

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	River Hamble Harbour Management Committee
Date:	13 December 2013
Title:	River Hamble 2013/14 Revised Budget and 2014/15 Forward Budget
Reference:	5372
Report From:	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 2013/14 revised and 2014/15 forward budgets to the River Hamble Harbour Management Committee for comment.
- 1.2. The River Hamble is projected to generate surpluses in both 2013/14 and 2014/15 on revenue activity but this surplus is projected to fall short of the £35,000 scheduled to be transferred to the Asset Replacement Reserve (ARR) in 2014/15. An additional transfer will therefore have to be made from the Revenue Reserve (RR) in 2014/15 to meet the £35,000 annual contribution to the ARR agreed by the Board.
- 1.3. It is anticipated that there will need to be transfers from both the ARR and the Asset Enhancement Reserve (AER) to meet the cost of specific projects in both years, partially offset by interest received on reserve balances.
- 1.4. The original budget for 2013/14 was approved by the Harbour Board in January 2013, the proposed revised budget for 2013/14 and forward budget for 2014/15 are set out in Appendix 1.
- 1.5. The format of this report has been updated to provide greater clarity, particularly regarding the use of reserves. Appendix 1 is split into three sections:
 - income and expenditure on general revenue activities

- project costs to be funded from reserves and income to be generated from reserves balances
- transfers to and from reserves.

2. Revised Budget 2013/14

- 2.1. The revised budget for 2013/14 is detailed in Appendices 1 and 2. Current projections indicate a surplus on standard revenue activity of £39,100. £35,000 of this amount will be transferred to the ARR, as approved by the Board. The remaining £4,100 will be added to the RR.
- 2.2. This is a change from the original budgeted position, where the generation of a surplus of £25,500 was projected in addition to a contribution to the ARR of £35,000.
- 2.3. This change results from an increase in projected expenditure of £26,000 against an increase in the revised income budget of £4,600.
- 2.4. The main budget increases reflect higher staff costs to cover changes in a staff member's contract, central department charges in line with previous years and the introduction of seaweed clearance of the Warsash slipway. Small reductions in transport and premises costs partially offset these increases. Detailed comments on the reasons for the revisions to the budget are set out in the Notes to the Appendices.
- 2.5. The income budget has been increased to incorporate the agreed 1% increase in Harbour Dues, which will come into effect from January 2014, as well as the contribution from Fareham Borough Council towards clearance of the Warsash slipway. These increases are offset in part by lower than anticipated visitor income.
- 2.6. Expenditure of up to £63,755 is planned on approved projects, to be funded from reserves. £4,100 is expected to be added to reserves as interest generated on balances.

3. Forward Budget 2014/15

- 3.1. The 2014/15 forward budget is detailed in Appendices 1 and 2 and projects a surplus of £25,800 on general revenue activities. The Board has agreed to add £35,000 to the ARR each year and £9,200 will have to be transferred from the Revenue Reserve in addition to the in-year surplus to achieve this. £4,200 is expected to be added to reserves as the result of the generation of interest on balances.
- 3.2. The gross expenditure budget has been set at £579,400, an increase of £12,700 (2.2%) compared with the revised budget. Staffing, premises and transport costs are all expected to increase in 2014/15, however the cost of supplies and services is expected to reduce by £5,400. Staff costs are

expected to increase by a cost of living pay award, annual increments and other staffing adjustments.

- 3.3. The income budget for 2014/15 has been set at £605,200, which is £600 lower than the revised budget. Although an increase in harbour dues of 1% has been agreed, income derived from daily and weekly dues and visiting vessels is expected to reduce. This may change if activity levels on the River increase in 2014. Additional income will be received from the annual increase in the management fee from the Crown Estate (3% for 2014).

4. Reserves

- 4.1. 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.

- 4.2. A summary position of the reserves for 2013/14 and 2014/15 is detailed below. The reserve balances include an estimate for interest receivable on reserves and projected and incurred expenditure. A detailed breakdown of reserves is contained in Appendix 3.

- 4.3. Interest received on the reserves in 2013/14 is estimated to be £4,100 and £4,200 in 2014/15.

- 4.4. Expenditure will be incurred in 2013/14, funded by the AER, to meet the final costs of the Learning Zone project as approved by the Board. Further expenditure from the AER is expected in 2013/14 to meet the cost of technical drawings and marine consents for the Warsash slipway and the Hamble Jetty extension projects.

- 4.5. Replacement of the pontoons which form the Hamble Jetty is likely to be required in 2013/14 or early 2014/15. This is expected to cost about £50,000 and will be funded from the ARR. This work is required slightly earlier than originally planned due to deterioration of the existing underlying structure.

