

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	River Hamble Harbour Management Committee
Date:	6 December 2019
Title:	River Hamble 2019/20 Forecast Outturn and 2020/21 Forward Budget
Report From:	The Director of Corporate Resources and Director of Culture, Communities and Business Services

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Purpose of the Report

1. The purpose of this report is to present the 2019/20 outturn forecast as at the end of September 2019 and the proposed 2020/21 forward budget to the River Hamble Harbour Management Committee for comment.

Recommendations

2. That the revised budget for the 2019/20 financial year is supported by the River Hamble Harbour Management Committee and submitted to the River Hamble Harbour Board for approval.
3. That the projected outturn for the 2019/20 financial year is noted.
4. That the proposed forward budget is supported by the River Hamble Harbour Management Committee and submitted to the River Hamble Harbour Board for approval.
5. That the impact of the triennial actuarial pension valuation in removing the past service payments from 2020/21, and that this could change at the next valuation, is noted.
6. That the balances held within the reserves and the impact of anticipated cost pressures on the general reserve balance are noted.

Executive Summary

7. Minor changes to the 2019/20 original budget have been made to reflect changes to budget requirements highlighted in the River Hamble Final Accounts 2018/19 report presented to the Harbour Board on 12 July 2019. Current year forecasts are presented against this budget.
8. For the 2019/20 financial year, the River Hamble is projected to achieve a surplus of £16,000 on revenue funded expenditure, compared to a budgeted surplus of £18,000. This will require the full balance within the Revenue Reserve (RR) to be transferred to the Asset Replacement Reserve (ARR) to meet the £35,000 annual transfer, leaving a £nil balance in the RR by March 2020.
9. In 2020/21 the budgeted surplus on revenue funded expenditure is £52,000, allowing for the full £35,000 transfer to the ARR to be made and increasing the balance within the RR to £17,000 by 31 March 2021.
10. The improved position in 2020/21 is largely the result of additional income from the agreed 5% increase in Harbour Dues to manage unavoidable cost pressures, combined with the unexpected removal of the requirement to make past service pension contributions following good performance of the Hampshire Pension Fund. However, it should be noted that the position regarding the past service pension costs could change with the next actuarial review due in three years time.
11. The detailed revised budget for 2019/20, the 2019/20 outturn forecast and the proposed 2020/21 forward budget are set out in Appendices 1 and 2, with the reserves balances shown in Appendix 3.
12. The forward budget does not yet include potential additional income arising from the proposals contained within the income adjustment options paper considered separately on the meeting agenda. Should the proposals contained in that report be approved, any additional income (the amount being dependent upon the decisions made) would be added to the Asset Enhancement Reserve for future projects to enhance the River Hamble for the benefit of river users.

2019/20 Revised Budget

13. As highlighted in the River Hamble Final Accounts 2018/19 report an ongoing Crown Estate charge for £5,000 was identified and therefore has been included in the revised budget.
14. Reduced ongoing Environmental Maintenance costs were also reported and the budget has subsequently been reduced from £7,000 to £5,000 to reflect this.

2019/20 Forecast Outturn

15. The outturn forecast for 2019/20 as at period 6 (September 2019) is detailed in Appendix 1. It is projected that a surplus on standard revenue activity of £16,000 will be achieved, £2,000 lower than the budgeted surplus of £18,000.
16. 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.
17. The £16,000 surplus will therefore be transferred to the ARR in full, together with a transfer of the £16,170 balance of the RR, as well as a transfer of £2,830 from the Asset Enhancement Reserve (AER), in order to fully meet the agreed annual transfer to the ARR of £35,000. The RR balance is expected to reduce to £nil at 31 March 2020.
18. Total gross expenditure is projected at £602,000, £8,000 higher than the budgeted £594,000. The adverse variance mainly relates to £3,750 for triennial oil spill training costs, and a £3,000 increase in business rates (reflecting the reducing transitional relief following the revaluation in 2017).
19. Income is expected to be £6,000 higher than budgeted at £618,000. The additional income mainly relates to a one-off transfer to revenue of an £8,365 historic fund which had been retained for the ongoing upkeep of the fisherman's jetty (included within miscellaneous income). Additional income from the part year effect of the agreed 5% increase in Harbour Dues for the 2020 calendar year (with the full benefit due in 2020/21) has been offset by a payment to the Crown Estates for temporary moorings income due to them for 2018/19.
20. Projects funded from the AER consist of a £500 contribution towards the 2019 Bursledon Regatta. A £50,000 earmark previously made for potential projects is no longer expected to be required in 2019/20, although discussions continue with regards to potential opportunities for developments in 2020/21.
21. Spend against the ARR of £36,000 is now anticipated. This consists of £2,200 on boat engine maintenance costs to extend their lifespan, £3,600 on pontoon welding, and approximately £30,000 for the new Harbour Assist management system which will replace the existing outdated Harbour Management System. Approximately £3,000 is expected to be added to reserves as interest generated on balances.

