

HAMPSHIRE COUNTY COUNCIL**Report**

Committee:	River Hamble Harbour Board
Date:	20 July 2012
Title:	River Hamble Final Accounts 2011/12
Reference:	4094
Report From:	The County Treasurer and Director of Culture, Communities and Business Services

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1. Executive Summary

- 1.1. The final accounts of the Harbour Authority for the year ended 31 March 2012 have been considered by the River Hamble Harbour Management Committee and are being presented to the River Hamble Harbour Board for approval.
- 1.2. This report compares the River Hamble income and expenditure at 31 March 2012 with the 2011/12 revised budget.
- 1.3. In the financial year 2011/12 the Harbour Undertaking has made a surplus of £26,817 to be added to the reserves. This is £1,272 more than budgeted for. Expenditure was slightly over budget by £650 and actual income was £1,922 more than budgeted. In summary the trading position was:

	£000's
Income	603.0
Expenditure	<u>576.2</u>
Surplus	<u>26.8</u>

This is discussed in greater detail in section 2 of this report.

2. 2011/12 Outturn

- 2.1 In 2011/12, the Harbour Undertaking budget achieved a surplus of £26,817, exceeding the budgeted target of £25,544.

A breakdown of the income and expenditure is set out in the table below and further detail is included in Appendix 2 to this report.

River Hamble - 2011/12 Outturn

2010/11 Actual		2011/12 Budget	2011/12 Actual	2011/12 Variance	Ref Para
INCOME					
(40,217)	Visitor/Miscellaneous	(33,200)	(35,346)	(2,146)	
(99,337)	The Crown Estate & Other Funding	(55,069)	(53,857)	1,212	
(557,056)	Harbour Dues	(508,820)	(509,530)	(710)	
(307)	Interest	(245)	(407)	(162)	
0	Sale of Equipment	(3,800)	(3,917)	(117)	
(696,917)	GROSS INCOME	(601,134)	(603,056)	(1,922)	2.2
EXPENDITURE					
379,008	Salaries & Oncosts	367,700	370,735	3,035	
3,438	Other Employee Expenses	100	140	40	
382,446	Employees	367,800	370,875	3,075	2.3
35,002	Rent/Rates/Leases	14,000	11,630	(2,370)	
3,688	Utilities	4,500	3,293	(1,207)	
1,158	Other Premises Costs	1,700	1,395	(305)	
39,848	Premises	20,200	16,318	(3,882)	2.4
29,617	Boats - Repairs & Expenses	36,500	35,139	(1,361)	
2,056	Staff Travel	2,000	1,809	(191)	
1,490	Insurance	1,600	1,530	(70)	
33,163	Transport	40,100	38,478	(1,622)	2.5
19,853	Office Expenses	24,740	21,636	(3,104)	2.6.1
4,721	Environmental Maintenance	4,700	4,318	(382)	2.6.2
25,019	Public Jetties & Navigational Safety	14,200	19,269	5,069	2.6.3
49,793	Central Depart Charges	37,700	46,186	8,486	2.6.4
6,793	Other Services inc Designated Person	10,750	9,091	(1,659)	2.6.5
43,000	Contribution to Asset Replacement Reservrve	35,000	35,000	0	
1,640	Port Waste Management Plan	2,000	1,121	(879)	2.6.2
0	Dredging Plan	1,200	1,018	(182)	2.6.2
28,449	Oil Spill Response	9,000	8,380	(620)	2.6.2
0	Estuary Management	700	0	(700)	2.6.2
10,985	Hydrographic Programme	5,000	2,500	(2,500)	2.6.2
2,628	CCTV	2,500	2,050	(450)	2.6.2
6,798	The Crown Estate Settlement	0	0	0	2.6.6
199,679	Supplies & Services	147,490	150,569	3,079	2.6
655,136	GROSS EXPENDITURE	575,590	576,240	650	
(41,781)	NET SURPLUS	(25,544)	(26,817)	(1,272)	

The key factors in the variances are:

- 2.2 Income – the budget for income was lower overall as a result of the net impact of the Crown Estates Settlement, despite an increase in receipts from visitor fees and harbour dues. Details of the Crown Estates Settlement are set out in Appendix 4.

