

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	River Hamble Harbour Board
<b>Date:</b>	15 January 2016
<b>Title:</b>	River Hamble 2016/17 Forward Budget
<b>Reference:</b>	7145
<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 2015/16 outturn forecast as at Period 6 (September 2015) and the 2016/17 forward budget to the River Hamble Harbour Board for approval.
- 1.2. The River Hamble is projected to achieve a surplus of £20,000 on net revenue funded expenditure in 2015/16, against the budgeted surplus of £23,000. 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 2015/16, the shortfall of £15,000 will need to be covered by a transfer from the Revenue Reserve (RR).
- 1.4. The full contribution is expected to be met in 2016/17 from the in-year surplus on general revenue activities, and the projected additional surplus of £16,000 is proposed to be added to the Revenue Reserve.
- 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 original budget for 2015/16, approved by the Harbour Board in January 2015, the outturn forecast for 2015/16 and the proposed forward budget for 2016/17 are set out in Appendix 1.

- 1.7. As in previous years, 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 2015/16**

- 2.1. The forecast outturn for 2015/16, as at period 6 (September 2015) is detailed in Appendices 1 and 2. Current projections are that a surplus on standard revenue activity of £20,000 will be achieved, 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, it is projected that a transfer of £15,000 will be required from the RR, £3,000 higher than originally budgeted.
- 2.3. Total gross expenditure is projected at £589,000, only slightly lower than the budgeted £592,000, however, this includes £20,000 additional spend on staffing, which has been offset by £22,000 reduced spend on Supplies and Services.
- 2.4. The increased spend on staffing reflects a new Assistant Harbour Master (Patrol Officer) employed from October 2015 due to long term staff sickness (the costs of which will be offset by fewer seasonal staff being employed next year), and also additional training costs due to the appointment of new staff.
- 2.5. The reduced spend on Supplies and Services is largely due to office expenses, with the cost of the e-Harbours system being funded from the ARR rather than from the IT charges budget, and lower environmental maintenance expenditure.
- 2.6. Total income is projected to be £6,000 lower than budgeted due to the reconfiguration of some marinas and works not being fully completed. It is anticipated that these changes will be implemented for 2016.
- 2.7. Expenditure of £163,000 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 2016/17**

- 3.1. The 2016/17 forward budget is detailed in Appendices 1 and 2 and projects a surplus of £51,000 on general revenue activities. The Board has agreed to add £35,000 to the ARR each year, and therefore the remaining surplus of

£16,000 is proposed to be added to the Revenue Reserve. Approximately £4,000 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 £564,000, a decrease of £28,000 (4.73%) compared with the original 2015/16 budget. This is primarily due to a projected decrease in transport and supplies and services costs.
- 3.3. The decrease in transport costs (£14,000) mainly reflects a reduction in the Repair, Maintenance and Boat Refurbishment budget, which was temporarily increased in 2015/16 for expenditure on boat fendering.
- 3.4. The decrease in supplies and services (£19,000) is due mainly to the lower levels of spend on Environmental Maintenance and Office Expenses projected in 2015/16 being expected to continue in 2016/17.
- 3.5. Staffing budgets have been set at a similar level to the 2015/16 original budget, as the additional costs of the new assistant harbour master recruited in 2015/16 will be offset by two seasonal staff being appointed rather than three, and for a shorter period of time, in 2016/17.
- 3.6. The income budget for 2016/17 has been set at £615,000, which is the same level as the original 2015/16 budget, as the changes to the reconfiguration of some marinas resulting in lower projected income in 2015/16 are expected to be implemented for 2016/17.