- 4.6. It is estimated that approximately £227,000 of reserves will be required to fund potential projects for Warsash slipway improvements, the Hamble Jetty extension and the Hamble Lifeboat Station.

River Hamble Reserves - 2013/2015

	Revenue Reserve	Asset Enhancement Reserve	Asset Replacement Reserve	TOTAL
	£	£	£	£
Balance at 31 March 2013	(99,525)	(286,389)	(370,152)	(756,066)
Predicted Balance at 31 March 2014	(103,625)	(274,134)	(357,752)	(735,511)
Predicted Balance at 31 March 2015	(94,425)	(275,734)	(392,352)	(762,511)
Potential Future Projects	0	227,000	0	227,000
Predicted Balance	(94,425)	(48,734)	(392,352)	(535,511)

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

That this report be noted by the River Hamble Harbour Management Committee and submitted to the River Hamble Harbour Board for its approval.

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	
<p>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.)</p>	
<u>Document</u>	<u>Location</u>
None	

River Hamble Harbour Undertaking

	Original Budget 2013/14	Adjustments 2013/14	Revised Budget 2013/14	Adjustments 2014/15	Forward Budget 2014/15	Note
EXPENDITURE						
Staff Related						
Salaries	363,400	13,000	376,400	8,400	384,800	1
Training	6,500	(1,300)	5,200	4,800	10,000	2
Staff Advertising/Interview Expenses	0	0	0	0	0	
Other Employee Expenses	200	0	200	0	200	
Sub Total Staff Related	370,100	11,700	381,800	13,200	395,000	
Premises						
Repair & Maintenance (including Health & Safety Modifications)	500	0	500	0	500	
Electricity	2,200	0	2,200	200	2,400	3
Gas	1,500	(500)	1,000	200	1,200	3
Service Charges	0	100	100	0	100	
Rent/Rates	16,000	200	16,200	200	16,400	
Water/Sewerage	700	0	700	100	800	3
Cleaning	400	(100)	300	0	300	
Burglar Alarms/Security	900	(100)	800	0	800	
Sub Total Premises	22,200	(400)	21,800	700	22,500	
Transport						
Repair, Maintenance and Boat Refurbishment	17,000	2,000	19,000	4,000	23,000	4
Vehicle Running Expenses (Fuel)	8,000	(2,000)	6,000	0	6,000	5
Tools (inc Chandlery)	3,000	(1,200)	1,800	200	2,000	6
Car Allowances/Staff Travel	2,200	(200)	2,000	0	2,000	
Insurance	1,600	0	1,600	0	1,600	
Sub Total Transport	31,800	(1,400)	30,400	4,200	34,600	
Supplies & Services						
Office Expenses	36,000	(4,900)	31,100	3,400	34,500	7
Environmental Maintenance	5,400	10,400	15,800	0	15,800	8
Public Jetties & Navigational Safety (including Navigational Aids)	14,500	(300)	14,200	(1,100)	13,100	
Central Department Charges	35,700	12,900	48,600	300	48,900	9
Other Services (including Designated Person)	11,000	0	11,000	0	11,000	
Oil Spill Response	8,000	600	8,600	(5,200)	3,400	10
The Crown Estate Settlement	3,000	0	3,000	(3,000)	0	11
CCTV	3,000	(2,600)	400	200	600	12
Sub Total Supplies & Services	116,600	16,100	132,700	(5,400)	127,300	
Gross Expenditure (Current)	540,700	26,000	566,700	12,700	579,400	

	Original Budget 2013/14	Adjustments 2013/14	Revised Budget 2013/14	Adjustments 2014/15	Forward Budget 2014/15	Note
INCOME						
Miscellaneous Income	(4,100)	400	(3,700)	(200)	(3,900)	
Interest	(400)	(100)	(500)	0	(500)	
Harbour Dues	(508,900)	(4,600)	(513,500)	7,100	(506,400)	13
The Crown Estate Funding	(55,100)	(700)	(55,800)	(2,800)	(58,600)	14
Other Funding	(1,000)	(3,100)	(4,100)	0	(4,100)	15
Visitor Income	(31,700)	3,500	(28,200)	(3,500)	(31,700)	16
Gross Income	(601,200)	(4,600)	(605,800)	600	(605,200)	
NET REVENUE FUNDED EXPENDITURE	(60,500)	21,400	(39,100)	13,300	(25,800)	
Projects Funded by Reserves						
- Revenue Reserve	0	0	0	0	0	
- Asset Enhancement	0	13,755	13,755	(13,755)	0	
- Asset Replacement	0	50,000	50,000	(47,000)	3,000	
Gross Expenditure	0	63,755	63,755	(60,755)	3,000	
Interest on Reserves						
- Asset Enhancement	0	(1,500)	(1,500)	(100)	(1,600)	
- Asset Replacement	0	(2,600)	(2,600)	0	(2,600)	
Gross Income	0	(4,100)	(4,100)	(100)	(4,200)	
NET RESERVES FUNDED EXPENDITURE	0	59,655	59,655	(60,855)	(1,200)	
TOTAL NET EXPENDITURE	(60,500)	81,055	20,555	(47,555)	(27,000)	
RESERVES						
Contribution to Asset Replacement Reserves	35,000	0	35,000	(9,200)	25,800	17
Transfer Interest to Reserves	0	4,100	4,100	100	4,200	
Transfers from Reserves - Projects	0	(63,755)	(63,755)	60,755	(3,000)	
Total Transfers To/From Reserves	35,000	(59,655)	(24,655)	51,655	27,000	
NET EXPENDITURE AFTER RESERVES TRANSFERS	(25,500)	21,400	(4,100)	4,100	0	

