

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	River Hamble Harbour Management Committee
<b>Date:</b>	1 December 2017
<b>Title:</b>	River Hamble 2017/18 Forecast Outturn and 2018/19 Forward Budget
<b>Report From:</b>	The Director of Corporate Resources and Director of Culture, Communities and Business Services

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#### 1. Executive Summary

- 1.1. The purpose of this report is to present the 2017/18 forecast outturn as at Period 6 (September 2017) and the 2018/19 forward budget to the River Hamble Harbour Management Committee for comment.
- 1.2. For the 2017/18 financial year, the River Hamble is projected to achieve a surplus of £14,000 on revenue funded expenditure, compared to a budgeted surplus of £25,000.
- 1.3. In order to fully meet the agreed £35,000 contribution to the Asset Replacement Reserve (ARR) in 2017/18, it is projected that £21,000 will need to be transferred from the Revenue Reserve (RR).
- 1.4. The proposed budget for 2018/19 provides for a surplus of £12,000 on general revenue activities. A draw of £23,000 would be required from the RR to fully meet the £35,000 transfer to the ARR.
- 1.5. 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.
- 1.6. The detailed original budget for 2017/18 (as approved by the Harbour Board in January 2017), the forecast outturn for 2017/18 and the proposed forward budget for 2018/19 are set out in Appendix 1.

## **2. 2017/18 Forecast Outturn**

- 2.1. The forecast outturn for 2017/18 as at period 6 (September 2017) is detailed in Appendices 1 and 2. Current projections are that a surplus on standard revenue activity of £14,000 will be achieved, £11,000 lower than the original budgeted surplus.
- 2.2. 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.
- 2.3. The £14,000 surplus will therefore be transferred to the ARR in full, together with a transfer of £21,000 from the RR, in order to fully meet the agreed annual transfer to the ARR of £35,000.
- 2.4. Total gross expenditure is projected at £594,000, which is £8,000 higher than the budgeted £586,000, mainly due to increased staffing costs. Detailed reasons for the variance to budget are set out below.
- 2.5. Staff related costs are expected to be £21,000 higher than budgeted, due mainly to two seasonal members of staff job-sharing to create a full time assistant harbour master role, with the budget being based on a part time post. These increased costs are partly offset by lower than budgeted spend on staff training.
- 2.6. Supplies and services expenditure is projected to be £14,000 lower than budgeted, including £6,000 on Central Department Charges due to lower expected charges from Legal and Democratic Services (although it should be noted that these charges do vary depending on activity and the requirements of the Harbour, and therefore could increase), and £7,000 on office expenses due mainly to lower IT charges.
- 2.7. Income is expected to be £3,000 lower than budgeted at £608,000, reflecting a position more in line with the actual income received in the previous financial year.
- 2.8. Projects funded from reserves consist of £3,000 relating to the approved Sacrificial Anodes PhD project. Approximately £2,000 is expected to be added to reserves as interest generated on balances. Details are provided in Appendix 3.

## **3. 2018/19 Forward Budget**

- 3.1. The proposed 2018/19 forward budget is detailed in Appendices 1 and 2 and projects a surplus of £12,000 on general revenue activities. This will need to be supplemented by a £23,000 draw from the RR to meet the agreed £35,000 transfer to the ARR for the cost of replacing assets in future years.

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

- 3.2. The proposed gross expenditure budget has been set at £595,000, an increase of £9,000 compared with the original 2017/18 budget, and a £1,000 increase against the 2017/18 forecast outturn. The forward budget includes a proposed net increase in the staffing budget to reflect the current staffing levels, partly offset by projected reductions in training, office expenses, Central Department Charges, and other services.
- 3.3. The budget for salary costs has been increased by £23,000 compared to the original 2017/18 budget, to cover the additional cost of the assistant harbour master post being a full time position, annual pay inflation, and an increase to the employer's Local Government Pension Scheme (LGPS) contributions. This is partly offset by a £5,000 decrease in the training budget based on current levels of expenditure.
- 3.4. The budget for supplies and services is expected to decrease by £10,000, including £2,000 reduced office expenses, a £6,000 reduction in Central Department Charges and a £2,000 reduction in the Other Services (including Designated Person) budget.
- 3.5. The income budget for 2018/19 has been set at £607,000, which is a reduction of £4,000 from the original 2017/18 budget. Again this reflects a position more in line with the actual income received in the previous financial year, and includes a revision to the Harbour Dues budget for sublet, waiting list and late payment fee income from the Crown Estate (as this is now included within the management charge to the Crown Estate), an expected rise in miscellaneous income due to increasing charges at the commercial rate for activities such as towing and an inflationary rise on the management charge to the Crown Estate.

#### **4. Reserves**

- 4.1. 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.

