

HAMPSHIRE COUNTY COUNCIL

Report

Committee:	River Hamble Harbour Management Committee
Date:	7 June 2019
Title:	Review of Harbour Dues
Report From:	Director of Culture, Communities and Business Services

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Purpose of this Report

1. The purpose of this report is to analyse the financial position of the River Hamble Harbour Undertaking in order to make a recommendation on any change in Harbour Dues that may be necessary.

Recommendation

2. That the River Hamble Harbour Management Committee recommends to the River Hamble Harbour Board the approval of an increase in Harbour Dues of 5% for 2019.

Executive Summary

3. The purpose of this paper is to recommend the rate for Harbour Dues for 2019/20, based on an analysis of our Asset Review of April 2019 and our Annual Statutory Accounts, already presented at this meeting. Its recommendation provides for the long-term maintenance of our appropriate risk-based Marine Safety Management System, as well as other expected services. It takes into account predicted income and expenditure over the next two years and the requirement to cease drawing on the General Reserve to supplement the £35000 annual contribution to the Asset Replacement Reserve.
4. In January, the Chairman of the Harbour Board directed that a financial analysis of our needs be conducted. This analysis would look at our income and expenditure and identify options to ensure stability in the mid to long term. The underlying reason behind this has been the need to supplement

revenue from a diminishing Revenue Reserve because of increasing costs. That paper is key to a full understanding of the options and is at Appendix 1.

Contextual Information

4. Three papers must be taken into account when deciding on Harbour Dues figures this year. The first (Appendix 1), has already been discussed. The second, our Asset Review work, was presented to the Board and approved in April. It is acknowledged that mapping out our financial asset replacement rates with precision must be an inexact science. However, the Board decision to make use of the Asset Replacement Reserve, accumulated as it is for asset replacement, sensibly and on a consistent basis, has relieved some of the pressure on our Revenue budget and continued to assure the sustainability of our operational assets looking forward. Finally, our Annual Accounts show how the RHHA has performed and provide confirmation of some of the additional costs which must be borne over the coming years. These are outside the Harbour Authority's and Hampshire County Council's control.
5. The Marine Director's report in our Annual Accounts aimed to set out the balance of the discussion, taking into account the three papers. It is vital to remember that the primary responsibility of any Harbour Authority is safety. Accordingly, there is a requirement to maintain our essential operational capabilities to ensure that non-discretionary, statutory tasks are carried out in the long-term. This is the primary responsibility of the Duty Holder in Law.
6. Our financial position is one of reduced expenditure over the past ten years and also one of reduced income.
7. Looking back over the past ten years shows how the position has altered. In 2009/10, gross income stood at £682,303 and gross expenditure at £645,086, giving a revenue surplus of £37,217. In 2010, the Harbour Board made the correct decision at the time to both transfer £180,000 from a growing Revenue Reserve to the Asset Replacement Reserve and reduce Annual Harbour Dues by 10%. The annual contribution from Revenue to Capital was also reduced from £43,000 per annum to £35,000 per annum. For 2018/19, our gross income was £610,450 and our gross expenditure was £594,575. This means that our income today stands at a level that is 10.5% less than in 2009.
8. Increases in Harbour Dues have been modest. Dues have been raised on three out of ten years for a maximum of 1.5% and Harbour Dues today stand at a level that is 7% less than in 2009.
9. Expenditure is at a level that is 8% less than in 2009, despite the impact of pay increases and additional pension contributions for a staff component that

is not in scope for reduction. Inter alia, this is because single-staff operations are in the main unfeasible and patrol capability and persistence over 364 days each year is fundamental to the safety of River Users. It must be recognised too that staff have also been responsible for major savings in our wider expenditure, notably in slipway clearance and the repair of essential infrastructure. It is important to note that granular analysis of around 4000 transactions has enabled this Authority to identify options for reductions in expenditure. That these opportunities have been taken is clearly visible in the figures of this report where our expenditure on supplies and services illustrates in microcosm the savings made. Here, expenditure in 2009 stood at £153,102. That same figure in 2018/19 stood at £102,437 or 33% less.

10. The conclusions drawn in the Financial Position paper are repeated here:

- First, the existing level of safety cover must be maintained to ensure that the Risks managed to comply with the PMSC are managed to levels that are as low as reasonably practicable.
- All reasonable reductions in expenditure have been made. Maintaining an essential level of cover requires an increase in income which it is recommended can only reasonably be brought about by an increase in Harbour Dues.
- This year, the forecast shortfall will require a draw on the General Reserve of a predicted £14,000, leaving that Reserve with a forecast balance of £20,000. For 2020/21, the projected shortfall before any uplift to Harbour Dues increases to £25,000. The level of increase necessary is based upon a need for an increase of £25,000 (5%) and will be dependent on the appetite of the Board to take risk on the forecast contingency remaining in the Asset Replacement Reserve, which will be subject to influences not within the Harbour Authority's control.
- In the event that a lower contingency in the Asset Replacement Reserve was deemed acceptable and accepting the associated additional risk, the necessary requirement for an increase would reduce to £23,000 (4.8%). With that in mind, the higher level of contingency afforded by maintaining an annual contribution from Revenue of £35,000 will offer a greater margin of security.
- Secondly, recognising that commercial Harbour Dues bring in the bulk of the Authority's income and also that this income has proved the most stable source, a reduction in the 20% benefit granted to Commercial operators for their collection would therefore achieve the additional level of income required.
- However, it can be argued that this unequal approach, while bringing commercial levels of payment closer into line with those for mid-stream mooring holders, would not be consistent with the Board's policy which recognises and promotes the importance of marine businesses.

- Finally, any appetite to set aside additional income for a programme of future opportunities must be considered in the light of the income forecast to be achieved by a 1% increase (£4,750). Recognising that the Asset Enhancement Reserve will be available up to a point, a project costing £20,000 would otherwise require an increase beyond that discussed above of over 4%. Given that Harbour Dues is the only lever which can adjust income, an increase in Harbour Dues designed to realise an additional £25,000 to address the projected gap in the 2020/21 budget should Harbour Dues remain at the 2019 level must, at the very least, be implemented.

Analysis

11. With current actual income from Harbour Dues standing at around £475,000, and budgeted at £483,000 for 2019/20, an increase of 5.1% would be necessary to bring the Budget back into balance. While a larger increase than River Users have been used to in recent times, Harbour Dues would still be set at a level that is 1.5% less than ten years ago. The table below shows how this would affect River Users and also illustrates the rates (per metre per annum) a decade ago.

River User	2009	2019	2020
Mid-stream moorings – resident	£16.06	£15.04	£15.81
Marina/Dry Sailor (basic rate)	£14.60	£13.67	£14.36
Mid-stream moorings – commercial	£14.60	£13.67	£14.36

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) An EIA is not required as no negative impacts are anticipated.