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

	Original Budget 2013/14	Adjustments 2013/14	Revised Budget 2013/14	Adjustments 2014/15	Forward Budget 2014/15	Note
Office Expenses						
Equipment	1,300	(800)	500	500	1,000	
First Aid Supplies/Health & Safety	100	800	900	(500)	400	
Printing & Stationery	2,000	1,300	3,300	(300)	3,000	7
Catering/General	1,200	300	1,500	0	1,500	
Protective Clothing	5,000	(1,500)	3,500	1,500	5,000	
IT Charges	17,100	(5,400)	11,700	2,000	13,700	7
Postage	2,300	(800)	1,500	1,000	2,500	7
Subscriptions	2,300	0	2,300	0	2,300	
Phones	2,000	(400)	1,600	0	1,600	
Promotional Events/Publicity/Publications	1,900	1,500	3,400	(1,400)	2,000	7
Credit Card Charges	800	100	900	600	1,500	
Sub Total	36,000	(4,900)	31,100	3,400	34,500	7
Other Services						
Subscriptions/Memberships/ Licences/Designated Person	11,000	0	11,000	0	11,000	
Sub Total	11,000	0	11,000	0	11,000	
Harbour Dues						
Marinas and Boatyards	(368,200)	(7,000)	(375,200)	0	(375,200)	
River Moorings	(96,900)	(3,300)	(100,200)	0	(100,200)	
Jetty Charges	(26,300)	700	(25,600)	6,100	(19,500)	
Miscellaneous Income - Commercial and Pleasure craft	(4,000)	(1,000)	(5,000)	1,000	(4,000)	
Net Sublet Income	(13,500)	6,000	(7,500)	0	(7,500)	
Sub Total	(508,900)	(4,600)	(513,500)	7,100	(506,400)	13

Notes to Appendix 1

The details of significant variations are as follows:

1. The salary budget has been increased by £3,600 to meet the cost of the recent 1% pay award, which was backdated to take effect from 1 April 2013. A further pay award of 1% is anticipated in 2014/15 and this has been allowed for in the forward budget, along with an additional £4,800 to cover annual pay increments.

The revised and forward budgets have also been increased to cover the additional cost of the Harbour Master Apprentice acting up as an Assistant Harbour Master.

A charge of £15,000 is made to cover the past service deficit element of employer's contributions to the cost of the Local Government Pension Scheme (LGPS). The next valuation of the pension fund is due in early 2014, which may result in a change in this charge for 2014/15.

2. The level of training required in 2013/14 is now expected to be lower than originally anticipated and the revised budget has therefore been reduced accordingly, to £5,200.

However this reduction is not on-going and the training budget has been set at £10,000 for 2014/15, mainly to cover the costs of the final stages of training for the Harbour Master Apprentice.

3. Utility budgets have been increased in 2014/15 in anticipation of energy price inflation of 10%.
4. The revised and forward budgets for repair, maintenance and boat refurbishment have been increased by £2,000 to cover rises in the replacement cost of boat engines. In addition, provision has been made in the forward budget for a one-off replacement of the patrol boat fenders as the current fendering is suffering from UV degradation and leaving black marks on boat hulls whilst alongside. Replacement fenders will be non-marking, as far as possible.
5. The budget for vehicle running expenses has been reduced by £2,000 as a result of lower fuel usage. This is due to the use of more efficient engines and a slight reduction in operating hours.
6. The budget for tools and chandlery has been reduced in both the revised and forward budgets to reflect the current lower level of expenditure.
7. Office expenses in 2013/14 are expected to be higher than initially budgeted. The second instalment for the cost of the upgraded Harbour Management System (HMS) of £5,000 will be met in 2013/14 in addition to a one-off cost for a planned Visitor Guide, amounting to £2,800. These increases are partially offset by a number of smaller reductions in other

office expenses. In 2014/15 the remaining cost of £10,000 for the HMS upgrade will be met.

