

## HAMPSHIRE COUNTY COUNCIL

### Report

<b>Committee:</b>	River Hamble Harbour Board
<b>Date:</b>	18 July 2014
<b>Title:</b>	River Hamble Final Accounts 2013/14
<b>Reference:</b>	5949
<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 final accounts of the Harbour Authority for the year ended 31 March 2014 are being presented to the River Hamble Harbour Board for approval.
- 1.2. This report compares the outturn position for income and expenditure for the year ended 31 March 2014 with the 2013/14 revised budget.
- 1.3. The Harbour Undertaking made a surplus of £7,589 in 2013/14 which was added to the general reserve. This is after the agreed contribution of £35,000 to the Asset Replacement Reserve (ARR) and draws of £12,778 and £1,238 from the Asset Enhancement Reserve (AER) and ARR to fund agreed projects. The surplus is a small improvement on the revised budget forecast with expenditure and income both being below budget. The majority of this change related to the use of reserves for projects. In summary the trading position was:

	<b>Revised Budget £000's</b>	<b>Actual £000's</b>
Revenue Income	(605.8)	(598.3)
Revenue expenditure	566.7	555.7
<b>Net Revenue Funded Expenditure</b>	<b>(39.1)</b>	<b>(42.6)</b>
Interest on Reserves	(4.1)	(4.1)
Reserve funded expenditure	63.8	14.0
<b>Net Reserves Funded Expenditure</b>	<b>59.7</b>	<b>9.9</b>
<b>Net Transfers to/(from) Earmarked Reserves</b>	<b>(24.7)</b>	<b>25.1</b>
<b>Net Surplus to General Reserve Transferred</b>	<b>(4.1)</b>	<b>(7.6)</b>

## 2. 2013/14 Outturn

- 2.1 The surplus generated on general revenue activities was £3,489 higher than budgeted, with the remainder of the variance resulting from lower than expected expenditure on projects to be funded from reserves, in particular the replacement of the Hamble Jetty pontoons, which has been deferred to 2014/15 (£50,000).
- 2.2 A more detailed breakdown of the income and expenditure is set out in the tables contained in Appendices 1 and 2 below. Further explanation is included in the notes in Appendix 3.
- 2.3 Variances in general revenue expenditure were across a range of headings, with reasons for the key variances set out below.
- 2.4 Total income for 2013/14 was £601,423, 1% lower than the £605,800 presented in the revised budget. All income groups produced a lower than expected outturn level, with the exception of Crown Estate funding, which was £6,100 higher than budgeted. Harbour Dues were 2% below budget and visitor income 8% lower than anticipated, both of which are as a result of reduced activity levels.
- 2.5 Revenue expenditure was £558,834, £10,996 lower than budgeted. The most significant reason for this underspend was a delay in expenditure on the Harbour Management System upgrade, which will now take place in 2014/15. Higher boat repair, staffing and rental costs were offset by various other underspends, including £4,224 where planned work to upgrade the aids to navigation (lights) at the River entrance has been deferred until 2014/15 due to lack of availability of the required lights.

## 3. Reserves

- 3.1 The total reserves for the River Hamble were £788,760 at 31 March 2014, an increase of £32,694 on the position at the end of 2012/13, and are detailed in Appendix 3.

- 3.2 The General Reserve increased by £7,589 following the transfer of the 2013/14 surplus. The Asset Replacement Reserve (ARR) was increased by the planned annual transfer of £35,000 from the trading account.
- 3.4 In 2013/14 interest was received on reserve balances, the budgeted transfer to the ARR and income received in advance for annual harbour dues. Interest was paid at the agreed rate of 0.8% on the first £300,000 and £150,000 held in the ARR and Asset Enhancement Reserve (AER) respectively. All remaining reserve balances received interest at the agreed rate of 0.25%.
- 3.5 £12,778 was drawn from the AER in 2013/14 to meet the costs of agreed projects. £4,353 was spent on the initial costs of the Warsash Slipway and Hamble Jetty extension projects, with a further £8,200 of expenditure incurred to complete the Hamble Learning Zone project and educational film. An additional £225 was also spent on slipway signs.
- 3.6 The Hamble Jetty replacement pontoons project was delayed with only £1,238 spent in 2013/14, with the balance to be spent in 2014/15. This will be funded from the Asset Replacement Reserve at an estimated cost of £50,000.

#### **4. Conclusion**

- 4.1 The report highlights that despite the current economic climate and the extreme weather over the winter months, robust financial management has ensured a final outturn position that is close to budget. Both income and expenditure were lower than budgeted and resulted in a small net surplus.