- 4.2. 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.
- 4.3. Interest received on the reserves is estimated to be £2,000 in both 2017/18 and 2018/19.
- 4.4. Expenditure has been incurred in 2017/18, funded by the AER, to contribute to the final year of the PhD project to research the effects of Sacrificial Anodes (£3,000).
- 4.5. Further expenditure from the AER is expected in 2018/19 for the River Hamble Games 2018 (£3,000), and further projects are likely to be put forward for consideration by the Board, for which a total amount of £50,000 has currently been reflected in the proposed budget (subject to approval from the Board).
- 4.6. There has been no expenditure incurred in 2017/18 which has been funded by the ARR. Provision has been made for planned expenditure of £47,000 from the ARR for piles maintenance and the replacement of a boat engine in 2018/19, in accordance with the Fixed Asset Register.
- 4.7. The balance on the RR is anticipated to be £67,062 as at 31 March 2018, reflecting the £21,000 transfer to ARR in the 2017/18 financial year. This is slightly above the 10% of gross revenue budget (equating to approximately £60,000) as per the agreed reserves policy, however, by the end of 2018/19 it is expected that this balance would reduce to £44,062.
- 4.8. The balance in the AER is expected to be £68,967 as at 31 March 2018, with £3,000 of expenditure already committed for 2018/19 and other potential projects of £50,000 reducing the expected balance to £15,967 at 31 March 2019.
- 4.9. The balance in the ARR is expected to be £480,402 as at 31 March 2018, decreasing to £470,402 by 31 March 2019, which is considered appropriate to meet the future costs of replacing the assets of the Harbour Authority as required.

## **5. Impact Assessment**

- 5.1. 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.

## **6. Recommendation**

- 6.1 It is recommended that this report be noted by the River Hamble Harbour Management Committee and be submitted to the River Hamble Harbour Board for its approval.**

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

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	Yes/no
<b>People in Hampshire live safe, healthy and independent lives:</b>	Yes/no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	Yes/no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	Yes/no

**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.



## River Hamble Harbour Undertaking

	Original Budget 2017/18 (£)	Variance 2017/18 (£)	P6 Forecast Outturn / Revised Budget 2017/18 (£)	Adjustments 2018/19 (£)	Forward Budget 2018/19 (£)	Notes
<b>EXPENDITURE</b>						
<b>Staff Related</b>						
Salaries	415,000	26,000	441,000	(3,000)	438,000	1
Training	10,000	(5,000)	5,000	0	5,000	2
<b>Sub Total Staff Related</b>	<b>425,000</b>	<b>21,000</b>	<b>446,000</b>	<b>(3,000)</b>	<b>443,000</b>	
<b>Premises</b>						
Repair & Maintenance (including Health & Safety Modifications)	1,000	0	1,000	0	1,000	
Electricity	2,000	0	2,000	0	2,000	
Gas	1,000	0	1,000	0	1,000	
Rent/Rates	17,000	1,000	18,000	0	18,000	3
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>23,000</b>	<b>1,000</b>	<b>24,000</b>	<b>0</b>	<b>24,000</b>	
<b>Transport</b>						
Repair, Maintenance and Boat Refurbishment	19,000	0	19,000	0	19,000	
Vehicle Running Expenses (Fuel)	3,000	0	3,000	0	3,000	
Tools (inc 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>27,000</b>	<b>0</b>	<b>27,000</b>	<b>0</b>	<b>27,000</b>	
<b>Supplies &amp; Services</b>						
Office Expenses	27,000	(7,000)	20,000	5,000	25,000	4
Environmental Maintenance	10,000	0	10,000	0	10,000	
Public Jetties & Navigational Safety (including Navigational Aids)	10,000	1,000	11,000	(1,000)	10,000	
Central Department Charges	48,000	(6,000)	42,000	0	42,000	5
Other Services (including Designated Person)	11,000	(2,000)	9,000	0	9,000	6
Oil Spill Response	5,000	0	5,000	0	5,000	
<b>Sub Total Supplies &amp; Services</b>	<b>111,000</b>	<b>(14,000)</b>	<b>97,000</b>	<b>4,000</b>	<b>101,000</b>	
<b>Gross Expenditure (Current)</b>	<b>586,000</b>	<b>8,000</b>	<b>594,000</b>	<b>1,000</b>	<b>595,000</b>	