2020/21 Forward Budget

22. The proposed 2020/21 forward budget is detailed in Appendix 2 and projects a surplus of £52,000 on general revenue activities which will therefore fully meet the agreed £35,000 transfer to the ARR for the cost of replacing assets in future years, and allow for a RR balance of £17,000 by 31 March 2021.

23. A significant change to the budget is the removal of the £25,000 budget for past service pension costs. The Hampshire pension fund has recently received the results from the triennial valuation from the actuary, and the good performance of the fund has resulted in the past service costs being fully funded much earlier than originally anticipated. Therefore, the past service costs payment will not be required from 2020/21.
24. This will allow the balance within the RR to be re-established and potentially could allow for a contribution to the Asset Enhancement Reserve. However, it should be noted that the next actuarial valuation in three years time could go the opposite way, and therefore it is recommended that the position be reviewed again at this time to consider whether the budget for this could be permanently re-purposed, or would need to be re-instated for past service contributions.
25. The proposed gross expenditure budget has been set at £585,000, a reduction of £9,000 compared with the revised 2019/20 budget, and a reduction of £17,000 on the 2019/20 outturn forecast.
26. The salaries forward budget has been increased by £15,000, which includes a provision of £8,000 for the impact of pay inflation (based on the 2019/20 pay award of 2% as the pay award for 2020/21 has yet to be agreed), and a £7,000 increase to reflect the increase in employer pension contributions (from 16.1% to 18.4%) as calculated in the actuary's triennial pension valuation. This is then offset by the £25,000 reduction in budget for the past pension contributions as above.
27. The rent and rates budget will be increased by £4,000 to reflect the ongoing business rate rises following the 2017 revaluation. For the 2020/21 budget an increase of 28% has been applied, which reflects reducing transitional relief and an inflationary increase. The next revaluation is due in 2022.
28. The income budget for 2020/21 has been set at £637,000, which is an increase of £25,000 from the revised 2019/20 budget. This is primarily due to a £23,000 increase in the Harbour Dues income budget to reflect the agreed 5% increase for the 2020 calendar year, to manage the ongoing cost pressures of the Harbour Authority, which have not been possible to mitigate by efficiencies.
29. Budgeted Crown Estate funding has been increased to £69,000 to reflect the 2.5% increase that will be applied to the 2020/21 charges.
30. The forward budget does not yet include potential additional income arising from the proposals contained within the income adjustment options paper considered separately on the meeting agenda. Should the proposals contained in that report be approved, any additional income (the amount being dependent upon the decisions made) would be added to the Asset

Enhancement Reserve for future projects to enhance the River Hamble for the benefit of river users.

Reserves

31. A detailed breakdown of reserves is shown in Appendix 3.
32. The Harbour Board approved a reserves policy on 18th 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.
33. As at 31 March 2019, a total of £584,711 was held in reserves, the majority of which relates to the Asset Replacement Reserve, with this balance regularly reviewed to ensure that it is maintained at an appropriate level to replace the assets of the Harbour Authority as required.
34. The balance in the Asset Replacement Reserve is expected to increase slightly to £503,316 at 31 March 2020, after £36,000 expenditure as outlined in section four of this report, offset by the £35,000 annual contribution and £3,000 anticipated interest receivable.
35. Provision has been made for planned expenditure of £18,000 from the ARR in 2020/21 including £16,000 for replacement boat engines and £2,000 on superstructure and cardinal top mark works, in accordance with the asset replacement cashflow forecast. With the £35,000 annual contribution and estimated interest receivable, the balance in the ARR is expected to increase to £523,316 by 31 March 2021.
36. The balance in the Asset Enhancement Reserve is expected to reduce to £63,895 by 31 March 2020 and £35,895 by 31 March 2021. Provision has been made for planned expenditure of £28,000 from the AER in 2020/21, consisting of a £3,000 contribution towards the River Hamble Games and £25,000 earmarked for design and implementation costs in relation to the re-design of three pontoons. A local marina has agreed to supply the structural components for this project, at a negligible cost.