- 2.3 Employees – staff costs were slightly higher than expected, offset against lower than planned training costs.
- 2.4 Premises – underspends were achieved on rent and utilities.
- 2.5 Transport – slightly more than expected was spent on tools/chandlery but underspends were achieved on all other budgets.
- 2.6 Supplies & Services – the main factors in the 1% underspend are detailed below.
- 2.6.1 Office Expenses – the net underspend was mainly due to lower than expected IT and protective clothing costs. There were small overspends for printing, stationery and publicity.
- 2.6.2 The following expenditure headings did not utilise the full budget allocation in 2011/12:
- Estuary Management – £700
 - Environmental Maintenance – £382
 - Port Waste Management – £879
 - Oil Spill Response – £620
 - CCTV – £450
 - Hydrographic Programme – £2,500
- 2.6.3 The budget for Public Jetties and Navigational Safety was overspent by around £5,000 due to the purchase of aids to navigation and repairs to the Hamble jetty.
- 2.6.4 Central Department Charges – most of the £8,486 overspend incurred by the HCC Chief Executive for Committee, Democratic and Legal Services was due to higher than expected legal support.
- 2.6.5 Other Services – were underspent by £1,659 mainly as a result of the reduction in costs for the Designated Person.
- 2.6.6 The draft annual settlement with The Crown Estate indicates there will be an £4,276 underspend against the budget.

3. Reserves

- 3.1 Total reserves for the River Hamble were £740,655 at 31 March 2012, and are shown at Appendix 1.
- 3.2 The revenue surplus of £26,817 is transferred to Revenue Reserve. The Asset Replacement Reserve was increased by the annual planned transfer of £35,000 from the trading account.
- 3.3 Interest received for 2011/12 was paid on reserve balances, income received in advance and the budgeted transfer to reserve. The interest was paid at a rate

of 1.5% on £300,000 of the Asset Replacement Reserve and 1.5% on £150,000 of the Asset Enhancement Reserve. For all remaining reserve balances a rate of 0.25% was paid.

- 3.4 The Asset Replacement Reserve was reduced by £22,291 in 2011/12. Of this, £16,491 funded the outstanding balance for the second of the replacement patrol boats. New security gates for the public jetties at Warsash and Hamble cost £5,800. The final capital payment of £1,559 for the purchase of a new RIB in 2011/12 is now earmarked for 2012/13. The Asset Register and Replacement Schedule is attached in Appendix 5.
- 3.5 The Reserves Policy was approved by the River Hamble Harbour Board in May 2007 and reviewed in September 2010.
- A. An Asset Enhancement Reserve of (then) £250,000 to be accompanied by a programme of opportunities for the future, for the benefit of as many river users as possible.
 - B. An Asset Replacement Reserve to be sufficient to replace all Harbour Authority assets and maintenance dredges over a 25 year cycle, with annual contributions of £43,000 (reduced to £35,000 upon review).
 - C. A Revenue Reserve to stand at no more than approximately 10% of gross revenue budget. Any excess to be:
 - i. Transferred to the Asset Enhancement Reserve,
 - ii. Returned as a one-off lump sum to mooring holders,
 - iii. Used to reduce the annual increase in Harbour Dues, or;
 - iv. Used to fund one-off pressures on the Revenue budget.
- 3.6 In 2010, the Board approved a transfer of £180,000 from the Revenue Reserve to the Asset Enhancement Reserve.

4. Impact Assessments

- 4.1 This report is a formal position statement only and has not been subject to an equalities impact assessment.

5. Conclusion

- 5.1 This report shows that despite the current economic climate the finances of the River Hamble Harbour Authority continue to produce a surplus to be added to reserves. Expenditure was tightly managed and resulted in a below budget outturn.

