

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	River Hamble Harbour Management Committee
Date:	12 December 2014
Title:	River Hamble 2015/16 Forward Budget
Reference:	6296
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 2014/15 outturn forecast as at Period 7 (October 2014) and the 2015/16 forward budget to the River Hamble Harbour Management Committee for comment.
- 1.2. The River Hamble is projected to achieve the budgeted surplus of £25,000 on net revenue funded expenditure in 2014/15, however this is before the planned and agreed transfer of £35,000 to the Asset Replacement Reserve (ARR) to fund the cost of replacing assets in future years.
- 1.3. In order to fully meet the Board agreed contribution to the ARR in 2014/15, the projected shortfall of £10,000 will need to be covered by a transfer from the Revenue Reserve (RR).
- 1.4. The full contribution is expected to be possible in 2015/16, with a small surplus of £2,000 on net revenue funded expenditure forecast after the agreed transfer to the ARR.
- 1.5. 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.
- 1.6. The original budget for 2014/15 approved by the Harbour Board in January 2014, the outturn forecast for 2014/15 and the proposed forward budget for 2015/16 are set out in Appendix 1.

1.7. The format of this report follows the updated layout used for the first time last year 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. Forecast Outturn 2014/15

2.1. The forecast outturn for 2014/15 as at period 7 (October 2014) is detailed in Appendices 1 and 2. Current projections suggest that the budgeted position will be achieved, giving a surplus on standard revenue activity of £25,000, which will be transferred to the ARR to fund the cost of replacing assets in future years.

2.2. In order to fully meet the Board agreed transfer to the ARR of £35,000, a transfer of £10,000 will be required from the RR.

2.3. Expenditure of £64,100 is planned on approved projects, to be funded from reserves. Approximately £5,000 is expected to be added to reserves as interest generated on balances. Details are provided in Appendix 3.

3. Forward Budget 2015/16

3.1. The 2015/16 forward budget is detailed in Appendices 1 and 2 and projects a surplus of £37,000 on general revenue activities. The Board has agreed to add £35,000 to the ARR each year, and the remaining £2,000 will be added to the Revenue Reserve. Approximately £5,000 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 £578,000, a decrease of £4,000 (0.69%) compared with the 2014/15 budget. This is primarily due to a reduction in staffing costs, offset by an increase in transport costs.

3.3. The retirement of one member of staff and reduction in hours for another will lead to a temporary decrease in staffing costs in 2015/16, although this has been partly offset by the anticipated cost of living pay award.

3.4. Transport costs are expected to increase in 2015/16, due to an increase in the Repair, Maintenance and Boat Refurbishment budget relating to expenditure needing to be incurred during the year on boat fendering.

3.5. The income budget for 2015/16 has been set at £615,000, which is £8,000 higher than the rounded 2014/15 budget. An increase in harbour dues of 1.5% has been agreed, but all other income is expected to remain at the same level as in 2014/15, on the assumption that activity levels on the River will remain constant.

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 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 in both the 2014/15 and 2015/16 financial years is estimated to be £5,000.
- 4.4. Expenditure will be incurred in 2014/15, funded by the AER, to contribute to the River Hamble Games 2014, slipway signs and posts, and to fund the first year of the PhD project to research the effects of Sacrificial Anodes.
- 4.5. Replacement of the pontoons which form the Hamble Jetty is expected to happen in 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. Further expenditure from the AER is expected in 2015/16 to contribute to the Hamble Lifeboat Station, the second year of the PhD Sacrificial Anodes project and the building of the Warsash Link Pontoon.
- 4.7. It is estimated that approximately £212,000 of reserves will be required to fund potential projects for the Warsash slipway improvements, the Hamble Jetty extension and the third year of the PhD Sacrificial Anodes project.
- 4.8. If all of these projects are funded from the AER, then the AER will be overdrawn and a transfer will be required from the RR to cover this, as shown in Appendix 3. However, the balance on the RR is anticipated to be £97,114 at 31 March 2015, which is in excess of the 10% gross revenue budget (equating to approximately £58,000) as per the agreed reserves policy, and therefore the Board will be asked to consider whether the transfer from the RR to the AER should be made in the current financial year.