37. The balance in the Revenue Reserve is anticipated to reduce to £nil by the end of March 2020. The diminishing level of the RR has been the subject of several previous reports, with the 5% increase to Harbour Dues for the 2020 calendar year already agreed by the Board to help balance the budget, and further actions being considered. However, due to the better than expected performance of the Hampshire Pension Fund, the removal of the past service payments from 2020/21 has resulted in a projected surplus for that financial year, resulting in an anticipated balance within the RR of £17,000 by 31 March 2021.
38. The reserves policy states that the balance on the RR should not be more than 10% of the gross revenue budget, equating to approximately £59,000 for 2019/20.

Impact Assessment

39. 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**

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

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.

Appendix 1 – 2019/20 Forecast Outturn as at P6 (end of September)

	Original Budget £'000	Revised Budget £'000	P6 Forecast Outturn £'000	Variance to Budget £'000
EXPENDITURE				
Staff Related				
Salaries	430	430	430	-
Past pension contributions	25	25	25	-
Training	5	5	9	4
Professional Subscriptions	1	1	2	1
Sub-total staff related	461	461	466	5
Premises				
Rent / Rates	19	19	22	3
Electricity	2	2	2	-
Gas	1	1	1	-
Water / Sewerage	1	1	1	-
Repair & Maintenance (including Health & Safety modifications)	1	1	1	-
Burglar Alarms / Security	1	1	1	-
Sub-total premises	25	25	28	3
Transport				
Repairs, maintenance & boat refurbishment	3	3	2	(1)
Fuel	3	3	3	-
Tools (including chandlery)	2	2	2	-
Car allowances / staff travel	1	1	1	-
Insurance	2	2	2	-
Sub-total transport	11	11	10	(1)
Supplies & Services				
Office expenses	25	25	25	-
Environmental maintenance	7	5	5	-
Public jetties & navigational safety	6	6	7	1
Central department charges	42	42	42	-
Designated person	9	9	10	1
Oil spill response	5	5	4	(1)
Crown Estate Settlement	-	5	5	-
Sub-total supplies & services	94	97	98	1
GROSS EXPENDITURE	591	594	602	8

Appendix 1 – 2019/20 Forecast Outturn as at P6 (end of September)

	Original Budget £'000	Revised Budget £'000	P6 Forecast Outturn £'000	Variance to Budget £'000
INCOME				
Harbour Dues	(483)	(483)	(481)	2
Crown Estate Management Contract	(67)	(67)	(67)	-
Visitor Income	(43)	(43)	(45)	(2)
Miscellaneous income	(9)	(9)	(14)	(5)
Towing charges	(7)	(7)	(9)	(2)
Other funding	(2)	(2)	(1)	1
Interest	(1)	(1)	(1)	-
GROSS INCOME	(612)	(612)	(618)	(6)
NET REVENUE FUNDED EXPENDITURE	(21)	(18)	(16)	2
INCOME / EXPENDITURE ON RESERVES				
Projects Funded by Reserves				
Asset Enhancement	50	50	1	(49)
Asset Replacement	28	28	36	8
Revenue Reserve	-	-	-	-
Expenditure from Reserves	78	78	37	(41)
Interest on Reserves				
Asset Enhancement	-	-	-	-
Asset Replacement	(2)	(2)	(3)	(1)
Income on Reserves	(2)	(2)	(3)	(1)
NET RESERVES FUNDED EXPENDITURE	76	76	34	(42)
TOTAL NET EXPENDITURE	55	58	18	(40)
RESERVES				
Contribution to Asset Replacement Reserve	35	35	35	-
Transfer To / (From) Revenue Reserve	(14)	(16)	(16)	-
Transfer To / (From) Asset Enhancement Reserves	-	(1)	(3)	(2)
	21	18	16	(2)
Transfer Interest to Reserves	2	2	3	1
Transfers from Reserves - Projects	(78)	(78)	(37)	41
	(76)	(76)	(34)	42
TOTAL TRANSFERS TO / (FROM) RESERVES	(55)	(58)	(18)	40

