

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	River Hamble Harbour Management Committee
<b>Date:</b>	7 December 2018
<b>Title:</b>	River Hamble 2018/19 Forecast Outturn and 2019/20 Forward Budget
<b>Report From:</b>	The Director of Corporate Resources and Director of Culture, Communities and Business Services

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### 1. Recommendations

- 1.1. That the report is supported by the River Hamble Harbour Management Committee and submitted to the River Hamble Harbour Board for approval.
- 1.2. That cost pressures and the potential impact on the general reserve balance and future decisions on harbour dues are noted.
- 1.3. That the River Hamble Harbour Management Committee recommends to the River Hamble Harbour Board that delegated authority to spend is granted to the Harbour Master for the maintenance and replacement of fixed assets up to the value of £5,000 from the Asset Replacement Reserve (ARR) to enable more timely action to be taken.

### 2. Executive Summary

- 2.1. The purpose of this report is to present the 2018/19 outturn forecast as at the end of September 2018 and the 2019/20 forward budget to the River Hamble Harbour Management Committee for comment.
- 2.2. The 2018/19 original budget has been updated to reflect the agreement of the recommendations presented to the Harbour Board on 13 July 2018 and forecasts are presented against this budget.
- 2.3. Income generated by the River Hamble Harbour Authority (RHHA) is used to fund the activities of the RHHA and has remained broadly static for the past five years. Members of the Management Committee will recall the recent Harbour Dues report in which various cost pressures were identified. Following this report, the Harbour Board agreed to the recommendation of a 1.5% increase in Harbour Dues for the calendar year 2019, to manage those cost pressures which could not otherwise be mitigated. This will generate up

to £2,000 of additional income in 2018/19, with the full benefit to be realised in the 2019/20 financial year.

- 2.4. In attempting to mitigate cost pressures, the Harbour Authority has taken steps to minimise expenditure commensurate with the requirement to sustain appropriately the Marine Safety Management System. These steps have included the cessation of a £16,500 slipway clearance contract, replacing this with more economical but still effective measures, enabling an annual saving of £8,500 to be made.
- 2.5. In addition, improved engine reliability means that engines can be replaced less frequently, allowing the smoothing of replacements over three years rather than two, resulting in savings of approximately £7,000 per year on average. £16,000 had been earmarked for engine replacements from the Asset Replacement Reserve (ARR) this year, however the new approach means that only £7,000 is expected to be spent in 2018/19.
- 2.6. Expenditure has been further constrained by the sensible use of Harbour Authority personnel time to effect repairs to infrastructure without compromising the essential marine safety services. Examples of this include light slipway clearance duties and, where possible and practicable, the maintenance of supporting operational infrastructure.
- 2.7. Hampshire County Council is the Harbour Authority and staff are therefore employed on Hampshire County Council terms and conditions. Inflationary pay increases for staff have been minimal during the period of austerity, however a 2% increase was agreed for 2018/19 and a further 2% increase is anticipated for 2019/20. The impact of this increase is approximately £8,000 in 2018/19, with a further increase of £8,000 in 2019/20 (£16,000 cumulative increase).
- 2.8. In addition, employer's pension costs have also increased over the past three years as a result of the actuarial valuation of the pension fund and the associated calculation of the required level of employer's contributions. The impact is expected to be approximately £6,000 in 2019/20.
- 2.9. Despite the measures that have been taken to minimise costs and the resultant savings that have been made, the modest increase in Harbour Dues is not expected to be sufficient to fully offset the additional salary and pension costs set out above.
- 2.10. For the 2018/19 financial year, the River Hamble is therefore projected to achieve a surplus of £20,000 on revenue funded expenditure, compared to a budgeted surplus of £33,000.
- 2.11. In order to fully meet the agreed £35,000 contribution to the Asset Replacement Reserve (ARR) in 2018/19, it is projected that £15,000 will need to be transferred from the Revenue Reserve (RR).