8. Environmental maintenance charges are expected to increase by £10,400 in both financial years. This increase reflects the additional clearance work required to clear seaweed from the Warsash slipway, costing £12,500 per annum, which is partly offset by other small budget reductions.
9. Central Department charges

These charges are all paid annually in March.

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

- The budget for support from the Devolved Finance Unit charge is £21,400 in 2013/14 and is based on an assessment of the time devoted to the Hamble and reflects the 1% pay increase from 1 April 2013. The budget has been further increased to allow for a 1% pay rise in 2014/5.
- The revised and forward budgets for Corporate Resources charges have been increased by £1,900 and are based on the actual costs incurred in 2012/13 and to meet the 1% pay increase in both 2013/14 as detailed below. An additional 1% pay increase has been added to 2014/15.

	<u>£</u>
<ul style="list-style-type: none"> ▪ Processing of payments and travel claims 	
Processing of debtor transactions - invoices, etc.	2,300
<ul style="list-style-type: none"> ▪ Tax/cash management 	200
<ul style="list-style-type: none"> ▪ Processing of Pay by Payroll Technical Team 	300
<ul style="list-style-type: none"> ▪ Audit services 	3,400

	6,200

- 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.
- The revised and forward budgets for the Chief Executive Committee, Democratic & Legal Services have been increased by £10,800 to £21,000 to reflect the current level of use. This charge is based on actual hours worked multiplied by an hourly rate, which is benchmarked to ensure best value.

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
 - Insurance, apart from a nominal premium.
10. The Oil Spill budget has been increased by £600 in 2013/14 to reflect the actual costs incurred on the 3 yearly oil spill exercise, which took place in July. The budget for 2014/15 has been set at £3,400 to cover the annual retainer paid to ensure assistance is available in the case of an incident.
 11. There are not expected to be any charges against the Crown Estate expenditure budget in 2014/15.
 12. Expenditure on CCTV maintenance has been reduced whilst the future of the system is decided.
 13. The harbour dues budget for 2013/14 has been revised to £513,500, £4,600 higher than originally budgeted. This includes a 1% increase totalling £5,100 and further reductions of £500. The reduction is a combination of additional income from marina, boatyards and river moorings, offset by reductions in sublet income.

Harbour Dues are expected to reduce by a further £7,100 in 2014/15. Whilst income generated from marinas, boatyards, river moorings and sublets is expected to remain at a similar level as the revised budget, jetty charges are expected to reduce by £6,100 in line with current trends.

A detailed breakdown of harbour dues is presented in Appendix 2.

14. The Crown Estate income budget has increased in both years to cover the annual increase in the management fee (3% in 2014/15).
15. Additional income is expected against 'Other Funding'. £3,000 from Fareham Borough Council relating to a contribution towards Warsash slipway clearance and £100 additional retail income has been included in both the revised and forward budgets.
16. The budget for visitor income has been reduced by £3,500 in 2013/14 but is expected to return to previous levels in 2014/15.
17. The in-year surplus to contribute to the Asset Replacement Reserve will be £35,000 in 2013/14 and £25,800 in 2014/15. A transfer will also therefore have to be made from the RR in 2014/15 to ensure £35,000 is transferred to the ARR, which is the amount approved by the Board.

River Hamble Reserves - 2013/14

	Revenue Reserve	Asset Enhancement Reserve	Asset Replacement Reserve	TOTAL
	£	£	£	£
Balance at 31 March 2013	(99,525)	(286,389)	(370,152)	(756,066)
Learning Zone Project	0	6,255	0	6,255
Warsash Slipway & Hamble Jetty extensions- Detailed plans	0	7,500	0	7,500
Hamble Jetty - Remedial work	0	0	50,000	50,000
Transfer to AER from Revenue	0	0	(35,000)	(35,000)
Plus Estimated Annual Interest	0	(1,500)	(2,600)	(4,100)
Plus Estimated Net surplus for year	(4,100)	0	0	(4,100)
Predicted Balance at 31 March 2014	(103,625)	(274,134)	(357,752)	(735,511)
Transfer to AER from RR and Revenue	9,200	0	(9,200)	0
	0	0	(25,800)	(25,800)
Maintenance Dredge	0	0	3,000	3,000
Plus Estimated Annual Interest	0	(1,600)	(2,600)	(4,200)
Plus Estimated Net surplus for year	0	0	0	0
Predicted Balance at 31 March 2015	(94,425)	(275,734)	(392,352)	(762,511)
Potential Future Projects				
Contribution to Hamble Lifeboat Station	0	70,000	0	70,000
Warsash Slipway	0	50,000	0	50,000
Hamble Jetty Extension	0	107,000	0	107,000
Balance Available	(94,425)	(48,734)	(392,352)	(535,511)