Appendix 1b – Further detail on Harbour Dues, Visitors Income, Office Expenses and Central Department Charges

	Original Budget £'000	Revised Budget £'000	P6 Forecast Outturn £'000	Variance to Budget £'000
Harbour Dues Income				
Marinas and Boatyards	(385)	(385)	(385)	-
River Moorings	(98)	(98)	(96)	2
Total	(483)	(483)	(481)	2
Visitor Income				
Mid Stream Visitors Pontoon	(20)	(20)	(17)	3
Warsash Jetty	(13)	(13)	(18)	(5)
Hamble Jetty	(2)	(2)	(3)	(1)
Commercial and Pleasure Craft Income	(8)	(8)	(7)	1
Total	(43)	(43)	(45)	(2)
Office Expenses				
Equipment	1	1	1	-
First Aid Supplies / Health & Safety	1	1	1	-
Printing & Stationery	3	3	3	-
Catering / General	1	1	1	-
Protective Clothing and Safety Equipment	3	3	3	-
IT Charges	5	5	5	-
Postage	2	2	1	(1)
Subscriptions	2	2	2	-
Promotional Events / Publicity /Publications	3	3	3	-
Retail (Crabbing Equipment)	1	1	1	-
Credit Card Charges (re Income Collection)	3	3	4	1
Total	25	25	25	-
Central Department Charges				
Operational Finance	22	22	22	-
Integrated Business Centre – Transactions, Cash Management & Payroll	3	3	3	-
Audit Services	3	3	3	-
Democratic Services (Including Venue Hire)	9	9	9	-
Legal Services	5	5	5	-
Total	42	42	42	-

Appendix 2 – 2020/21 Forward Budget

	2019/20 Forecast Outturn £'000	2019/20 Revised Budget £'000	Adjust' ments £'000	2020/21 Forward Budget £'000
EXPENDITURE				
Staff Related				
Salaries	430	430	15	445
Past pension contributions	25	25	(25)	-
Training	9	5	-	5
Professional Subscriptions	2	1	1	2
Sub-total staff related	466	461	(9)	452
Premises				
Rent / Rates	22	19	6	25
Electricity	2	2	-	2
Gas	1	1	-	1
Water / Sewerage	1	1	-	1
Repair & Maintenance (including Health & Safety modifications)	1	1	-	1
Burglar Alarms / Security	1	1	-	1
Sub-total premises	28	25	6	31
Transport				
Repairs, maintenance & boat refurbishment	2	3	-	3
Fuel	3	3	-	3
Tools (including chandlery)	2	2	-	2
Car allowances / staff travel	1	1	-	1
Insurance	2	2	-	2
Sub-total transport	10	11	-	11
Supplies & Services				
Office expenses	25	25	(1)	24
Environmental maintenance	5	5	-	5
Public jetties & navigational safety	7	6	(5)	1
Central department charges	42	42	-	42
Designated person	10	9	1	10
Oil spill response	4	5	(1)	4
Crown Estate Settlement	5	5	-	5
Sub-total supplies & services	98	97	(6)	91
GROSS EXPENDITURE	602	594	(9)	585

