

ITEM

ITEM

Salcombe Harbour Board, 30 November 2004

SALCOMBE HARBOUR REVENUE BUDGET 2005/2006

Report of the Salcombe Harbour Master

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

Financial Implications: Identifies core revenue budget pressures of £19,000 or £39,000 including the proposed new security contract (separate item). Options to address the funding gap are identified.

Purpose

This report has been prepared to help Members set the Harbour's revenue budget for 2005/2006 as per the attached appendices a, and to agree the amount that should be raised from a review of charges.

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

Recommendations

That the Board RESOLVES that:

1. the draft revenue budget for 2005/2006 is accepted and recommended to Council.
2. members consider and make final recommendations on the options for addressing the budget gap, specifically:
 - the amount of income growth to consolidate within the core budget.
 - the savings to be made on discount
 - the tri-annual review of charges for the water taxi service
 - the level of income to be generated through a review of charges.

Introduction

1. This report starts from members' discussions at the Board meeting on 19 October 04. The key areas that members need to consider in reaching a decision on the annual review of charges are:

- the draft revenue budget for 2005/2006 which incorporates unavoidable budget pressures
- options generated to address the budget gap

2. As the Board have been asked to consider an enhanced Night Security Patrol service, with a resulting cost implication, two possible options are detailed below.

Option 1.

Funding gap reported to Harbour Board on the 19 October 04: £19,000

Option 2.

Funding gap as above £19,000

Impact of enhanced Night Security Patrol £20,000

Revised funding gap:

 £39,000

Ways of addressing the funding gap

3. At the Harbour Board of the 19 October 2004 the following ways of addressing the funding gap were identified:

- a. **Increases to existing charges:** An increase in charges of 1% will generate income of £5,600. As an example, an inflationary increase of 2.95% would generate additional income of **£16,500**
- b. **Discontinuance of 5% discount** **£ 2,500**
- c. **Tri-annual review of water taxi charges:** Based on an increase in charges from £1.00 to £1.50 for trips off the town and from £1.50 to £2.00 for trips to the Bag. **£10,000**

4. In addition, the Board might wish to consider building an element of projected income growth into the core budget for 2005/2006. Over recent years, the income generated by Harbour operations has tended to exceed the budget, as shown in the table below.

	01/02	02/03	03/04	04/05 Projection
	£'000	£'000	£'000	£'000
Budget	517	548	581	610
Actual Income	544	580	643	640
	—	—	—	—
Additional income	27	32	62	30
	—	—	—	—

5. As a result of these increases in income, the Harbour reserves have benefited from the generation of surpluses, as shown below.

	01/02	02/03	03/04	04/05 Projection
	£'000	£'000	£'000	£'000
Surplus transferred to reserves	8	16	34	15
	—	—	—	—

6. Although income levels can vary from year to year, and can be affected by external factors, such as the weather, Members may feel it appropriate to set a higher income target, based on this trend.
7. As a guide, officers recommend a figure of £10,000 as a prudent projection of 2005/2006 income growth.

Reviewing Charges

8. Following today's recommendations on the overall percentage increase desired, the Harbour Master will bring back specific proposals for final approval. Where necessary, it is customary to round over the counter charges to the nearest 5p and 10p for ease of administration and cash collection.

Risk Assessment

9. The budget is based on a number of assumptions and there is a risk that actual circumstances may turn out differently. These include:
- the level of inflation, assumed to be at government target levels of 2.5%;

- the level of harbour use – which depends on the general economic climate;
- weather patterns;
- holiday trends.

10. These risks are reduced by adopting a prudent approach and through continual budget monitoring. This ensures that any variances are identified on a timely basis and that remedial action is taken where necessary.

Conclusion

11. Using this report as an aid, Members now need to decide:

- the additional amount of income to be generated from the review of charges
- consolidating income growth within the core budget
- setting the tri-annual review of charges for the water taxi service
- change of policy for setting discounts

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Salcombe Harbour Board
30 November 2004

Background documents:
Financial Services working papers