#### **5. Recommendation**

**That this report be approved by the River Hamble Harbour Board.**

**CORPORATE OR LEGAL INFORMATION:**

**Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	yes
Corporate Business plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Business plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	yes
Corporate Business plan link number (if appropriate):	

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p><b>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.)</b></p>	
<u>Document</u>	<u>Location</u>
None	

**IMPACT ASSESSMENTS:**

**1. Equalities Impact Assessment:**

1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

**2. Impact on Crime and Disorder:**

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

**3. Climate Change:**

a) How does what is being proposed impact on our carbon footprint / energy consumption?

There are no proposals within the report which will impact on our carbon footprint/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?

There are no proposals within the report which will impact on our need to adapt to climate change

## APPENDIX 1

## River Hamble Harbour Undertaking

	Revised Budget 2013/14	Actual 2013/14	Variance 2013/14	Variance % 2013/14	Notes
<b>EXPENDITURE</b>					
<b>Staff Related</b>					
Salaries	376,400	379,758	3,358	1%	1
Training	5,200	4,907	(293)	-6%	
Staff Advertising/Interview Expenses	0	0	0	0%	
Other Employee Expenses	200	85	(115)	-58%	
<b>Sub Total Staff Related</b>	<b>381,800</b>	<b>384,750</b>	<b>2,950</b>	<b>1%</b>	
<b>Premises</b>					
Repair & Maintenance (including Health & Safety Modifications)	500	424	(76)	-15%	
Electricity	2,200	1,730	(470)	-21%	
Gas	1,000	941	(59)	-6%	
Service Charges	100	150	50	50%	
Rent/Rates	16,200	19,486	3,286	20%	
Water/Sewerage	700	550	(150)	-21%	
Cleaning	300	451	151	50%	
Burglar Alarms/Security	800	682	(118)	-15%	
<b>Sub Total Premises</b>	<b>21,800</b>	<b>24,414</b>	<b>2,614</b>	<b>12%</b>	2
<b>Transport</b>					
Repair, Maintenance and Boat Refurbishment	19,000	25,576	6,576	35%	
Vehicle Running Expenses (Fuel)	6,000	3,832	(2,168)	-36%	
Tools (inc Chandlery)	1,800	924	(876)	-49%	
Car Allowances/Staff Travel	2,000	1,761	(239)	-12%	
Insurance	1,600	1,570	(30)	-2%	
<b>Sub Total Transport</b>	<b>30,400</b>	<b>33,663</b>	<b>3,263</b>	<b>11%</b>	3
<b>Supplies &amp; Services</b>					
Office Expenses	31,100	17,308	(13,792)	-44%	4
Environmental Maintenance	15,800	16,791	991	6%	5
Public Jetties & Navigational Safety (including Navigational Aids)	14,200	11,096	(3,104)	-22%	6
Central Department Charges	48,600	48,585	(15)	0%	7
Other Services (including Designated Person)	11,000	8,745	(2,255)	-21%	8
Oil Spill Response	8,600	7,728	(872)	-10%	
The Crown Estate Settlement	3,000	5,086	2,086	70%	
CCTV	400	668	268	67%	
<b>Sub Total Supplies &amp; Services</b>	<b>132,700</b>	<b>116,007</b>	<b>(16,693)</b>	<b>-13%</b>	
<b>Gross Expenditure (Current)</b>	<b>566,700</b>	<b>558,834</b>	<b>(7,866)</b>	<b>-1%</b>	