- 2.12. The proposed budget for 2019/20 provides for a surplus of £21,000 on general revenue activities. A draw of £14,000 would be required from the RR to fully meet the £35,000 transfer to the ARR
- 2.13. As a result, the Revenue Reserve balance is expected to reduce from £35,294 at 31 March 2018 to £6,294 at the end of the 2019/20 financial year.
- 2.14. It is anticipated that there will need to be transfers from the Asset Enhancement Reserve (AER) to meet the cost of specific projects in both years, partially offset by interest received on reserve balances.
- 2.15. The detailed original budget for 2018/19 (as approved by the Harbour Board in January 2018 and revised in July 2018), the 2018/19 outturn forecast and the proposed 2019/20 forward budget are set out in Appendix 1.
- 2.16. The categorisation of income has been amended in the management accounts to give a more accurate and transparent representation of activity and to aid understanding and decision making.

### **3. 2018/19 Forecast Outturn**

- 3.1. The outturn forecast for 2018/19 as at period 6 (September 2018) is detailed in Appendices 1 and 2. Current projections are that a surplus on standard revenue activity of £20,000 will be achieved, £13,000 lower than the original budgeted surplus of £33,000.
- 3.2. It was agreed by the Board in May 2007, that a contribution of £43,000, later reduced to £35,000 per annum would be made to the Asset Replacement Reserve (ARR) to fund the cost of replacing assets in future years. This contribution is met from the surplus on revenue funded expenditure, supplemented by a transfer from the Revenue Reserve if necessary.
- 3.3. The £20,000 surplus will therefore be transferred to the ARR in full, together with a transfer of £15,000 from the RR, in order to fully meet the agreed annual transfer to the ARR of £35,000. The balance on the RR as at 31 March 2019 is expected to be £20,294.
- 3.4. Total gross expenditure is projected at £585,000, which is £5,000 higher than the budgeted £580,000. This is mainly due to increased staffing costs, partially offset by a decrease in spend on supplies and services. Detailed reasons for the variance to budget are set out below.
- 3.5. Staff related costs are expected to be £7,000 higher than budgeted, mainly due to additional spend on overtime and a casual staff member to cover sickness absence.
- 3.6. Supplies and services expenditure is projected to be £2,000 higher than budgeted. Savings have been identified across office expenses budgets of £2,000 in addition to a £2,000 saving on environmental maintenance costs due to a reduction in slipway clearance costs. These savings are offset by expenditure of £6,000 against the maintenance of public jetties and

navigational safety budget for the annual costs of the Bathymetric Survey. The budget for this expenditure was moved from revenue to the ARR in July 2018, however it has been identified that it would be more appropriate to keep this specific cost in revenue.

- 3.7. Income is expected to be £2,000 lower than budgeted overall at £605,000, as set out below.
- 3.8. Additional income of £7,000 is anticipated from towing charges. This is due to the recently agreed increase in the hourly charge out rate, which now accurately reflect the costs incurred by the Harbour Authority, and a drive to ensure all towing is charged for, including any towing carried out on behalf of the Crown Estate relating to the pile replacement programme.
- 3.9. The recently agreed increase in Harbour Dues for the 2019 calendar year will result in up to £2,000 of additional income in 2018/19, with the full benefit in 2019/20. The forecast for Harbour Dues has been updated to reflect recent trends of actual income received resulting in a reduction against the original budget of £6,000. This results in a net adverse forecast variance against harbour dues of £5,000.
- 3.10. The increase applied to the Crown Estate Management Agreement has been set at 2.5%, which is lower than originally estimated and will result in income from this source being £1,000 lower than budgeted. The original budget also included income of £3,000 in respect of a contribution from Fareham Borough Council towards the overspill clearance of seaweed adjacent to Warsash Slipway. This contribution has not been required over the past three years and is not anticipated to be required in 2018/19.
- 3.11. Projects funded from the Asset Enhancement Reserve consist of £3,000 relating to the approved spend on the 2018 River Hamble games. A £50,000 earmark previously made for potential projects is not anticipated to be required in 2018/19 although discussions continue with regards to potential opportunities for developments in 2019/20.
- 3.12. Spend against the Asset Replacement Reserve of £21,000 is now anticipated. This consists of £7,500 on engine replacement costs, £2,900 on the refurbishment of hand rails, £4,000 on replacement decking materials, £3,000 on new signage throughout the river, and approximately £3,000 on public jetty maintenance. It is intended that Harbour Authority staff will carry out the fitting of the replacement decking, which is expected to save £7,000 through cost avoidance. Approximately £2,000 is expected to be added to reserves as interest generated on balances.