	Original Budget 2017/18 (£)	Variance 2017/18 (£)	P6 Forecast Outturn / Revised Budget 2017/18 (£)	Adjustments 2018/19 (£)	Forward Budget 2018/19 (£)	Notes
<b>INCOME</b>						
Miscellaneous Income	(7,000)	(2,000)	(9,000)	0	(9,000)	7
Interest	(1,000)	0	(1,000)	0	(1,000)	
Harbour Dues	(514,000)	5,000	(509,000)	4,000	(505,000)	8
The Crown Estate Funding	(64,000)	0	(64,000)	(3,000)	(67,000)	9
Other Funding	(5,000)	0	(5,000)	0	(5,000)	10
Visitor Income	(20,000)	0	(20,000)	0	(20,000)	
<b>Gross Income</b>	<b>(611,000)</b>	<b>3,000</b>	<b>(608,000)</b>	<b>1,000</b>	<b>(607,000)</b>	
<b>NET REVENUE FUNDED EXPENDITURE</b>	<b>(25,000)</b>	<b>11,000</b>	<b>(14,000)</b>	<b>2,000</b>	<b>(12,000)</b>	
<b>Projects Funded by Reserves</b>						
- Asset Enhancement	2,000	1,000	3,000	50,000	53,000	
- Asset Replacement	0	0	0	47,000	47,000	
- Revenue Reserve	0	0	0	0	0	
<b>Gross Expenditure</b>	<b>2,000</b>	<b>1,000</b>	<b>3,000</b>	<b>97,000</b>	<b>100,000</b>	
<b>Interest on Reserves</b>						
- Asset Enhancement	0	0	0	0	0	
- Asset Replacement	(2,000)	0	(2,000)	0	(2,000)	
<b>Gross Income</b>	<b>(2,000)</b>	<b>0</b>	<b>(2,000)</b>	<b>0</b>	<b>(2,000)</b>	
<b>NET RESERVES FUNDED EXPENDITURE</b>	<b>0</b>	<b>1,000</b>	<b>1,000</b>	<b>97,000</b>	<b>98,000</b>	
<b>TOTAL NET EXPENDITURE</b>	<b>(25,000)</b>	<b>12,000</b>	<b>(13,000)</b>	<b>99,000</b>	<b>86,000</b>	
<b>RESERVES</b>						
Contribution to Asset Replacement Reserve	25,000	(11,000)	14,000	(2,000)	12,000	11
Transfer Interest to Reserves	2,000	0	2,000	0	2,000	
Transfers from Reserves - Projects	(2,000)	(1,000)	(3,000)	(97,000)	(100,000)	
Total Transfers To/(From) Reserves	25,000	(12,000)	13,000	(99,000)	(86,000)	
<b>NET (SURPLUS) / DEFICIT TRANSFERRED TO GENERAL RESERVE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

**FURTHER DETAIL ON: Office Expenses; Other Services; Harbour Dues 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	4,000	0	4,000	(1,000)	3,000	
Catering/General	2,000	0	2,000	(1,000)	1,000	
Protective Clothing	3,000	0	3,000	0	3,000	
IT Charges	5,000	(5,000)	0	5,000	5,000	
Postage	2,000	0	2,000	0	2,000	
Subscriptions	1,000	0	1,000	0	1,000	
Phones	2,000	(2,000)	0	1,000	1,000	
Promotional Events/Publicity/Publications	4,000	0	4,000	1,000	5,000	
Retail	1,000	0	1,000	0	1,000	
Credit Card Charges (re Income Collection)	1,000	0	1,000	0	1,000	
<b>Sub Total</b>	<b>27,000</b>	<b>(7,000)</b>	<b>20,000</b>	<b>5,000</b>	<b>25,000</b>	<b>4</b>
<b>Other Services</b>						
Subscriptions/Memberships/ Licences/Designated Person	11,000	(2,000)	9,000	0	9,000	
<b>Sub Total</b>	<b>11,000</b>	<b>(2,000)</b>	<b>9,000</b>	<b>0</b>	<b>9,000</b>	<b>6</b>
<b>Harbour Dues</b>						
Marinas and Boatyards	(380,000)	0	(380,000)	0	(380,000)	
River Moorings	(102,000)	0	(102,000)	0	(102,000)	
Jetty Charges	(15,000)	(4,000)	(19,000)	4,000	(15,000)	
Miscellaneous Income - Commercial and Pleasure craft	(8,000)	0	(8,000)	0	(8,000)	
Sublet, Waiting List & Late Payment Fee Income	(9,000)	9,000	0	0	0	
<b>Sub Total</b>	<b>(514,000)</b>	<b>5,000</b>	<b>(509,000)</b>	<b>4,000</b>	<b>(505,000)</b>	<b>8</b>

## Notes to Appendices 1 and 2

The details of significant variations are as follows:

1. The forecast outturn for salaries in 2017/18 is expected to be £26,000 higher than the original 2017/18 budget. This reflects two seasonal members of staff job-sharing to create a full time assistant harbour master role, with the budget being based on a part time position.