6. Recommendation

That the River Hamble Harbour Board for its approves the final accounts for the year ended 31 March 2012.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	no
Corporate Business plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Business plan link number (if appropriate):	

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

APPENDIX 1

	Revenue Reserve	Asset Enhancement Reserve	Asset Replacement Reserve	TOTAL
Balance at 31 March 2011	(57,245.00)	(314,471.32)	(322,078.00)	(693,794.32)
Payment for Patrol Boat	0.00	0.00	22,290.63	22,290.63
Budgeted Transfer to Reserves 31 March 2012	0.00	0.00	(35,000.00)	(35,000.00)
Add 1112 Interest	(407.21)	(2,674.65)	(4,660.54)	(7,742.40)
Plus estimated net surplus for year	(26,409.32)	0	0.00	(26,409.32)
Predicted Balance at 31 March 2012	(84,061.53)	(317,145.97)	(339,447.91)	(740,655.41)
a) Allocated Reserves				
Asset Replacement			(339,447.91)	(339,447.91)
Education Resource Project		(7,000.00)		(7,000.00)
New Workshop (subject to Board approval)		(87,000.00)		(87,000.00)
	0.00	(94,000.00)	(339,447.91)	(433,447.91)
b) Unallocated Reserves	(84,061.53)	(223,145.97)	0.00	(307,207.50)
	(84,061.53)	(223,145.97)	0.00	(307,207.50)
	(84,061.53)	(317,145.97)	(339,447.91)	(740,655.41)

	2011/12 Budget	2011/12 Actual	2011/12 Variance	% Variance	Notes
Income					
Visitor/Miscellaneous					
Visitor Income - Pontoon	(13,500)	(12,228)	1,272	9%	
Misc Berthing - Hamble Warsash Jetties	(15,000)	(17,069)	(2,069)	-14%	
Boat Licences	(700)	(828)	(128)	-18%	
Misc	(3,500)	(4,182)	(682)	-20%	
Environmental maintenance	0	(460)	(460)	0%	
Retail Sales	(500)	(579)	(79)	-16%	
	(33,200)	(35,346)	(2,146)	-7%	
The Crown Estate & Other Funding					
The Crown Estate Settlement	(48,575)	(44,000)	4,575	9%	
Oil Spill Response	(6,000)	(5,110)	890	15%	
Other Fees	(200)	(177)	23	12%	
	(54,775)	(49,286)	5,489	10%	
Harbour Dues					
Marina's & Boatyards	(364,050)	(365,280)	(1,230)	0%	
River Moorings	(104,770)	(106,057)	(1,287)	-1%	
Late payment admin fees	(2,000)	(1,740)	260	13%	
Jetty Charges	(25,000)	(21,385)	3,615	15%	
Sublets	(11,000)	(14,849)	(3,849)	-35%	
Sublet Refunds	2,500	4,224	1,724	-69%	
Miscellaneous Income - Commercial, Visitor and pleasurecraft	(4,500)	(4,443)	57	1%	
	(508,820)	(509,530)	(710)	0%	
Interest	(245)	(407)	(162)	-66%	
Sales					
Sale of Dory	(2,800)	(2,917)	(117)	-4%	
Sale of equipment	(1,000)	(1,000)	0	0%	
	(3,800)	(3,917)	(117)	-3%	
GROSS INCOME	(600,840)	(598,486)	2,354	0%	
Expenditure					
Employees					
Salaries	365,200	368,461	3,261	-1%	
Training	2,500	2,274	(226)	9%	
Staff Advertising & interview Expenses	0	0	0		
Other Employees Expenses	100	140	40	-40%	
	367,800	370,875	3,075	-1%	
Premises					
Premises Repairs	500	271	(229)	46%	
Electricity	2,000	1,788	(212)	11%	
Gas	1,500	1,021	(479)	32%	
Rent/Rates	8,500	6,130	(2,370)	28%	
CE Jetty Lease Fixed Sum	5,500	5,500	0	0%	
Water/Sewerage	1,000	483	(517)	52%	
Cleaning Materials	400	362	(39)	10%	
Burglar Alarms/Security	800	763	(37)	5%	
	20,200	16,318	(3,882)	19%	
Transport					
Repairs & Maint boats	25,000	24,171	(829)	3%	
Vehicle Running Expenses	7,000	5,866	(1,134)	16%	
Tools (inc Chandlery)	4,500	5,103	603	-13%	
Car Allowance/Staff Travel	2,000	1,809	(191)	10%	
Insurance	1,600	1,530	(70)	4%	
	40,100	38,478	(1,622)	4%	