#### **4. 2019/20 Forward Budget**

- 4.1. The proposed 2019/20 forward budget is detailed in Appendices 1 and 2 and projects a surplus of £21,000 on general revenue activities. This will need to be supplemented by a £14,000 draw from the RR to meet the agreed £35,000 transfer to the ARR for the cost of replacing assets in future years. This would leave a balance on the General Reserve at the end of 2019/20 of

£6,294. Approximately £2,000 is expected to be added to the ARR balance as the result of the generation of interest on reserves balances.

- 4.2. The proposed gross expenditure budget has been set at £591,000, an increase of £17,000 compared with the original 2018/19 budget, and a £6,000 increase on the 2018/19 outturn forecast.
- 4.3. The forward budget includes a proposed net increase in the staffing budget of £13,000. This includes £8,000 for the impact of pay inflation and £6,000 to cover increases in employer's pension costs as a result of the actuarial valuation of the pension fund, partially offset by a £1,000 reduction resulting from various other minor adjustments.
- 4.4. These increases to staff costs are partially offset by a £3,000 projected reduction in environmental maintenance costs for slipway clearance. This will be made possible by reducing the frequency of contracting out clearing activities and carrying out some light slipway clearance duties in house using Harbour Authority personnel when possible and appropriate, ensuring core activities are not affected.
- 4.5. The income budget for 2019/20 has been set at £612,000, which is an increase of £5,000 from the original 2018/19 budget.
- 4.6. The Harbour Dues income budget has been adjusted to reflect historic trends resulting in a decrease in the baseline budget of £6,000. Offset against this is the impact of the increase in Harbour Dues of 1.5% for the 2019 calendar year. This accounts for a £7,000 increase in income, including £6,000 for marinas and boatyards and a further £1,000 for river moorings.
- 4.7. In addition, a £7,000 income target has been set for towing charges. The hourly charge out rate now reflects the cost to the Harbour Authority of providing towing and the budget also includes expected income from charging the Crown Estate for all towing carried out on its behalf, specifically related to the pile replacement programme. It should however be noted that the Crown Estate's pile replacement activity is not predictable and there is therefore likely to be some variability in the actual towing income achieved.
- 4.8. The income budget for other funding has been decreased by £3,000 in relation to a contribution from Fareham Borough Council towards slipway clearance in line with recent years actuals and the 2018/19 forecast.

## **5. Reserves**

- 5.1. The Harbour Board approved a reserves policy on 18<sup>th</sup> May 2007 which provided for the following three reserves:
  - Asset Enhancement Reserve (AER) - £320,000 for a programme of future opportunities.

