

HAMPSHIRE COUNTY COUNCIL

Report

Committee	River Hamble Harbour Board
Date:	31 March 2023
Title:	River Hamble Asset Register
Report From:	Director of Universal Services

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Purpose of the Report

1. The purpose of this annual report is to indicate the condition of essential operational assets and possible associated maintenance expenditure to judge whether the Asset Replacement Reserve is being maintained at an adequate level.

Recommendation

2. It is recommended that the River Hamble Harbour Board supports that:
 - a. This report be taken into account alongside the annual statutory accounts in setting Harbour Dues for 2023/24 at the June Board meeting;
 - b. The contribution from Revenue to the Replacement Reserve should remain at £42,000 in 2023/24 and note be taken of the need for frequency and amount of potential future increases.

Summary

3. Last year's increase in the contribution from Revenue to the Asset Replacement Reserve (ARR) enabled the establishment of a minimum policy holding in the latter of £100,000 in 2037 for security purposes to mitigate against current or future market uncertainty. Bank of England and Office for Budget Responsibility (OBR) forecasts now indicate that inflationary pressures will start to fall this year and continue falling into 2024. Nonetheless, a degree of fiscal uncertainty remains and manufacturing and material costs continue to rise. Despite a forecast of a reduction in inflationary pressure, it is anticipated that there will be a degree of inertia in the effect on costs and that the concomitant impact in absolute terms on Harbour Authority expenditure will continue for at least five years. The prudent purchase of long-life patrol craft agreed last year means that maximum advantage can be taken of the residual value of our old vessels, enhancing operational availability and minimising through life costs and resulting in a positive effect on the ARR. The long-term savings made here have to an extent been offset by rising material costs in other areas. Nonetheless, the minimum holding of £100,000 in 2037 is not deemed to be

at risk at this stage. This is because of our current favourable revenue position and the fact that increased levels of contribution in 2027 and 2032 have been advised previously and will be necessary to achieve this balance.

Background

4. Inflation continues to set the tone for the marine market, as elsewhere. Broadly speaking, material and manufacturing cost increases vary but it is common for manufacturers and suppliers to caveat quotations with one month's validity. Rates of increase vary widely but it is fair to say that they are in some niche areas currently greater than generally quoted Government CPI figures. This means additional pressure will to some extent fall on the ARR as items fall due for replacement. Key forecasts from the Bank of England and the Office for Budget Responsibility indicate that inflationary pressures will reduce in 2023 and continue falling into 2024. It is however plain that any reduction in inflation will not mean a reduction in absolute costs. Higher prices will likely continue. It is this paper's judgement that higher costs relative to revenue will continue for the next five years before any market inertia diminishes in terms of effect. However, prudent steps taken last year to increase the annual contribution from revenue to the ARR and establish a minimum holding in 2037 of £100,000 for security reasons have been validated by the nature of ongoing events and the uncertainties these generate.
5. The decision to replace our current Cheetah Catamarans with long-lasting HDPE vessels has had a positive effect on ARR predictions, boosting on one hand the forecast minimum balance in 2037 to in excess of £170,000. Offsetting that positive effect to a degree on the other has been the impact of inflationary pressures on materials and manufacturing. Considering both these factors, the result is currently that the ARR is on track to exceed the minimum balance of £100,000 by £28k. Against this background, and with a positive Revenue Reserve in the light of continuing visitors' income, our annual review process will be sufficiently agile in the near term to cope with the higher costs envisaged and deliver a modest but sufficient margin of error. We will need to monitor this closely.
6. Last year's detailed report made clear the requirement to be ready in 2027 and again in 2032 to make particular upward adjustments in the contribution from revenue. In 2023/24, because of the combined effect of our positive Revenue Reserve balance, the forecast £128,000 minimum ARR position in 2037 and independent OBR inflation forecasts, the upward adjustments in 2027 and 2032 are judged to remain valid. It is therefore recommended that the Harbour Board continues to endorse that current validity of the plan set out last year and that River Users note that these future increases will be necessary. Determination on the effect of any changes in the fiscal position will continue to be made within our normal annual rhythm and give the flexibility to bring forward or increase those contributions if the situation dictates.
7. Good husbandry of our assets continues to ensure that good value is obtained. Pre-emptive maintenance is carried out by Harbour personnel using organic skills to ensure that our assets remain serviceable. The

consequence is that professional survey and Harbour Authority monitoring and awareness combine to give as accurate a picture of assets' condition as we can.