#### **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, also known as the General Reserve) - 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 £5,000 in 2015/16 and £4,000 in 2016/17.
- 4.4. Expenditure has been, or is planned to be, incurred in 2015/16, funded by the AER, to contribute to the Hamble Lifeboat Station (£70,000), the sediment management desktop study (£25,000), and the improvement works to the Warsash Slipway (£60,000), as well as expenditure on marine piles and signs, and to fund the continuation of the PhD project to research the effects of Sacrificial Anodes.
- 4.5. Further expenditure from the AER is expected in 2016/17 for the continuation of the PhD Sacrificial Anodes project, the building of the Warsash Link Pontoon and the River Hamble Games 2016.
- 4.6. After 2016/17, funding of £2,500 has been committed for the completion of the PhD project.
- 4.7. Expenditure has been incurred in 2015/16, funded by the ARR, in relation to the E-Harbours system, but this has been offset by the final payment for the Hamble Jetty replacement being lower than provided for in the 2014/15 accounts.
- 4.8. A copy of the fixed assets register is included as Appendix 4 to this report, detailing assets held, their original purchase price and date, expected useful life, and current book value. As the majority of these assets were purchased some time ago, a detailed review of the fixed assets will be undertaken by the Harbour Master, with the objective of formulating a five year cashflow statement for the ARR, which will be reported to the next Board meeting.
- 4.9. The balance on the General Reserve is anticipated to be £92,242 at 31 March 2016, reflecting the reduction of £15,000 in the 2015/16 financial year. The balance does remain in excess of the 10% gross revenue budget (equating to approximately £59,000) as per the agreed reserves policy. However, as agreed by the Board at the meeting of 15<sup>th</sup> September 2015, this is being addressed by a commitment to a zero percent increase in Harbour Dues for next year. The level of the General Reserve balance will be put forward to the Board for further consideration with the final accounts for 2015/16.

## **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**

**It is recommended that the River Hamble Harbour Board:**

- 6.1. Note the 2015/16 forecast outturn.
- 6.2. Approve the 2016/17 forward budget as set out in this report.
- 6.3. Approve that the level of the Revenue Reserve is brought to the Board for further consideration with the final accounts for 2015/16.

**CORPORATE OR LEGAL INFORMATION:**

**Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	No
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>	No
Corporate Business plan link number (if appropriate):	

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<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 2015/16 (£)	Variance 2015/16 (£)	P6 Forecast Outturn / Revised Budget 2015/16 (£)	Adjustments 2016/17 (£)	Forward Budget 2016/17 (£)	Notes
<b>EXPENDITURE</b>						
<b>Staff Related</b>						
Salaries	385,000	15,000	400,000	(18,000)	382,000	1
Training	10,000	5,000	15,000	0	15,000	
<b>Sub Total Staff Related</b>	<b>395,000</b>	<b>20,000</b>	<b>415,000</b>	<b>(18,000)</b>	<b>397,000</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	16,000	3,000	19,000	0	19,000	
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>22,000</b>	<b>3,000</b>	<b>25,000</b>	<b>0</b>	<b>25,000</b>	
<b>Transport</b>						
Repair, Maintenance and Boat Refurbishment	33,000	0	33,000	(10,000)	23,000	2
Vehicle Running Expenses (Fuel)	6,000	(3,000)	3,000	0	3,000	
Tools (inc Chandlery)	2,000	0	2,000	0	2,000	
Car Allowances/Staff Travel	2,000	(1,000)	1,000	0	1,000	
Insurance	2,000	0	2,000	0	2,000	
<b>Sub Total Transport</b>	<b>45,000</b>	<b>(4,000)</b>	<b>41,000</b>	<b>(10,000)</b>	<b>31,000</b>	
<b>Supplies &amp; Services</b>						
Office Expenses	35,000	(9,000)	26,000	1,000	27,000	3
Environmental Maintenance	17,000	(7,000)	10,000	0	10,000	
Public Jetties & Navigational Safety (including Navigational Aids)	14,000	(4,000)	10,000	0	10,000	
Central Department Charges	50,000	(2,000)	48,000	0	48,000	4
Other Services (including Designated Person)	11,000	0	11,000	0	11,000	
Oil Spill Response	3,000	0	3,000	2,000	5,000	5
<b>Sub Total Supplies &amp; Services</b>	<b>130,000</b>	<b>(22,000)</b>	<b>108,000</b>	<b>3,000</b>	<b>111,000</b>	
<b>Gross Expenditure (Current)</b>	<b>592,000</b>	<b>(3,000)</b>	<b>589,000</b>	<b>(25,000)</b>	<b>564,000</b>	