- Asset Replacement Reserve (ARR) - to replace all Harbour Authority Assets and provide maintenance dredges over a 25 year cycle. Annual contribution of £43,000 later reduced to £35,000, to be received from revenue.
  - Revenue Reserve (RR) - to hold annual surpluses totalling no more than 10% of the gross revenue budget. Any excess to be transferred to the AER, returned to mooring holders or to fund one off revenue budget pressures as approved by the Board.
- 5.2. A detailed breakdown of reserves is contained in Appendix 3. The reserve balances include an estimate for interest receivable on reserves and projected and incurred expenditure.
  - 5.3. Interest received on the reserves is estimated to be £2,000 in both 2018/19 and 2019/20.
  - 5.4. Expenditure of £3,000 will be incurred in 2018/19 for the River Hamble Games and will be funded by the AER.
  - 5.5. Expenditure from the AER for potential projects expected to cost approximately £50,000 have been postponed until 2019/20 while discussions continue with regards to potential opportunities for developments in 2019/20 (subject to approval from the Board).
  - 5.6. There has been £10,400 expenditure incurred during the first six months of 2018/19, which has been funded by the ARR. This includes £7,500 for the net cost of a new boat engine, and £2,900 for hand rail refurbishment. Further expenditure of approximately £4,000 on replacement decking, £3,000 on replacement signage throughout the river, and approximately £3,000 on public jetty maintenance is expected over the remainder of the year.
  - 5.7. Provision has been made for planned expenditure of £28,000 from the ARR in 2019/20 including £25,000 for a replacement harbour management system and £3,000 on pile capping maintenance work in accordance with the asset replacement cashflow forecast.
  - 5.8. The reserves policy states that the balance on the RR should not be more than 10% of the gross revenue budget, equating to approximately £57,000 for 2018/19.
  - 5.9. The balance is anticipated to be £20,294 as at 31 March 2019, reflecting the £15,000 transfer to ARR in the 2018/19 financial year. By the end of 2019/20 it is expected that this balance will reduce to £6,294.
  - 5.10. The agreed increase in Harbour Dues of 1.5% for 2019, increased income from towing charges and savings made against expenditure budgets have mitigated some of the cost pressures faced by the Harbour Authority.

- 5.11. The Management Committee and the Board will, however, need to consider what further action will be required to manage future cost pressures and to ensure the annual contribution to the ARR can be made.
- 5.12. The balance in the AER is expected to be £66,760 as at 31 March 2019. £50,000 is earmarked for potential projects in 2019/20, which will reduce the remaining balance to £16,760 at 31 March 2020 if spent.
- 5.13. The balance in the ARR is expected to be £496,268 as at 31 March 2019, increasing to £505,268 by 31 March 2020. This balance is for planned asset replacements as per the ARR cash flow forecast and is considered appropriate to meet the future costs of replacing the assets of the Harbour Authority as required.
- 5.14. It is not always possible to plan for all maintenance and replacement of fixed assets. Therefore, it is recommended that delegated authority is granted to the Harbour Master to spend against the ARR for the maintenance and replacement of fixed assets up to the value of £5,000. This will enable more timely action to be taken.

## **6. Impact Assessment**

- 6.1. This report is in accordance with the budget strategy and the County Council's financial management policy. This policy applies equally to all services and ensures consistent financial management decisions across all services. The proposals outlined in this report are not considered discriminatory.

**CORPORATE OR LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	Yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	Yes
<b>People in Hampshire enjoy a rich and diverse environment:</b>	Yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	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.)**

DocumentLocation

None



## **IMPACT ASSESSMENTS:**

### **1. Equality Duty**

1.1. 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 under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

**Equalities Impact Assessment:**

1.2. This report is in accordance with the budget strategy and the County Council's financial management policy. This policy applies equally to all services and ensures consistent financial management decisions across all services. The proposals outlined in this report are not considered discriminatory.


### **2. Impact on Crime and Disorder:**

2.1. This report does not deal with any issues relating to crime and disorder.

**3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption? The contents of this report have no impact on carbon footprint or energy consumption.
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? Not applicable to this report.

