

Salcombe Harbour Board – 29 November 2005

REVIEW OF CHARGES

Report of the Salcombe Harbour Master

Statutory Powers: Local Government Act 1972, Section 151
The Pier and Harbour Order (Salcombe) Confirmation Act 1954
(Sections 22-36).

Financial Implications: Two options are presented for the Board's consideration:

Option 1 - Incorporation of £20,000 income growth and a 4% increase in charges across all existing bands.

Potential income generation of £46,400 based on the incorporation of £20,000 income growth and a general increase in charges of 4% across all existing bands (generating additional income of £26,400). This option would enable reserve contributions to be increased by £15,000.

Option 2 - Incorporation of £20,000 income growth and a 4% increase in charges across all bands except the High Powered Craft which would be deleted (Section A).

Potential income generation of £31,400 based on the incorporation of £20,000 income growth and an increase in charges of 4% across the remaining charging bands (generating additional income of £11,400). This option would not enable reserve contributions to be increased.

Purpose

This report has been prepared to enable Members to set the Harbour rates and charges for 2006/2007.

Recommendations

- a. That the Board recommends to Council that the proposed charges are as set out in one of the two options given in either Appendix B1 or B2 for implementation from 1 April 2006.
- b. That changes to policy are agreed subject to the subsequent decision on charging bands B1 or B2 namely;
 - (i) either that the Board RESOLVES to agree the changes to the charging policy set out in paragraphs 15 to 22, and amend the Salcombe Harbour Policy Document accordingly should charging band B1 be recommended, or;

- (ii) that the Board **RESOLVES** to agree the changes to the charging policy set out in paragraphs 15 to 23, and amend the Salcombe Harbour Policy Document accordingly should charging band B2 be recommended.

Introduction

1. The budget pressures identified by the Board on the 4th October 2005 were as follows:

Summary of Budget Pressures

	Cost £	Impact on charges (%)
Unavoidable Budget Pressures	7,050	1.0
SHDC Loan Repayments	12,350	1.9
Additional contributions to the Reserves	12,000	1.8
Night Security Patrol	15,000	2.3
Total pressures	46,400	7.0

2. After considering these pressures, the Board recommended the incorporation of income growth of £20,000 into the budget, together with a general increase in charges of 4% (estimated to generate additional income of £26,400).
3. However, having now considered the results of the Estuary Users Survey, it is no longer recommended that the increase to the Night Security Patrol budget is progressed. Without this increase in expenditure, the budget pressures total £31,400.

Note:

4. At the last meeting, Members will recall that this issue (para. 3 refers) gave rise to considerable confusion, fuelled by officers' contradictory recollections as to whether a decision had been taken at the 4 October Board meeting to increase the night security patrol budget. The determination of this dispute carried important procedural implications. The issue was therefore deferred for clarification by the officers.
5. Having examined the Member Support Officer's contemporaneous notes in conjunction with the report presented to the 4 October Board meeting, the officers agree that no decision has been taken on this matter and that, indeed, it was always the intention for a decision to be to follow the outcome of the Estuary Users' Survey.
6. With the apologies of the officers for the previous confusion and consequent delay, Members are now invited to consider the issue.

7. Two options are proposed below to balance the budget, in accordance with the Board's decision to increase charges by 4% and the impact of the recommendation not to progress with the uplift to the Night Security Patrol budget.
8. Furthermore, the Board requests a £50 retention fee annually to secure the reallocation of contracted facilities for the following year. This exercise began in the first week of October and customers have been requested to return their completed forms and deposits by 1st December 2005. Our customer base has been notified of the likely increase in rates and charges by the promulgation of a local Notice to Mariners.

Balancing the Budget

9. **Option 1** – Incorporate income growth of £20,000 and increase all existing charging bands by 4%. A general increase in charges of 4% will generate additional income of £26,400 on a like for like basis. The total income generated through this option would be £46,400, against identified budget pressures of £31,400. This option will allow the contribution to the Renewals Reserve to be increased by £15,000 for 2006/2007. The impact on the budget is summarised below.

	£
Total Identified Budget Pressures	31,400
Income Growth	(20,000)
Increase in Charges	<u>(26,400)</u>
Total Additional income	(46,400)
Excess of income over Expenditure	(15,000)
Additional Contribution to Reserves	<u>15,000</u>

10. **Option 2** – Incorporate income growth of £20,000 and increase most existing charging bands by 4%, with the exception of High Powered Craft (Section A) which would be deleted with corresponding policy amendment as necessary. This option is linked to the change in charging policy recommended in paragraph 15. Additional income of £11,400 will be generated with this option. The impact on the budget is summarised below.