The 2018/19 salary budget has been increased by £23,000 from the original 2017/18 budget. This increase will cover the additional cost of replacing one part time assistant harbour master post with a full time post, along with a provision for staff increments and an increase to the employer's LGPS contributions.

A charge of £21,000 was included in the original 2017/18 budget to cover the past service deficit element of employer's contributions to the cost of the LGPS. The 2018/19 forward budget is set at £23,000 to reflect the anticipated charge for 2018/19.

2. The Training budget has been reduced by £5,000 both in 2017/18 and 2018/19 following high levels of staff training that happened in 2016/17 for new recruits, which has resulted in a reduced requirement for 2017/18 and 2018/19.
3. Rent and Rates are expected to be £1,000 higher than originally budgeted due to an expected increase in the cost of business rates for 2017/18 and is expected to stay £1,000 higher in 2018/19.
4. The forecast outturn for Office Expenses in 2017/18 is expected to be £7,000 lower than the original 2017/18 budget due to further delays within IT Charges for enhancements of the electronic payments system used to collect harbour dues. The 2018/19 forward budget for Office Expenses will reduce by a net £2,000 from the original 2017/18 budget due to anticipated reduction in printing and stationery and other general expenditure.
5. Central Department charges

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

- The anticipated charge for support from Operational Finance is £21,600 in 2018/19 and is based on an assessment of the time devoted to the River Hamble.
- The anticipated 2018/19 Corporate Resources charges are based on the actual costs incurred in 2012/13.

	<u>£</u>
▪ 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.
- £14,300 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.
6. The Other Services (including Designated Person) budget for 2018/19 has reduced from £11,000 to £9,000 to reflect the new contract.
  7. The miscellaneous income 2018/19 forward budget has been brought in line with the 2017/18 forecast outturn and increased by £2,000 due to charging the Crown Estate at commercial rates for activities such as towing.
  8. The harbour dues budget for 2018/19 has been reduced by £9,000, as sublet, waiting list and late payment fee income from the Crown Estate is now included in the management agreement with the Crown Estate. All other harbour dues budgets have been kept at the same level as the 2017/18 original budget, to reflect the commitment of a 0% increase in harbour dues for 2018. Additional income is expected within the 2017/18 forecast outturn of £4,000 due to the impact of the Crown Estate's pile maintenance programme.

A detailed breakdown of harbour dues is presented in Appendix 2

9. The Crown Estate Funding budget for 2018/19 is estimated to have an inflationary increase of approximately 4%, and has therefore been increased to £67,000. The precise inflation increase will be confirmed later in the year, based on the Crown Estate's income fees, as per the management contract.

10. "Other Funding" includes £3,000 from Fareham Borough Council relating to a contribution towards Warsash slipway clearance.
11. The budgeted in-year surplus to contribute to the Asset Replacement Reserve will be £12,000 in 2018/19, 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 £23,000.

## APPENDIX 3

## River Hamble Reserves - 2017/2019

	General Reserve (£)	Asset Enhancement Reserve (£)	Asset Replacement Reserve (£)	TOTAL (£)
<b>Balance as at 31 March 2017</b>	<b>(88,062)</b>	<b>(71,967)</b>	<b>(443,402)</b>	<b>(603,431)</b>
PhD project - Sacrificial Anodes	0	3,000	0	<b>3,000</b>
Transfer to ARR from General Reserve	21,000	0	(21,000)	<b>0</b>
Transfer to ARR from Revenue	0	0	(14,000)	<b>(14,000)</b>
Plus Estimated Annual Interest	0	0	(2,000)	<b>(2,000)</b>
Plus Estimated Net surplus for the year	0	0	0	<b>0</b>
<b>Predicted Balance at 31 March 2018</b>	<b>(67,062)</b>	<b>(68,967)</b>	<b>(480,402)</b>	<b>(616,431)</b>
Transfer to ARR from Revenue	0	0	(12,000)	<b>(12,000)</b>
Transfer to ARR from General Reserve	23,000	0	(23,000)	<b>0</b>
River Hamble Games 2018	0	3,000	0	<b>3,000</b>
Potential Projects	0	50,000	0	<b>50,000</b>
Asset Replacement	0	0	47,000	<b>47,000</b>
Plus Estimated Annual Interest	0	0	(2,000)	<b>(2,000)</b>
Plus Estimated Net surplus for year	0	0	0	<b>0</b>
<b>Predicted Balance at 31 March 2019</b>	<b>(44,062)</b>	<b>(15,967)</b>	<b>(470,402)</b>	<b>(530,431)</b>
<b>Commitments for future projects</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance Available</b>	<b>(44,062)</b>	<b>(15,967)</b>	<b>(470,402)</b>	<b>(530,431)</b>