## River Hamble Harbour Undertaking

	Original Budget 2018/19 (£)	Variance 2018/19 (£)	P6 Forecast Outturn / Revised Budget 2018/19 (£)	Adjustments 2019/20 (£)	Forward Budget 2019/20 (£)	Notes
<b>EXPENDITURE</b>						
<b>Staff Related</b>						
Salaries	443,000	6,000	449,000	6,000	455,000	1
Training	5,000	0	5,000	0	5,000	
Professional Subscriptions	0	1,000	1,000	0	1,000	2
<b>Sub Total Staff Related</b>	<b>448,000</b>	<b>7,000</b>	<b>455,000</b>	<b>6,000</b>	<b>461,000</b>	
<b>Premises</b>						
Repair & Maintenance (including Health & Safety Modifications)	1,000	1,000	2,000	(1,000)	1,000	3
Electricity	2,000	0	2,000	0	2,000	
Gas	1,000	0	1,000	0	1,000	
Rent / Rates	18,000	1,000	19,000	0	19,000	
Water / Sewerage	1,000	0	1,000	0	1,000	
Burglar Alarms / Security	1,000	0	1,000	0	1,000	
<b>Sub Total Premises</b>	<b>24,000</b>	<b>2,000</b>	<b>26,000</b>	<b>(1,000)</b>	<b>25,000</b>	
<b>Transport</b>						
Repair, Maintenance and Boat Refurbishment	3,000	0	3,000	0	3,000	
Vehicle Running Expenses (Fuel)	3,000	0	3,000	0	3,000	
Tools (including Chandlery)	2,000	0	2,000	0	2,000	
Car Allowances / Staff Travel	1,000	0	1,000	0	1,000	
Insurance	2,000	0	2,000	0	2,000	
<b>Sub Total Transport</b>	<b>11,000</b>	<b>0</b>	<b>11,000</b>	<b>0</b>	<b>11,000</b>	
<b>Supplies &amp; Services</b>						
Office Expenses	25,000	(2,000)	23,000	2,000	25,000	4
Environmental Maintenance	10,000	(2,000)	8,000	(1,000)	7,000	5
Public Jetties & Navigational Safety (including Navigational Aids)	0	6,000	6,000	0	6,000	
Central Department Charges	42,000	0	42,000	0	42,000	6
Designated Person	9,000	0	9,000	0	9,000	
Oil Spill Response	5,000	0	5,000	0	5,000	
<b>Sub Total Supplies &amp; Services</b>	<b>91,000</b>	<b>2,000</b>	<b>93,000</b>	<b>1,000</b>	<b>94,000</b>	
<b>Gross Expenditure (Current)</b>	<b>574,000</b>	<b>11,000</b>	<b>585,000</b> 	<b>6,000</b>	<b>591,000</b>	



## FURTHER DETAIL ON: Office Expenses; Other Services; Harbour Dues Income; Visitor Income

	Original Budget 2017/18 (£)	Variance 2017/18 (£)	P6 Forecast Outturn / Revised Budget 2017/18 (£)	Adjustments 2018/19 (£)	Forward Budget 2018/19 (£)	Notes
<b>Office Expenses</b>						
Equipment	1,000	0	1,000	0	1,000	
First Aid Supplies/Health & Safety	1,000	0	1,000	0	1,000	
Printing & Stationery	3,000	1,000	4,000	(1,000)	3,000	
Catering/General	1,000	0	1,000	0	1,000	
Protective Clothing and Safety Equipment	3,000	0	3,000	0	3,000	
IT Charges	5,000	(3,000)	2,000	3,000	5,000	
Postage	2,000	0	2,000	0	2,000	
Subscriptions	1,000	1,000	2,000	0	2,000	
Phones	1,000	(1,000)	0	0	0	
Promotional Events/Publicity/Publications	5,000	(2,000)	3,000	0	3,000	
Retail (Crabbing Equipment)	1,000	0	1,000	0	1,000	
Credit Card Charges (re Income Collection)	1,000	2,000	3,000	0	3,000	
<b>Sub Total</b>	<b>25,000</b>	<b>(2,000)</b>	<b>23,000</b>	<b>2,000</b>	<b>25,000</b>	<b>4</b>
<b>Other Services</b>						
Subscriptions/Memberships/ Licences/Designated Person	9,000	0	9,000	0	9,000	
<b>Sub Total</b>	<b>9,000</b>	<b>0</b>	<b>9,000</b>	<b>0</b>	<b>9,000</b>	
<b>Harbour Dues</b>						
Marinas and Boatyards	(380,000)	0	(380,000)	(5,000)	(385,000)	
River Moorings	(102,000)	5,000	(97,000)	(1,000)	(98,000)	
<b>Sub Total</b>	<b>(482,000)</b>	<b>5,000</b>	<b>(477,000)</b>	<b>(6,000)</b>	<b>(483,000)</b>	<b>8</b>
<b>Visitor Income</b>						
Mid Stream Visitors Pontoon	(20,000)	0	(20,000)	0	(20,000)	
Warsash Jetty	(13,000)	0	(13,000)	0	(13,000)	
Hamble Jetty	(2,000)	0	(2,000)	0	(2,000)	
Commercial and Pleasure Craft Income	(8,000)	0	(8,000)	0	(8,000)	
<b>Sub Total</b>	<b>(43,000)</b>	<b>0</b>	<b>(43,000)</b>	<b>0</b>	<b>(43,000)</b>	