	Revised Budget 2013/14	Actual 2013/14	Variance 2013/14	Variance % 2013/14	Notes
<b>INCOME</b>					
Miscellaneous Income	(3,700)	(3,736)	(36)	1%	
Interest	(500)	(557)	(57)	11%	
Harbour Dues	(513,500)	(505,503)	7,997	-2%	9
The Crown Estate Funding	(55,800)	(61,906)	(6,106)	11%	
Other Funding	(4,100)	(3,785)	315	-8%	
Visitor Income	(28,200)	(25,936)	2,264	-8%	10
<b>Gross Income</b>	<b>(605,800)</b>	<b>(601,423)</b>	<b>4,377</b>	<b>-1%</b>	
<b>NET REVENUE FUNDED EXPENDITURE</b>	<b>(39,100)</b>	<b>(42,589)</b>	<b>(3,489)</b>	<b>9%</b>	
<b>Projects Funded by Reserves</b>					
- Asset Enhancement	13,755	12,778	(977)	-7%	
- Asset Replacement	50,000	1,238	(48,762)	-98%	
<b>Gross Expenditure</b>	<b>63,755</b>	<b>14,016</b>	<b>(49,739)</b>	<b>-78%</b>	
<b>Interest on Reserves</b>					
- Asset Enhancement	(1,500)	(1,543)	(43)	3%	
- Asset Replacement	(2,600)	(2,578)	22	-1%	
<b>Gross Income</b>	<b>(4,100)</b>	<b>(4,121)</b>	<b>(21)</b>	<b>1%</b>	
<b>NET RESERVES FUNDED EXPENDITURE</b>	<b>59,655</b>	<b>9,895</b>	<b>(49,760)</b>	<b>-83%</b>	
<b>TOTAL NET EXPENDITURE</b>	<b>20,555</b>	<b>(32,694)</b>	<b>(53,249)</b>	<b>-259%</b>	
<b>RESERVES</b>					
Contribution to Asset Replacement	35,000	35,000	0	0%	
Transfer Interest to Reserves	4,100	4,121	21	1%	
Transfers from Reserves - Projects	(63,755)	(14,016)	49,739	-78%	
<b>Total Transfers To/(From) Reserves</b>	<b>(24,655)</b>	<b>25,105</b>	<b>49,760</b>	<b>-202%</b>	
<b>NET SURPLUS TRANSFERRED TO GENERAL RESERVE</b>	<b>(4,100)</b>	<b>(7,589)</b>	<b>(3,489)</b>	<b>85%</b>	

## APPENDIX 2

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

	Revised Budget 2013/14	Actual 2013/14	Variance 2013/14	Variance % 2013/14	Notes
<b>Office Expenses</b>					
Equipment	500	1,997	1,497	299%	
First Aid Supplies/Health & Safety	900	1,148	248	28%	
Printing & Stationery	3,300	3,084	(216)	-7%	
Catering/General	1,500	737	(763)	-51%	
Protective Clothing	3,500	2,073	(1,427)	-41%	4
IT Charges	11,700	1,397	(10,303)	-88%	4
Postage	1,500	1,288	(212)	-14%	
Subscriptions	2,300	3,250	950	41%	4
Phones	1,600	247	(1,353)	-85%	
Promotional Events/Publicity/Publications	3,400	1,379	(2,021)	-59%	
Credit Card Charges	900	708	(192)	-21%	
<b>Sub Total</b>	<b>31,100</b>	<b>17,308</b>	<b>(13,792)</b>	<b>-44%</b>	<b>7</b>
<b>Other Services</b>					
Subscriptions/Memberships/ Licences/Designated Person	11,000	8,745	(2,255)	-21%	
<b>Sub Total</b>	<b>11,000</b>	<b>8,745</b>	<b>(2,255)</b>	<b>-21%</b>	<b>8</b>
<b>Harbour Dues</b>					
Marinas and Boatyards	(375,200)	(366,037)	9,163	-2%	
River Moorings	(100,200)	(97,378)	2,822	-3%	
Jetty Charges	(25,600)	(28,865)	(3,265)	13%	
Miscellaneous Income - Commercial and Pleasure craft	(5,000)	(6,502)	(1,502)	30%	
Net Sublet Income	(7,500)	(6,721)	779	-10%	
<b>Sub Total</b>	<b>(513,500)</b>	<b>(505,503)</b>	<b>7,997</b>	<b>-2%</b>	<b>9</b>

## Notes to Appendix 1 & 2

The details of significant variations are as follows:

1. Staff costs for salaries and on-costs were 1% higher than expected, resulting in an overspend of £3,358, with other employee costs close to projections. The variation for salaries and on-costs resulted from additional overtime and enhancement costs to cover long term sickness and additional hours required during the winter storms.
2. Premises costs were 12% higher than budgeted, an overspend of £2,614. Whilst expenditure for utilities and other premises costs was lower than projected, these lower than anticipated spends were offset by a one off increase in expenditure on rent charges following a realignment of rental payments.
3. The outturn for transport costs was £33,663, £3,263 higher than the revised budget. The repair and maintenance of boats was the main area in which spend was higher than planned, with £6,576 spent on additional repairs and maintenance. This was partially negated by savings against other transport budgets.
4. Supplies and services expenditure was 15% lower than projected, with office expenses £13,972 lower than budgeted. This was as a result of cumulative underspends in IT charges of £10,302, which arose because the second instalment for the HMS upgrade was delayed. This will now be purchased in 2014/15, along with equipment for the new system.