Appendix 2 – 2020/21 Forward Budget

	2019/20 Forecast Outturn £'000	2019/20 Revised Budget £'000	Adjust' ments £'000	2020/21 Forward Budget £'000
INCOME				
Harbour Dues	(481)	(483)	(23)	(506)
Crown Estate Management Contract	(67)	(67)	(2)	(69)
Visitor Income	(45)	(43)	(2)	(45)
Miscellaneous income	(14)	(9)	3	(6)
Towing charges	(9)	(7)	(2)	(9)
Other funding	(1)	(2)	1	(1)
Interest	(1)	(1)	-	(1)
GROSS INCOME	(618)	(612)	(25)	(637)
NET REVENUE FUNDED EXPENDITURE	(16)	(18)	(34)	(52)
INCOME / EXPENDITURE ON RESERVES				
Projects Funded by Reserves				
Asset Enhancement	1	50	(22)	28
Asset Replacement	36	28	(10)	18
Revenue Reserve	-	-	-	-
Expenditure from Reserves	37	78	(32)	46
Interest on Reserves				
Asset Enhancement	-	-	-	-
Asset Replacement	(3)	(2)	(1)	(3)
Income on Reserves	(3)	(2)	(1)	(3)
NET RESERVES FUNDED EXPENDITURE	34	76	(33)	43
TOTAL NET EXPENDITURE	18	58	(67)	(9)
RESERVES				
Contribution to Asset Replacement Reserve	35	35	-	35
Transfer To / (From) Revenue Reserve	(16)	(16)	33	17
Transfer To / (From) Asset Enhancement Reserves	(3)	(1)	1	-
	16	18	34	52
Transfer Interest to Reserves	3	2	1	3
Transfers from Reserves - Projects	(37)	(78)	32	(46)
	(34)	(76)	33	(43)
TOTAL TRANSFERS TO / (FROM) RESERVES	(18)	(58)	67	9

Appendix 2b – Further detail on Harbour Dues, Visitors Income, Office Expenses and Central Department Charges

	2019/20 Forecast Outturn £'000	2019/20 Revised Budget £'000	Adjust' ments £'000	2020/21 Forward Budget £'000
Harbour Dues Income				
Marinas and Boatyards	(385)	(385)	(15)	(400)
River Moorings	(96)	(98)	(8)	(106)
Total	(481)	(483)	(23)	(506)
Visitor Income				
Mid Stream Visitors Pontoon	(17)	(20)	3	(17)
Warsash Jetty	(18)	(13)	(5)	(18)
Hamble Jetty	(3)	(2)	(1)	(3)
Commercial and Pleasure Craft Income	(7)	(8)	1	(7)
Total	(45)	(43)	(2)	(45)
Office Expenses				
Equipment	1	1	-	1
First Aid Supplies / Health & Safety	1	1	-	1
Printing & Stationery	3	3	-	3
Catering / General	1	1	-	1
Protective Clothing and Safety Equipment	3	3	-	3
IT Charges	5	5	-	5
Postage	1	2	(1)	1
Subscriptions	2	2	-	2
Promotional Events / Publicity /Publications	3	3	-	3
Retail (Crabbing Equipment)	1	1	-	1
Credit Card Charges (re Income Collection)	4	3	-	3
Total	25	25	(1)	24
Central Department Charges				
Operational Finance	22	22	-	22
Integrated Business Centre – Transactions, Cash Management & Payroll	3	3	-	3
Audit Services	3	3	-	3
Democratic Services (Including Venue Hire)	9	9	-	9
Legal Services	5	5	-	5
Total	42	42	-	42

Appendix 3 – Reserves

	General (Revenue) Reserve £	Asset Enhancement Reserve £	Asset Replacement Reserve £	Total £
Balance at 31 March 2019	16,170	67,225	501,316	584,711
Transfer to ARR from Revenue	(35,000)	-	35,000	-
Transfer to ARR from AER	2,830	(2,830)	-	-
Bursledon Regatta 2019	-	(500)	-	(500)
Asset replacement – Harbour Assist system, boat engine maintenance and pontoon welding	-	-	(36,000)	(36,000)
Annual interest receivable	-	-	3,000	3,000
Net surplus for the year	16,000	-	-	16,000
Balance at 31 March 2020	0	63,895	503,316	567,211
Transfer to ARR from Revenue	(35,000)	-	35,000	-
Potential projects	-	(25,000)	-	(25,000)
River Hamble Games	-	(3,000)	-	(3,000)
Asset replacement	-	-	(18,000)	(18,000)
Annual interest receivable	-	-	3,000	3,000
Net surplus for the year	52,000	-	-	52,000
Balance at 31 March 2021	17,000	35,895	523,316	576,211