## Notes to Appendices 1 and 2

Further details of significant variations are as follows:

1. The 2018/19 outturn forecast for salaries is expected to be £6,000 higher than the 2018/19 original budget due to increased overtime and hiring an additional casual staff member to cover sickness absence.

The 2019/20 salary budget has been increased by £12,000 from the 2018/19 original budget. This includes £8,000 for the anticipated 2% pay award and £4,000 for an additional 1% increase to employers LGPS contributions to meet the requirements for employer's contributions for current staff based on the actuarial valuation of the pension fund.

In addition, a charge of £23,000 was included in the original 2018/19 budget to cover the past service deficit element of employer's contributions to the cost of the LGPS, which is also determined by the actuarial valuation of the pension fund. The 2019/20 forward budget is set £2,000 higher at £25,000 to reflect the anticipated increase. Other minor adjustments to staffing offset the above increases by £2,000.

2. £1,000 has been added to the 2018/19 outturn forecast and 2019/20 forward budget within staff related costs to cover professional subscriptions paid on behalf of staff.
3. The 2018/19 outturn forecast for Repairs & Maintenance (including Health & Safety Modifications) has been increased by £1,000 for the installation of two new finger pontoons for the patrol boats.
4. The 2018/19 outturn forecast for Office Expenses is expected to be a net £2,000 lower than the original 2018/19 budget mainly due to delays in the implementation of a new harbour management system. This budget includes a provision to fund the annual running costs once the system is in place.

Other small variances in the 2018/19 outturn forecast include £1,000 higher printing and stationery costs for new warning booklets, offset by £1,000 less expected against phone charges. There is expected to be £2,000 less expenditure on Promotional Events/Publicity/Publications because of an effort to reduce spend on payments to magazine publishers for promotional activity. This is offset by £2,000 of additional expenditure for credit card charges in relation to payments taken through the Hampshire online shop. The budgets in these areas for 2019/20 have been set to match the anticipated expenditure included in the 2018/19 outturn forecast.

5. Environmental Maintenance costs for slipway clearance from storm deposits is expected to be £2,000 less for 2018/19 due to only clearing

when necessary. A target to reduce this from £10,000 to £7,000 for the 2019/20 forward budget has been set.

## 6. Central Department charges

The charges based on activity are charged annually in March – all other charges are charged monthly via an annualised bill plan.

- The anticipated charge for support from Operational Finance is £21,800 in 2019/20 and is based on an assessment of the time devoted to the River Hamble.
- The anticipated 2019/20 Corporate Resources charges are based on the actual costs incurred in 2017/18.

	£
▪ Processing of payments and travel claims, Processing of debtor transactions - invoices, etc.£	2,500
▪ Tax/cash management and Processing of pay by Payroll Technical Team	£200
▪ Audit services £	3,400
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	6,100

- The charge for Audit Services is for an SLA to cover audit requirements, both for specific site visits to the River Hamble and to cover systems and processes used by the River Hamble, such as payroll and IT systems.
- £14,500 has been budgeted for charges from Democratic Services and Legal Services. The actual charge will vary depending on activity and requirements and is based on hours worked multiplied by an hourly rate, which is benchmarked to ensure best value.

The following costs are not currently borne by the Harbour Office:

- Notional rent and repair costs associated with the Harbour Office
- Access to and use of the County Council's Information Technology infrastructure and systems
- Insurance, apart from a nominal premium.