	<b>Original Budget 2015/16 (£)</b>	<b>Variance 2015/16 (£)</b>	<b>P6 Forecast Outturn / Revised Budget 2015/16 (£)</b>	<b>Adjustments 2016/17 (£)</b>	<b>Forward Budget 2016/17 (£)</b>	<b>Notes</b>
<b>INCOME</b>						
Miscellaneous Income	(4,000)	(3,000)	(7,000)	0	(7,000)	
Interest	(1,000)	0	(1,000)	0	(1,000)	
Harbour Dues	(514,000)	0	(514,000)	0	(514,000)	6
The Crown Estate Funding	(59,000)	3,000	(56,000)	0	(56,000)	
Other Funding	(5,000)	0	(5,000)	0	(5,000)	7
Visitor Income	(32,000)	6,000	(26,000)	(6,000)	(32,000)	
<b>Gross Income</b>	<b>(615,000)</b>	<b>6,000</b>	<b>(609,000)</b>	<b>(6,000)</b>	<b>(615,000)</b>	
<b>NET REVENUE FUNDED EXPENDITURE</b>	<b>(23,000)</b>	<b>3,000</b>	<b>(20,000)</b>	<b>(31,000)</b>	<b>(51,000)</b>	
<b>Projects Funded by Reserves</b>						
- Asset Enhancement	105,000	58,000	163,000	(100,000)	63,000	
- Asset Replacement	0	0	0	0	0	
- Revenue Reserve	3,000	(3,000)	0	0	0	
<b>Gross Expenditure</b>	<b>108,000</b>	<b>55,000</b>	<b>163,000</b>	<b>(100,000)</b>	<b>63,000</b>	
<b>Interest on Reserves</b>						
- Asset Enhancement	(2,000)	0	(2,000)	1,000	(1,000)	
- Asset Replacement	(6,000)	3,000	(3,000)	0	(3,000)	
<b>Gross Income</b>	<b>(8,000)</b>	<b>3,000</b>	<b>(5,000)</b>	<b>1,000</b>	<b>(4,000)</b>	
<b>NET RESERVES FUNDED EXPENDITURE</b>	<b>100,000</b>	<b>58,000</b>	<b>158,000</b>	<b>(99,000)</b>	<b>59,000</b>	
<b>TOTAL NET EXPENDITURE</b>	<b>77,000</b>	<b>61,000</b>	<b>138,000</b>	<b>(130,000)</b>	<b>8,000</b>	
<b>RESERVES</b>						
Contribution to Asset Replacement Reserve	23,000	(3,000)	20,000	15,000	35,000	8
Transfer Interest to Reserves	8,000	(3,000)	5,000	(1,000)	4,000	
Transfers from Reserves - Projects	(108,000)	(55,000)	(163,000)	100,000	(63,000)	
Total Transfers To/(From) Reserves	(77,000)	(61,000)	(138,000)	114,000	(24,000)	
<b>NET SURPLUS TRANSFERRED TO GENERAL RESERVE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,000)</b>	<b>(16,000)</b>	

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

	<b>Original Budget 2015/16 (£)</b>	<b>Variance 2015/16 (£)</b>	<b>P6 Forecast Outturn / Revised Budget 2015/16 (£)</b>	<b>Adjustments 2016/17 (£)</b>	<b>Forward Budget 2016/17 (£)</b>	<b>Notes</b>
<b>Office Expenses</b>						
Equipment	1,000	4,000	5,000	(4,000)	1,000	
First Aid Supplies/Health & Safety	0	1,000	1,000	0	1,000	
Printing & Stationery	4,000	(3,000)	1,000	3,000	4,000	
Catering/General	1,000	1,000	2,000	0	2,000	
Protective Clothing	5,000	(2,000)	3,000	0	3,000	
IT Charges	14,000	(9,000)	5,000	0	5,000	
Postage	2,000	0	2,000	0	2,000	
Subscriptions	2,000	(1,000)	1,000	0	1,000	
Phones	2,000	0	2,000	0	2,000	
Promotional Events/Publicity/Publications	2,000	0	2,000	2,000	4,000	
Retail	1,000	0	1,000	0	1,000	
Credit Card Charges	1,000	0	1,000	0	1,000	
<b>Sub Total</b>	<b>35,000</b>	<b>(9,000)</b>	<b>26,000</b>	<b>1,000</b>	<b>27,000</b>	
<b>Other Services</b>						
Subscriptions/Memberships/ Licences/Designated Person	11,000	0	11,000	0	11,000	
<b>Sub Total</b>	<b>11,000</b>	<b>0</b>	<b>11,000</b>	<b>0</b>	<b>11,000</b>	
<b>Harbour Dues</b>						
Marinas and Boatyards	(381,000)	1,000	(380,000)	0	(380,000)	
River Moorings	(102,000)	0	(102,000)	0	(102,000)	
Jetty Charges	(19,000)	4,000	(15,000)	0	(15,000)	
Miscellaneous Income - Commercial and Pleasure craft	(4,000)	(4,000)	(8,000)	0	(8,000)	
Net Sublet Income	(8,000)	(1,000)	(9,000)	0	(9,000)	
<b>Sub Total</b>	<b>(514,000)</b>	<b>0</b>	<b>(514,000)</b>	<b>0</b>	<b>(514,000)</b>	<b>6</b>

## Notes to Appendix 1

The details of significant variations are as follows:

1. The forecast outturn for salaries in 2015/16 is expected to be £15,000 higher than the original budget for 2015/16. This is due to a new full time E-grade Assistant Harbour Master (Patrol Officer) being employed from October 2015 and the seasonal patrol officers being in post for the full summer season.