	£
Total Identified Budget Pressures	31,400
Income Growth	(20,000)
Increase in Charges	<u>(11,400)</u>
Total Additional income	(31,400)
Excess of income over Expenditure	NIL
Additional Contribution to Reserves	<u><u>NIL</u></u>

11. Both options shown above will absorb all identified budget pressures.

Proposed Charges

12. **Option 1** - Appendix A1 provides a comparison between the current year's charges and those proposed for 2006/2007. Appendix B1 to the report sets out the proposed charges in the approved format.
13. **Option 2** - Appendix A2 provides a comparison between the current year's charges and those proposed for 2006/2007. Appendix B2 to the report sets out the proposed charges in the approved format.
14. With both options, charges have been increased by an average of 4%. However, where necessary, certain over the counter charges have been rounded to the nearest 5p or 10p for ease of administration and cash collection.

Triennial Charging

15. Members have discussed the option of introducing a policy of triennial charges that could be re-considered as a policy from 2007/2008 as part of the Strategic Business Plan.

Visiting craft entering from sea – charging bands

16. The Harbour Master was requested by the Board, 'following the season to appraise Members of the new charging regime and recommend adjustments if appropriate' (SH.28/04).
17. From both an operational and administrative perspective the introduction of charging bands has been successful with the speed of transactions noticeably increased as the system has been simplified. Adjustments to next year's prices will make sure that sensible price for cash handling is achieved once VAT has been added.
18. From a customer's point of view the Board's rates and charges are perceived to be towards the upper end of the market when balanced against available facilities. This is one area of improvement that it is hoped can be incorporated into the short to medium term business plan for the Harbour.

Visiting craft entering via slipway

19. The introduction of four bands significantly simplified the charging regime for this category of visiting craft. Again from an operational and administrative perspective, staff were pleased with the speed of transaction, customers found it easy to understand and with the introduction of the new annual charge for visitors, the pricing structure was thought more reasonable.
20. The Board may wish to consider the following adjustments. Firstly, the daily charge for visitors (maximum 3 days) remains at £5. Secondly, charges for Band 1 that includes sailboards, canoes, sailing dinghies and vessels without engines that have a low impact on the environment should also remain the same at £13.

21. Thirdly, for vessels in Band 2 and 3, it is suggested that 4.5 metres is a more appropriate cut-off than the 6 meters previously used. Therefore, vessels with engines up to 4.5m would pay £25 and vessels over 4.5m would pay £60 for the year.
22. The Board currently provides a half price discount for those vessels visiting the Harbour between 1st October and 31st March (SH.19/91). Members will be aware that the number of arrivals during the winter months is very low and loss of income is obvious when there is an early Easter. This policy has become increasingly obsolete and it is recommended to discontinue the discount from 2006/07.
23. A further recommended adjustment involves the Salcombe Harbour Board charging policy for high powered craft (SH.19/91) that reads, "Any vessel other than a cruiser, with a planning or semi-planing hull under 30 feet in length powered by an engine (or combined engines) of 40 shaft horse power or more should be liable for increased Harbour Dues of one and a half times the rate for that length of craft". With the ever growing size of boats and their outboards this again is now an obsolete policy as most boats will now have outboard engines over 40 hp. It is recommended that the Board recognise that this policy is now obsolete and streamline the charging system by creating just one single category.

Risk Assessment

24. Members are aware that the Salcombe Harbour budget is prepared on a break-even basis, and the charges are set within this criterion. Should actual circumstances differ from expectations, a deficit may occur. These include:
 - the level of inflation, assumed to be at government levels of 2.95%;
 - the level of harbour use, which depends on the general economic climate;
 - weather patterns;
 - holiday trends.
25. These risks are reduced through continual budget monitoring, which ensures that variances are identified on a timely basis, and remedial action taken where necessary.

Conclusion

26. It is anticipated that either of the options presented in this report will generate sufficient additional income to allow the Board to meet budget pressures faced in the forthcoming year.

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Stephen Tooke
Harbour Master

Salcombe Harbour Board
29 November 2005

Background documents:
Financial Services Working papers