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	

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 2014/15 (£)	Variance 2014/15 (£)	P7 Forecast Outturn / Revised Budget 2014/15 (£)	Adjustments 2015/16 (£)	Forward Budget 2015/16 (£)	Notes
EXPENDITURE						
Staff Related						
Salaries	384,800	200	385,000	(14,000)	371,000	1
Training	10,000	0	10,000	0	10,000	
Staff Advertising/Interview Expenses	0	0	0	0	0	
Other Employee Expenses	200	(200)	0	0	0	
Sub Total Staff Related	395,000	0	395,000	(14,000)	381,000	
Premises						
Repair & Maintenance (including Health & Safety Modifications)	500	500	1,000	0	1,000	
Electricity	2,400	(400)	2,000	0	2,000	
Gas	1,200	(200)	1,000	0	1,000	
Service Charges	100	(100)	0	0	0	
Rent/Rates	16,400	(400)	16,000	0	16,000	
Water/Sewerage	800	200	1,000	0	1,000	
Cleaning	300	(300)	0	0	0	
Burglar Alarms/Security	800	200	1,000	0	1,000	
Sub Total Premises	22,500	(500)	22,000	0	22,000	
Transport						
Repair, Maintenance and Boat Refurbishment	23,000	0	23,000	10,000	33,000	2
Vehicle Running Expenses (Fuel)	6,000	0	6,000	0	6,000	
Tools (inc Chandlery)	2,000	0	2,000	0	2,000	
Car Allowances/Staff Travel	2,000	0	2,000	0	2,000	
Insurance	1,600	400	2,000	0	2,000	
Sub Total Transport	34,600	400	35,000	10,000	45,000	
Supplies & Services						
Office Expenses	34,500	500	35,000	0	35,000	
Environmental Maintenance	15,800	1,200	17,000	0	17,000	3
Public Jetties & Navigational Safety (including Navigational Aids)	13,100	900	14,000	0	14,000	
Central Department Charges	48,900	100	49,000	1,000	50,000	4
Other Services (including Designated Person)	11,000	0	11,000	0	11,000	
Oil Spill Response	3,400	(400)	3,000	0	3,000	5
The Crown Estate Settlement	0	0	0	0	0	6
CCTV	600	400	1,000	(1,000)	0	7
Sub Total Supplies & Services	127,300	2,700	130,000	0	130,000	
Gross Expenditure (Current)	579,400	2,600	582,000	(4,000)	578,000	

	Original Budget 2014/15 (£)	Variance 2014/15 (£)	P7 Forecast Outturn / Revised Budget 2014/15 (£)	Adjustments 2015/16 (£)	Forward Budget 2015/16 (£)	Notes
INCOME						
Miscellaneous Income	(3,900)	(100)	(4,000)	0	(4,000)	
Interest	(500)	(500)	(1,000)	0	(1,000)	
Harbour Dues	(506,400)	400	(506,000)	(8,000)	(514,000)	8
The Crown Estate Funding	(58,600)	(400)	(59,000)	0	(59,000)	
Other Funding	(4,100)	(900)	(5,000)	0	(5,000)	9
Visitor Income	(31,700)	(300)	(32,000)	0	(32,000)	
Gross Income	(605,200)	(1,800)	(607,000)	(8,000)	(615,000)	
NET REVENUE FUNDED EXPENDITURE	(25,800)	800	(25,000)	(12,000)	(37,000)	
Projects Funded by Reserves						
- Revenue Reserve	0	0	0	0	0	
- Asset Enhancement	0	9,100	9,100	95,900	105,000	
- Asset Replacement	3,000	52,000	55,000	(55,000)	0	
Gross Expenditure	3,000	61,100	64,100	40,900	105,000	
Interest on Reserves						
- Asset Enhancement	(1,600)	(400)	(2,000)	0	(2,000)	
- Asset Replacement	(2,600)	(400)	(3,000)	0	(3,000)	
Gross Income	(4,200)	(800)	(5,000)	0	(5,000)	
NET RESERVES FUNDED EXPENDITURE	(1,200)	60,300	59,100	40,900	100,000	
TOTAL NET EXPENDITURE	(27,000)	61,100	34,100	28,900	63,000	
RESERVES						
Contribution to Asset Replacement Reserve	25,800	(800)	25,000	10,000	35,000	10
Transfer Interest to Reserves	4,200	800	5,000	0	5,000	
Transfers from Reserves - Projects	(3,000)	(61,100)	(64,100)	(40,900)	(105,000)	
Total Transfers To/(From) Reserves	27,000	(61,100)	(34,100)	(30,900)	(65,000)	
NET SURPLUS TRANSFERRED TO GENERAL RESERVE	0	0	0	(2,000)	(2,000)	10

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

	Original Budget 2014/15 (£)	Variance 2014/15 (£)	P7 Forecast Outturn / Revised Budget 2014/15 (£)	Adjustments 2015/16 (£)	Forward Budget 2015/16 (£)	Notes
Office Expenses						
Equipment	1,000	0	1,000	0	1,000	
First Aid Supplies/Health & Safety	400	(400)	0	0	0	
Printing & Stationery	3,000	1,000	4,000	0	4,000	
Catering/General	1,500	500	2,000	0	2,000	
Protective Clothing	5,000	0	5,000	0	5,000	
IT Charges	13,700	300	14,000	0	14,000	
Postage	2,500	(500)	2,000	0	2,000	
Subscriptions	2,300	(300)	2,000	0	2,000	
Phones	1,600	400	2,000	0	2,000	
Promotional Events/Publicity/Publications	2,000	0	2,000	0	2,000	
Credit Card Charges	1,500	(500)	1,000	0	1,000	
Sub Total	34,500	500	35,000	0	35,000	
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	(375,200)	200	(375,000)	(6,000)	(381,000)	
River Moorings	(100,200)	200	(100,000)	(2,000)	(102,000)	
Jetty Charges	(19,500)	500	(19,000)	0	(19,000)	
Miscellaneous Income - Commercial and Pleasure craft	(4,000)	0	(4,000)	0	(4,000)	
Net Sublet Income	(7,500)	(500)	(8,000)	0	(8,000)	
Sub Total	(506,400)	400	(506,000)	(8,000)	(514,000)	8

Notes to Appendix 1

The details of significant variations are as follows:

1. The salary budget has been decreased by £14,000 due to the retirement of a member of staff, leading to a post being temporarily vacant, and another employee reducing their hours. A 1% pay award has been assumed for 2014/15 and a further pay award of 1% is anticipated in 2015/16 which has been allowed for in the forward budget.