7. The 2018/19 outturn forecast and 2019/20 forward budget for Harbour Dues was adjusted to reflect historic trends of actual levels of income. The 2018/19 outturn forecast for Harbour Dues has by £6,000 compared with the original budget reflect historic trends, slightly offset by an increase of up to £2,000 for the 2019 part year effect (January to March 2019) of the 1.5% increase as agreed at the July 2018 Harbour Board meeting. The 2019/20 forward budget has been set at £7,000 higher compared to the 2018/19 outturn forecast to accommodate the full year effect of the 1.5% increase in 2019/20. A further increase to Harbour

Dues for the calendar year 2020 has not been assumed but may need to be considered. A detailed breakdown of Harbour Dues is presented in Appendix 2.

8. The 2018/19 original budget for Crown Estate Management agreement was set based on a 4% increase on the 2017/18 agreed level of £64,000, which was rounded to £67,000 for the 2018/19 budget. The actual increase applied by the Crown Estate was 2.5% and the 2018/19 outturn forecast has been reduced by £1,000 to £66,000 to reflect this. There is an anticipated 2.5% increase for 2019/20 adding an extra £1,000 of income onto the 2019/20 forward budget making it £67,000.
9. Towing charges are expected to increase by £7,000 for both the 2018/19 outturn forecast and 2019/20 forward budget. This is due to the rise in hourly charge out rate and a drive to ensure all towing is charged for, specifically any towing that is carried out on behalf of the Crown Estate relating to the pile replacement programme. It is not known if the Crown Estate pile replacement programme will continue past 2019/20.
10. "Other Funding" includes £3,000 from Fareham Borough Council relating to a contribution towards Warsash slipway clearance. This contribution has not been required over the past three years and is not anticipated to be required in 2018/19 and has therefore been removed from the 2018/19 outturn forecast and 2019/20 forward budget.
11. The budgeted in-year surplus to contribute to the Asset Replacement Reserve will be £21,000 in 2019/20, and it is proposed that the shortfall on the Board agreed transfer to the ARR of £35,000 is met by a transfer from the RR of £14,000.



**River Hamble Harbour Authority - Reserves 2018/2020**

	<b>General Reserve</b>	<b>Asset Enhancement Reserve</b>	<b>Asset Replacement Reserve</b>	<b>TOTAL</b>
	(£)	(£)	(£)	(£)
<b>Balance as at 31 March 2018</b>	<b>(35,294.28)</b>	<b>(69,759.73)</b>	<b>(480,268.19)</b>	<b>(585,322)</b>
Transfer to ARR from General Reserve	15,000	0	(15,000)	<b>0</b>
Transfer to ARR from Revenue	0	0	(20,000)	
River Hamble Games 2018	0	3,000	0	<b>3,000</b>
Engine Replacement, Handrail Refurbishment, and Other Planned Maintenance	0	0	21,000	<b>21,000</b>
Plus Annual Interest	0	0	(2,000)	<b>(2,000)</b>
Plus Net Surplus for year	0	0	0	<b>0</b>
<b>Balance at 31 March 2019</b>	<b>(20,294)</b>	<b>(66,760)</b>	<b>(496,268)</b>	<b>(563,322)</b>
Transfer to ARR from General Reserve	14,000	0	(14,000)	<b>0</b>
Transfer to ARR from Revenue	0	0	(21,000)	<b>(21,000)</b>
Potential Projects	0	50,000	0	<b>50,000</b>
Asset Replacement	0	0	28,000	<b>28,000</b>
Plus Estimated Annual Interest	0	0	(2,000)	<b>(2,000)</b>
<b>Predicted Balance at 31 March 2020</b>	<b>(6,294)</b>	<b>(16,760)</b>	<b>(505,268)</b>	<b>(508,322)</b>
<b>Commitments for future projects</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance Available</b>	<b>(6,294)</b>	<b>(16,760)</b>	<b>(505,268)</b>	<b>(508,322)</b>

Interest is generated on general reserves and is included in the net transfer (to) / from general revenue reserves