. These were additional costs of £947 relating to the Duchy Lease negotiations and, £79,169 for the Dredging.

And income from:-

 - b. A contribution from the RNLI of £15,000 towards dredging costs.
 - c. A refund of VAT previously levied on Water Taxi fares £18,403 for the years 1987/88 to 1994/95.
 - d. Sale proceeds of £3,000 from the sale of Shute

- e. The delaying of the Batson Pontoon replacement has resulted in additional interest of £1,600 being earned on the general reserve balance.

When adjusted for the above items the surplus generated from normal trading activities would have been £43,551.

3. The accounts show how funds have been used to deliver services and form an essential part of public accountability. Inevitably, circumstances that arise throughout the year often differ from the budgeted position, giving rise to financial variations. However, the overall impact is mitigated by continuous monitoring and timely decision making where corrective action is required.

Trading Performance - Expenditure

4. The table below identifies the main variations from budget. Overall, actual expenditure exceeded the budget by £144,040. Of this £39k related to normal activities, £70k was for new projects that would otherwise have been funded from Reserves, and the remaining £35k was for items of expenditure funded from Reserves. However, decisions regarding expenditure levels have been taken within a control framework, having regard to increased levels of income generated during the year.

Item	Explanation	Forecast (Under)/Over expenditure £
Harbour Employees	A reduction in overtime payments and changes to seasonal staff working patterns.	(20,656)
Repairs & Maintenance		
a. General Repairs & Maintenance	Overspend due to alterations and refurbishments at the Harbour Office and Workshops.	7,357
b. Piers, Landings & pontoons	Refurbishment of pontoons including renewing doubling boards, rewiring and new lighting and the disposal of redundant pontoons which were littering the Harbour.	14,054
c. Marks & Beacons	Only routine maintenance completed. There was little requirement for repairs this year.	(4,219)

d. Moorings	Additional expenditure due to the very high steel prices in 2008.	22,824
	Total R&M Variance	40,016
Rents	Duchy Rent budget understated. New charging arrangements based on actual income was accrued at the year end.	25,088
	Workshop 1 budget understated.	533
Insurance	Premiums increased above that allowed for in the budget	2,731
Equipment	No IT equipment or software was purchased during the year.	(3,174)
Printing, Stationery & Advertising	Harbour Guide printing cost offset by advertising revenue detailed below.	4,830
Communications	Savings on telephone charges, WIFI and licence fees	(3,477)
Miscellaneous		(1,407)
Transport	Lower fuel prices and usage, and savings on R&M costs	(6,048)
New Projects Funded from Revenue	Duchy Lease Negotiations Dredging – gross costs less £10,000 budget. See below for contribution from RNLI.	947 69,169
Items funded from Reserves	<u>Renewals Reserve</u> Dory & Engine Mooring Barge major overall <u>Pontoons Reserve</u> Kingsbridge Visitors Pontoon	7,241 18,109 9,597
Other minor variations	Various	541
Total Expenditure Variations		144,040

Trading Performance - Income

- The 2008/09 budget included a 16% increase for all charges other than visiting yachts, these charges were frozen. This was intended to generate sufficient additional income to cover expenditure levels, and enabled a balanced budget to be set.

6. Overall, income received during the year has out-performed the budget by £145,478. The table below shows the main areas of variations from budget.

Item	Explanation	Forecast Under/(Over) Income £
Harbour Dues	A change in the policy which allowed boats to stay for more than one month encouraged some vessels to remain throughout the summer as a visitor. Many of these long term visitors remained in the harbour until the end of the season in October. This generated considerable additional visitor income.	(12,442)
Mooring Hire	A change in the policy for the charging of commercial moorings generated additional income.	(45,082)
Miscellaneous	Income from Whitestrand Pontoon	(14,655)
	Reclaimed VAT re Water Taxi	(18,403)
	RNLI contribution to dredging	(15,000)
	Proceeds from sale of Shute	(3,000)
Reserves	Withdrawal from reserves to fund items detailed above:-	
	Pontoon Reserve	(9,597)
	Renewals Reserve	(25,350)
Interest Received	Interest is payable on reserve balances. The delay in the pontoon replacement has maintained reserve levels and increased interest receipts.	(1,600)
Other minor variations	Various	(349)
Total Income Variations		(145,478)

The Overall Position

7. The net position after taking into account variations in both income and expenditure is a generated surplus of £1,438. This will be confirmed once the Harbour accounts have been subject to external audit verification during August 2009. A schedule of actual income and expenditure against budget is included at Appendix A.
8. A Balance Sheet Extract is included as Appendix B.

9. The generated surplus will be incorporated into the General Reserve. An analysis of the closing position of each of the Harbour reserves is included at Appendix C

Risk Assessment

10. The information included in this report represents actual outcomes that are known with certainty. The Harbour accounts have been prepared having regard to relevant accounting standards and practices. It is unlikely that the overall position will change as a result of the external audit process.

Human Rights Act

11. There are no obvious human rights issues arising from this report.

Conclusion

12. It is pleasing to report that the Harbour has generated a trading surplus for the 2008/09 financial year as well as being able to finance additional project work from revenue generated during the year without having to further deplete reserves. This will bolster retained reserves, and will assist with the financing of future initiatives for the benefit of the Harbour users.

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Salcombe Harbour Board
13 July 2009

Background Documents:
Corporate Finance working papers