A charge of £15,000 was included in the original budget to cover the past service deficit element of employer's contributions to the cost of the Local Government Pension Scheme (LGPS). However, following the recent revaluation of the pension fund, this will increase to £16,300 in 2014/15 and £17,800 in 2015/16, which has been allowed for in the forward budget. The 2016/17 charge will be £19,300.

2. The forward budget for repair, maintenance and boat refurbishment has been increased by £10,000 to provide for replacement of the patrol boat fenders as the current fendering is suffering from UV degradation and leaves black marks on boat hulls whilst alongside. This is a higher cost than previously anticipated. Replacement fenders will be non-marking, as far as possible.
3. The Environmental maintenance charges include the additional clearance work required to clear seaweed from the Warsash slipway, costing £12,500 per annum.
4. Central Department charges

These charges are all paid annually in March.

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

- The anticipated charge for support from Operational Finance is £21,600 in 2015/16 and is based on an assessment of the time devoted to the River Hamble and reflects the expected 1% pay increase from 1st April 2014 and a further 1% pay increase in 2015/16.
- The anticipated 2015/16 Corporate Resources charges are based on the actual costs incurred in 2012/13 and reflect the expected 1% pay award in 2014/15 and 2015/16.

	<u>£</u>
▪ Processing of payments and travel claims, Processing of debtor transactions - invoices, etc.	2,300
▪ Tax/cash management and Processing of pay by Payroll Technical Team	500
▪ Audit services	3,500

	6,300

- 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.
- £21,800 has been budgeted for charges from the Chief Executive Committee, Democratic Services and Legal Services. The budget has been calculated using 2013/14 activity as a baseline and inflating for two lots of 1% pay awards. 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 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.
5. The Oil Spill forward budget has not been increased but has been set to cover the annual retainer paid to ensure assistance is available in the case of an incident.
 6. There are not expected to be any charges against the Crown Estate expenditure budget in 2015/16.
 7. The specific CCTV maintenance budget has been removed for 2015/16, with any costs to be absorbed within the general Supplies and Services budget.
 8. The harbour dues budget for 2015/16 has been revised to £514,000, an increase of £8,000 from the 2014/15 budget. This represents an increase of 1.5% on income from marinas, boatyards and river moorings. Jetty charges, net sublet income and miscellaneous income from commercial and pleasure craft is budgeted to remain at the same levels as in 2014/15.

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

9. "Other Funding" includes £3,000 from Fareham Borough Council relating to a contribution towards Warsash slipway clearance.
10. The budgeted in-year surplus to contribute to the Asset Replacement Reserve will be £35,000, which is the amount approved by the Board, in 2015/16. A transfer will also be made to the RR in 2015/16 of £2,000.

APPENDIX 3

River Hamble Reserves - 2014/16

	General Reserve (£)	Asset Enhancement Reserve (£)	Asset Replacement Reserve (£)	TOTAL (£)
Balance at 31 March 2014	(107,114)	(275,154)	(406,492)	(788,760)
Maintenance Dredge	0	0	5,000	5,000
River Hamble Games	0	2,600	0	2,600
Hamble Jetty Replacement	0	0	50,000	50,000
PhD proposal - Sacrificial Anodes	0	5,000	0	5,000
Slipway Signs and Posts	0	1,200	0	1,200
Warsash Slipway	0	300	0	300
Transfer to ARR from General Reserve	10,000	0	(10,000)	0
Transfer to ARR from Revenue	0	0	(25,000)	(25,000)
Plus Estimated Annual Interest	0	(2,000)	(3,000)	(5,000)
Plus Estimated Net surplus for the year	0	0	0	0
Predicted Balance at 31 March 2015	(97,114)	(268,054)	(389,492)	(754,660)
Transfer to ARR from General Reserve	0	0	0	0
Transfer to ARR from Revenue	0	0	(35,000)	(35,000)
Contribution to Hamble Lifeboat Station	0	70,000	0	70,000
PhD proposal - Sacrificial Anodes	0	5,000	0	5,000
Warsash Link Pontoon	0	30,000	0	30,000
Plus Estimated Annual Interest	0	(2,000)	(3,000)	(5,000)
Plus Estimated Net surplus for year	(2,000)	0	0	(2,000)
Predicted Balance at 31 March 2016	(99,114)	(165,054)	(427,492)	(691,660)
Potential Future Projects				
PhD Proposal - Sacrificial Anodes	0	5,000	0	5,000
Warsash Slipway	0	100,000	0	100,000
Hamble Jetty Extension	0	107,000	0	107,000
Transfer to AER from General Reserve	46,946	(46,946)	0	0
Balance Available	(52,168)	0	(427,492)	(479,660)