Office Expenses				
Equipment	800	548	(252)	32%
First Aid Supplies/Health & Safety	1,000	833	(167)	17%
Printing & Stationery	2,000	3,406	1,406	-70%
Catering/General	1,000	542	(458)	46%
Protective Clothing	5,000	3,797	(1,203)	24%
IT Charges	6,300	2,031	(4,269)	68%
Postage	2,000	1,535	(465)	23%
Telephones	2,300	1,934	(366)	16%
Promotional events/Publicity/Publications	1,000	3,131	2,131	-213%
Credit Card Charges	800	818	18	-2%
Subscriptions	1,800	2,015	215	-12%
Retail Expenditure	440	484	44	-10%
Misc Expenses	100	100	0	0%
Other Office Expenses	200	460	260	-130%
	24,740	21,636	(3,104)	13%
Environmental Maintenance				
Environmental Maintenance	4,700	4,318	(382)	8%
Public Jetties & Navigational Safety	14,200	19,269	5,069	-36%
Central Depart Charges				
Devolved Finance Unit	20,200	20,700	500	-3%
Payroll	300	340	40	-13%
CT Central Finance Charges	6,000	5,757	(243)	4%
Chief Executive Committee Democratic & Legal	11,200	19,389	8,189	-73%
	56,600	69,772	13,172	-23%
Other Services				
Legal Expenses	750	423	(327)	44%
Designated Person	10,000	8,668	(1,332)	13%
	10,750	9,091	(1,659)	15%
Contribution to Asset Replacement Reservrve				
Contribution to Asset Replacement Reservrve	35,000	35,000	0	0%
Port Waste Management Plan	2,000	1,121	(879)	44%
Dredging Plan	1,200	1,018	(182)	15%
Oil Spill Response	9,000	8,380	(620)	7%
	47,200	45,519	(1,681)	4%
Estuary Management				
Estuary Management	700	0	(700)	100%
Hydrographic Programme	5,000	2,500	(2,500)	50%
CCTV	2,500	2,050	(450)	18%
The Crown estate settlement	(294)	(4,570)	(4,276)	-1453%
	7,906	(20)	(7,926)	100%
Supplies & Services				
	147,196	145,999	(1,197)	1%
GROSS EXPENDITURE	575,296	571,670	(3,626)	1%
NET INCOME	(25,544)	(26,817)	(1,272)	-5%

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Notes To Appendix 2

1 Central Department charges

The basis for the central department charges is detailed as follows:

- Devolved Finance Unit - based on an assessment of the time devoted to the Hamble and increased in line with inflation on an annual basis.
- Payroll Services - based on historical levels of activity and increased in line with inflation on an annual basis.
- County Treasurers Central Finance charges – based on historical volumes and increased inline with inflation on an annual basis. A more detailed breakdown of these services is listed below:

	<u>£</u>
▪ Processing of payments and travel claims	782
▪ Processing of debtor transactions - invoices, etc	1,209
▪ Tax/cash management	200
▪ Processing of Pay by Payroll Technical Team	156
▪ Audit services	3,410

	5,757

- Chief Executive Committee, Democratic & Legal Services - this charge is based on actual hours worked multiplied by an hourly rate which has been benchmarked to ensure best value. £7,410 was incurred for legal services with the balance of £11,979 for Business Advice and Members Support. The Harbour Authority expects to recover legal costs in respect of the ABP dredging agreement and successful prosecutions.

The following costs are not 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.

Summary Table for The Crown Estate Settlement 2011/12**1. Management Agreement**

	£	£	Owed to CE £
a) Management Fee			
Fixed Fee for Mooring Licences		(48,730.50)	
Mooring fees already received from CE		44,000.00	(4,730.50)
b) Waiting List Fee			
Gross income received by CE	(15,060.00)		
Gross refunds paid out by CE	0.00		
Net income received by CE		(15,060.00)	(3,012.00)
20% fee on net income			
c) Sublet Fee			
Gross income from sublets	(14,849.05)		
Less: Harbour Dues element (9.09091%)	1,349.93		
Gross relevant income	(13,499.12)		
Less: Gross sublet refunds	4,223.72		
Net sublet income	(9,275.40)		
25% fee on net income		(2,318.85)	
Less: net income already taken by R Hamble		9,275.40	
Net amount owed by RH to CE			6,956.55
Net amount owing to The Crown Estate			(785.95)