Climate Change and Carbon Mitigation Impact Assessment

8. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

Climate Change Adaptation. A full assessment of climate change vulnerability was not completed as no decision is required in respect of this report.

Carbon Mitigation. A full assessment of carbon mitigation vulnerability was not completed as no decision is required in respect of this report.

Asset (* Composite Structure)	Year of purchase	Purchase cost £	Initial life expectancy of whole structure (years)	Forecast lifespan of whole structure ¹	Annual Depreciation charge £	Replacement Cost of structure ² £
Marks, beacons, lights, piles & buoys (See further Note 2)						
Cardinal mark at river entrance – piling only	2000	3,000	30	2030	100	6,500
Superstructure and cardinal top mark	2000	1,000	20	2020	50	1,500
9 beacons at river entrance, plastic piling	2000	30,000	30	2030	1,000	34,500
Sector lights – Hamble Point / Warsash superstructure	1997	30,000	30	2027	1,000	40,000
2 sector lights	2006	12,000	15	2021	800	12,000
5 port & starboard navigation marks / piles	1977	20,000	45	2022	0	25,000
Maintenance piles – Warsash	2002	33,000 ¹	30	2032	1,100	20,000
Maintenance piles – Hamble ²	1989	15,000	30	2019	500	8,000
Maintenance piles – Lands End	1988	15,000	30	2018	500	8,000
5 navigation buoys	2006	16,000	20	2026	800	18,000
Navigation lights at harbour entrance	2015	5,068	10	2025	507	5,500
Tide Gauges	2019	1,500	15	2034	100	1,500
River Signage for various structures	2018	1,000	10	2028	100	1,000
Total		182,568			6,557	181,500

¹ For all maintenance piles, original cost includes some ground works not all of which will be required when considering replacement of piles only.

² Planned lifespan at Hamble and Lands End extended 5 years.

Asset (* Composite Structure)	Year of purchase	Purchase cost £	Initial life expectancy of whole structure (years)	Forecast lifespan of whole structure ¹	Annual Depreciation charge £	Replacement Cost of structure ² £
Bridges, walkways, jetties						
Bridge to Hamble jetty	1988	40,000	40	2028	1,000	80,000
Bridge to Warsash jetty	1990	40,000	40	2030	1,000	80,000
Walkway to Warsash jetty	1982	50,000	50	2032	1,000	80,000
10 support piles for Warsash walkway	1982	36,000	50	2032	720	90,000
*Warsash jetty ³ – piling, pontoons, services, lighting etc	2006	170,000	35	2041	4,857	105,000
Warsash connecting pontoon ⁴	2016	55,000	35	2051	1,571	55,000
*Hamble jetty ⁵ – piling, pontoons, services, lighting etc	1991	140,000	35	2026	4,000	110,000
*Fisherman's pontoon / jetty	2006	48,000	20	2026	2,400	55,000
*Visitors' pontoon and piles	2000	60,000 ⁶	25	2025	2,400	65,000
*River Hamble Country Park Jetty	2014	55,000 ⁷	25	2039	2,200	55,000
Total		694,000			21,149	775,000
Boats						
3 patrol boats	2023	300,000	40	2063	7,500	300,000
Total		300,000			7,500	300,000

³ Majority of piles replaced and therefore not in scope for replacement in 2041 at this stage.

⁴ Original cost included piling and not in scope for replacement.

⁵ Pile replacement not included in 2026.

⁶ Pontoon only in scope for replacement. Piles and preferred Channel marker and lights replaced by the Crown Estate programme 2020.

