

Salcombe Harbour Board – 25 September 2007**REVENUE MONITORING REPORT****Report of Head of Financial Services and Head of Service Salcombe Harbour**

Statutory Powers: Local Government Act 1972, Section 151
Local Government Act 2003

Financial Implications: The report identifies that the Harbour is projected to generate a break-even trading position for the 2007/08 financial year.

Purpose

This report advises Members of the projected trading position for the 2007/08 financial year. Details of the main variations from budget on income and expenditure items are included for information on an exception basis.

Corporate Priority 6 (Improving core service performance in a cost effective way) is supported by this report

Recommendations

That the Board RESOLVES to note the report

Introduction

1. The summer period is critical in terms of the Harbour's overall financial performance, given the high proportion of income received during this time. At this point, where the majority of income levels are known with certainty, Members may find it useful to be advised of the latest forecast position. The information presented in this report is included on an exception basis and reflects best estimates at the time of writing.
2. The 2007/08 Harbour budget was set by the Board in October 2006, and is based on historic data, underlying trends and a number of key assumptions. Inevitably, however, circumstances change throughout the trading year, and outcomes will often differ from those budgeted. Any impact is mitigated through continual monitoring and reassessment, and remedial action taken where required.
3. As certain income streams have generated lower than anticipated income levels through the summer season, expenditure has been controlled and savings identified to ensure that, as far as possible, a break-even position is achieved by the financial year end. Details of the main projected variations from budget are identified in the tables below. A projected Income and Expenditure account is included at Appendix A.
4. If a surplus is made by the year end, it will be incorporated into the General Reserve; conversely any deficit will need to be funded by a contribution from the reserve.

Trading Performance - Income

5. The poor weather throughout the summer period has undoubtedly had an impact on the number of visitors who have used the Harbour, and therefore a reduction in income levels. Anecdotal evidence suggests that other local harbours have also seen a fall in income over the period. Salcombe visitor income accounts for one third of the Harbour's total income base.
6. It had been feared that visitor levels would, in any case, fall as a knock-on effect of the 2006/07 increase in charges. Given the downturn in income levels described above, it is impossible to establish if this has also been the case. It is likely, however, that the current pricing differential with other harbours has contributed to the fall in business.
7. Although there has been a general downturn in business from visitors, some income streams have out-performed budgeted levels; in particular the water taxi operation and income derived from mooring licences. This has helped mitigate the impact of depressed income streams, with an overall shortfall against budget of £15,600.
8. The table below shows the main areas of income variation from budget.

Item	Explanation	Forecast Under/(Over) Income £
Harbour Dues	Reduction in visitor numbers	12,450
Mooring Hire	Reduction in visitor numbers	4,500
Pontoons	Reduction in visitor numbers	9,000
Water Taxi Service	Increased usage following introduction of books of 10 return yacht taxi tickets at discounted rates	(3,000)
Mooring Licences	Boatyard mooring licence fees increased by 50% for 2007/08. Higher than anticipated income generated from pricing change.	(3,350)
Security Patrol Fees	The security patrol is a self-financing operation. Total income of £36,000 is matched by expenditure of the same level.	(4,000)
Total Income Variations		15,600

Trading Performance - Expenditure

9. Expenditure levels have been controlled in response to the fall in income. Having taken into account any requirements for additional, non-budgeted, expenditure such as the shower tokens for visiting yachtsmen, savings have been identified to match the overall income shortfall.

10. The table below shows the main areas of expenditure variation from budget.

Item	Explanation	Forecast (Under)/Over expenditure £
Harbour Employees	Improved management and control of seasonal staffing and overtime levels	(7,800)
Security Patrol	Number of patrols reduced to more closely match income, producing an expenditure saving against budget. Total projected security expenditure now £36,000, with income collected of the same level.	(9,000)
Miscellaneous	Purchase of shower tokens from the Yacht Club for use by visiting yachtsmen.	4,000
Transport	Fuel savings, generated from a combination of reduced usage and a fall in fuel prices	(3,000)
	General R&M	200
Total Expenditure Variations		(15,600)

The Overall Position

11. Despite a reduction in income levels, tight control of Harbour expenditure should ensure that a break-even position is achieved at the year-end on trading activities.

Risk Assessment

12. A consistent approach to setting and monitoring the Harbour budget contributes to effective risk management. The projections in this report have been prepared on a prudent basis, and take account of all reasonably foreseeable outcomes. Budgets will continue to be monitored very closely to ensure a break-even position is achieved.

Human Rights Act

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

Conclusion

14. Current projections indicate that, despite a fall in visitor numbers over the summer season, the Harbour will achieve a break-even position for the 2007/08 financial year, in line with the agreed budget.

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Salcombe Harbour Board
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