2. Turnover Rent

	£	£	Owed to CE £
a) Jetty lease			
Due to The Crown Estate		5,500.00	
Already paid by The River Hamble		(5,500.00)	0.00
b) Jetties income			
Pontoon Visitor income	12,227.71		
Visitor piles	0.00		
Hamble Landing Stage	3,339.98		
Warsash Jetty	13,728.59		
Gross visitor fees collected		29,296.28	
15% of gross visitor fees collected (River Hamble owe The Crown Estate)			4,394.44
Jetties Income already received by CE			0.00
c) Visitor Pontoon			
Agreement during the pile maintenance prog		5,532.00	
15% of gross visitor fees collected (River Hamble owe The Crown Estate)			829.80
Pontoon Washes			(450.00)
Net amount owing to The Crown Estate			4,774.24

Net amount owing to The Crown Estate**£3,988.29**

Abbreviations: CE = The Crown Estate
RH = The River Hamble Harbour Authority

Appendix 5

**River Hamble Harbour Authority
Asset register and replacement schedule**

Serial	Item	Cost at purchase	Estimated Replacement cost	Current age	Life expectancy	Due replacement	Remarks
01	Cardinal Mark at River Entrance – piling only	£3,000	£3,000	10 years	30	2030	
02	Superstructure and cardinal top mark	£1,000	£1,000	10 years	15 years	2015, 2030	
03	9 Beacons River entrance Plastic piling	£30,000	£40,000	10 years	30-50 years	2030 - 2050	Replace on failure
04	Sector lights Hamble Point/Warsash Superstructure	£30,000	£40,000	13 years	20 years	2017	Replace on failure
05	Sector lights x 2	£12,000	£12,000	2 years	15 years	2017, 2032	
06	Bridge to Hamble Jetty	Not Known	£40,000	22 years	30 years	2018	Engineers survey report completed every three years
07	Bridge to Warsash Jetty	Not known	£40,000	20 years	30 years	2020	Engineers survey report completed every three years
08	Walkway to Warsash Jetty	Not known	£50,000	28 years (estimate)	50 years	2032	Engineers survey - report completed every three years

Serial	Item	Cost at purchase	Estimated Replacement cost	Current age	Life expectancy	Due replacement	Remarks
09	10 support piles for Warsash Walkway	Not known	£36,000	25 years (estimate)	50 years	2032	Remedial work may be required in shorter timescale.
10	Warsash Jetty – piling – services – lighting etc.	£170,000	£200,000	4 year	25 years	2031	
11	Hamble Jetty – piling – services – lighting – etc.	Not known	£140,000	14 years	25 years	2016	
12	Fisherman's pontoon/jetty	£48,000	£55,000	4 years	20 years	2026	Grants may be available for fishing industry
13	Visitors Pontoon	Not known	£60,000	10 years	25 years	2025	
14	5 x port and starboard navigation marks/piles	Not known	£20,000	33 years	40 years	2017	Rolling replacement programme as and when required
15	Patrol boats x 2	£40,000	£100,000	New	12 years	2022	
16	Dory	£7,000	£10,000	14 years	15 years	2012, 2027	
17	Sewage Pump out system	£7,000	£10,000	2007	10 years	2017, 2027	Maintenance contract in place.
18	CCTV	£70,000	£25,000 to £50,000	5 years	20 years	2025	Replacement should be a rolling programme. More cameras could be fitted if costs reduce with introduction of new technology

Serial	Item	Cost at purchase	Estimated Replacement cost	Current age	Life expectancy	Due replacement	Remarks
19	Maintenance piles Warsash	£33,000	£35,000	8 years	25 years	2027	Surveyed every 5 years
20	Maintenance piles Hamble	Not known	£15,000	21 years	25 years	2014	Surveyed every 5 years
21	Maintenance piles Lands End	Not known	£15,000	22 years	25 years	2013	Surveyed every 5 years
22	Navigation Buoys Four in total, including ground tackle	16,000	£16,000	4 years	20 years	2026	Risers and some tackle replacement every 3 or 4 years(Revenue budget)
23	Maintenance Dredging Warsash	£20,000	£25,000	Completed 2006	8 years	2014, 2022, 2030	

Estimated replacement costs do not include any residual value of life-expired assets, nor any disposal costs