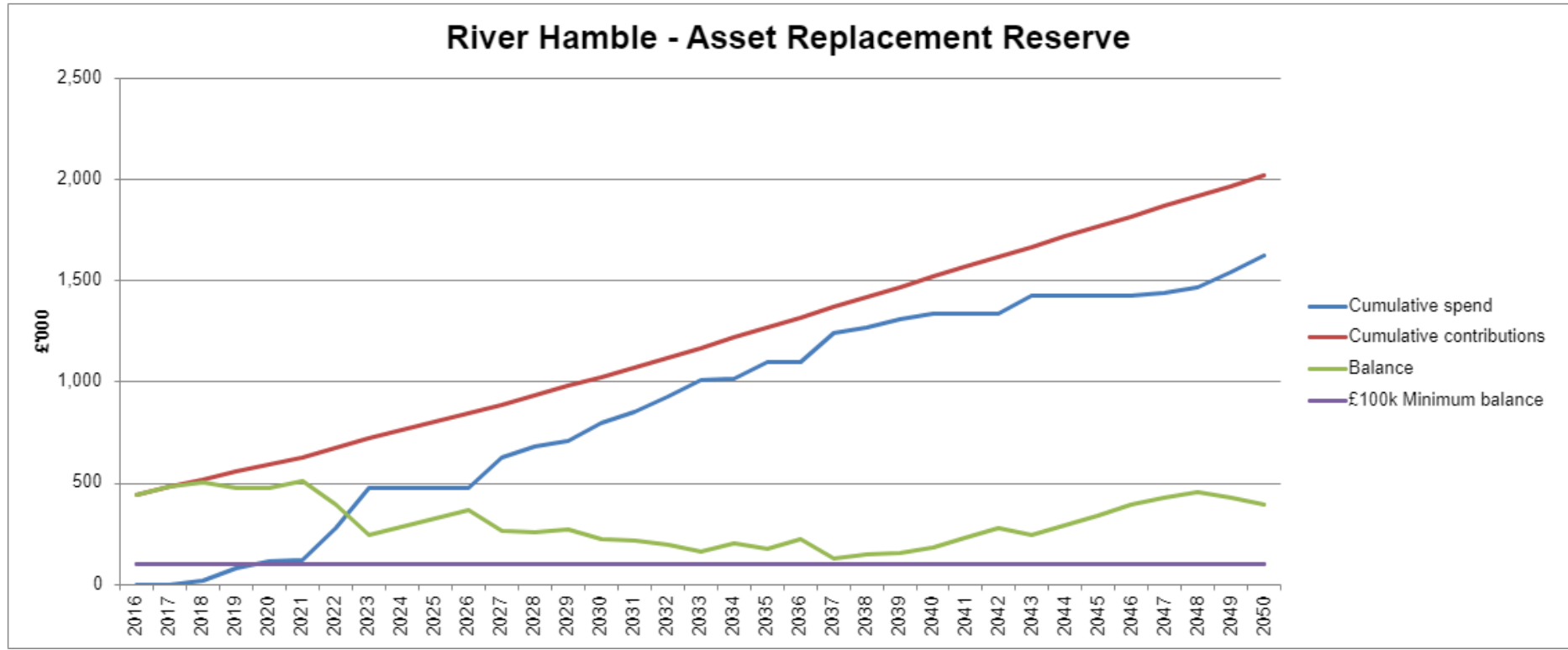
⁷ Some works necessary for original construction not in scope in replacement costs.

Other						
Replacement Harbour Management System	2019	45,000 ⁸	10	2029	4,500	30,000
Pump Out System	2021	10,000	7	2028	1,429	10,000
Total		55,000			5,929	40,000

Further Notes.

1. Life end forecast at build. Applies less to composite structures, elements of which are programmed to be replaced on a rolling basis, dependent on husbandry and condition. Replacement costs forecast for Warsash and Hamble Jetties relate to certain piles only, some being more recent than the original construction.
2. This is the total replacement cost based on current price estimate. Some assets are composite structures. For these, different components will be replaced at different times, depending on their condition. This enables payments to be spread more effectively and optimise asset availability. In some cases such as lights, technological developments have made replacement more economical in relative terms.
3. Annual depreciation figures may differ to those calculated for the statutory accounts. This is mainly due to adjustments being made to the lifespan of assets and therefore reflected in the depreciation calculations for the statutory accounts.

⁸ Includes project management cost, not likely to be re-incurred.



ARR Position with increases in the annual contribution from Revenue to £46,000 (2027) and £50,000 (2032)

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

A full Equalities Impact Assessment for the River Hamble Harbour Authority's compliance with the Port Marine Safety Code (including environmental responsibilities) has been carried out. This report includes an Equalities Impact Assessment within the draft Strategic Plan.