Subscription costs were £950 above budget due to the increase in the cost of the British Ports Association (BPA) subscription and the OFCOM Radio Licence.

The protective clothing budget was underspent by £1,427, while telephone costs were £1,353 lower than anticipated.

5. The environmental costs budget was overspent by £991 as a result of increased slipway clearing costs following the storms (£587) and additional refuse collection costs of £531. These increased costs were offset by other minor underspends.
6. The public jetties and navigational safety budget included provision for expenditure on hydrographic surveys, which cost £1,120 more than expected due to the additional Bathymetric survey of the Harbour Master's Jetty area at Warsash. However, £4,224 of work planned on upgraded aids to navigation was not carried out during 2013/14, resulting in a net underspend in this area of £3,104.
7. Central Department Charges

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

- Devolved Finance Unit – £21,200 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.

- Corporate Resources central charges – based on 2012/13 volumes and increased in line with inflation. A more detailed breakdown of these services is listed below:

	<u>£</u>
▪ Integrated Business Centre (IBC)	
- Processing of payments and travel claims	
- Processing of debtor transactions - invoices, etc	2,148
- Processing of pay by Payroll Technical Team	340
▪ Tax/cash management	200
▪ Audit services	3,410
	-----
	6,098

- 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.
- 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. £7,071 was incurred for legal advice with the balance of £14,216 for Business Advice and Members Support.

During 2013/14, expenditure on legal advice has covered:

- Preparation, travel and attendance at Harbour Board and Management Committee meetings
- Preparation of a training presentation for the Management Committee
- Advice on the scope of permitted expenditure from the Asset Enhancement Reserve
- Advice on the Hamble Lifeboat station with regard to the Asset Enhancement Reserve

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 fee.
8. A saving of £2,255 was made against the other services budget as no additional costs were incurred for the designated person's expertise and therefore only the annual retainer was paid.
  9. The harbour dues budget for 2013/14 was revised to £513,500, £4,600 higher than originally budgeted. This included a 1% increase totalling £5,100. A detailed breakdown of harbour dues is presented in Appendix 2.
  10. Visitor income was 8% lower than anticipated in the revised budget, mainly due to a reduction in income from miscellaneous berthing.

## APPENDIX 3

## River Hamble Reserves - 2013/14

	General Reserve	Asset Enhancement Reserve	Asset Replacement Reserve	TOTAL
	£	£	£	£
<b>Balance at 31 March 2013</b>	<b>(99,525)</b>	<b>(286,389)</b>	<b>(370,152)</b>	<b>(756,066)</b>
Learning Zone Project	0	8,425	0	<b>8,425</b>
Warsash Slipway & Hamble Jetty extensions- Detailed plans	0	4,353	1,238	<b>5,591</b>
Hamble Jetty - Remedial work	0	0	0	<b>0</b>
Transfer to ARR from Revenue	0	0	(35,000)	<b>(35,000)</b>
Plus Annual Interest	0	(1,543)	(2,578)	<b>(4,121)</b>
Plus Net surplus for year	(7,589)	0	0	<b>(7,589)</b>
<b>Balance at 31 March 2014</b>	<b>(107,114)</b>	<b>(275,154)</b>	<b>(406,492)</b>	<b>(788,760)</b>
Transfer to AER from RR	9,200	0	(9,200)	<b>0</b>
Transfer to AER from Revenue	0	0	(25,800)	<b>(25,800)</b>
Maintenance Dredge	0	0	3,000	<b>3,000</b>
River Hamble Games - 2014/15	0	2,600	0	<b>2,600</b>
Hamble Jetty Extension	0	0	50,000	<b>50,000</b>
Plus Estimated Annual Interest	0	(1,600)	(2,600)	<b>(4,200)</b>
Plus Estimated Net surplus for year	0	0	0	<b>0</b>
<b>Predicted Balance at 31 March 2015</b>	<b>(97,914)</b>	<b>(274,154)</b>	<b>(391,092)</b>	<b>(763,160)</b>
<b>Potential Future Projects</b>				
Contribution to Hamble Lifeboat Station	0	70,000	0	<b>70,000</b>
Phd Proposal - Sacrificial Nodes	0	15,000	0	<b>15,000</b>
Warsash Slipway	0	50,000	0	<b>50,000</b>
Hamble Jetty Extension	0	107,000	0	<b>107,000</b>
<b>Balance Available</b>	<b>(97,914)</b>	<b>(32,154)</b>	<b>(391,092)</b>	<b>(521,160)</b>