The 2016/17 salary budget has been decreased by £3,000 from the original budget for 2015/16, as the number of seasonal patrol officers have been reduced, and they have only been budgeted for five months rather than six months as in previous years, and there is a small reduction in budget resulting from the appointment of the new Harbour Master / Marine Director. These cost reductions are partially offset by the appointment of the new Patrol Officer. The appointment of a seasonal coxswain for four months over the summer period has also been included in the forward budget.

Actual expenditure in 2016/17 may be lower than budgeted if the seasonal staff are not required, or aren't employed for the full budgeted period.

A charge of £17,800 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), which will increase to £19,300 in 2016/17 – this increase has been allowed for in the forward budget.

2. The forward budget for repair, maintenance and boat refurbishment has been decreased by £10,000 as the replacement of the patrol boat fenders, which were allowed for in the 2015/16 budget, is anticipated to take place in 2015/16. If the fenders are not replaced in the 2015/16 financial year, it is proposed that the expenditure, which is required, will be funded from reserves in 2016/17.
3. The office expenses budget has been decreased by £8,000 from the 2015/16 original budget due to lower than anticipated expenditure on IT charges, subscriptions and protective clothing, offset by higher than anticipated expenditure on first aid supplies / health & safety, catering and promotional events / publicity / publications, including expenditure in connection with a proposed Sea Safety event.
4. 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 2016/17 and is based on an assessment of the time devoted to the River Hamble and reflects the 2.2% pay increase which was effective from 1<sup>st</sup> January 2015.
- The anticipated 2016/17 Corporate Resources charges are based on the actual costs incurred in 2012/13 and reflect the 2.2% pay award from 1<sup>st</sup> January 2015.

	<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.
- £20,300 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 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 Response forward budget has been increased by £2,000 to cover additional exercise costs anticipated in 2016/17.
  6. The harbour dues budget for 2016/17 has been kept at £514,000, the same level as the 2015/16 original budget, to reflect the 0% increase in harbour dues that was agreed for 2016.

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

7. "Other Funding" includes £3,000 from Fareham Borough Council relating to a contribution towards Warsash slipway clearance.
8. The budgeted in-year surplus to contribute to the Asset Replacement Reserve will be £35,000 in 2016/17. A transfer is also proposed to be made to the RR in 2016/17 of £16,000.

## APPENDIX 3

## River Hamble Reserves - 2015/2017

	General Reserve (£)	Asset Enhancement Reserve (£)	Asset Replacement Reserve (£)	TOTAL (£)
<b>Balance as at 31 March 2015</b>	<b>(146,242)</b>	<b>(260,309)</b>	<b>(365,268)</b>	<b>(771,819)</b>
Transfer from General Reserve to AER	39,000	(39,000)	0	0
<b>Balance as at 1 April 2015</b>	<b>(107,242)</b>	<b>(299,309)</b>	<b>(365,268)</b>	<b>(771,819)</b>
Contribution to Hamble Lifeboat Station	0	70,000	0	70,000
E-Harbours	0	0	8,000	8,000
Hamble Jetty Replacement	0	0	(8,000)	(8,000)
Marine Pile and Sign	0	3,000	0	3,000
PhD project - Sacrificial Anodes	0	5,000	0	5,000
Sediment Management Desktop Study	0	25,000	0	25,000
Warsash Slipway	0	60,000	0	60,000
Transfer to ARR from General Reserve	15,000	0	(15,000)	0
Transfer to ARR from Revenue	0	0	(20,000)	(20,000)
Plus Estimated Annual Interest	0	(2,000)	(3,000)	(5,000)
Plus Estimated Net surplus for the year	0	0	0	0
<b>Predicted Balance at 31 March 2016</b>	<b>(92,242)</b>	<b>(138,309)</b>	<b>(403,268)</b>	<b>(633,819)</b>
Transfer to ARR from Revenue	0	0	(35,000)	(35,000)
Surplus on standard revenue activity	(16,000)	0	0	(16,000)
PhD project - Sacrificial Anodes	0	5,000	0	5,000
River Hamble Games 2016	0	3,000	0	3,000
Warsash Link Pontoon	0	55,000	0	55,000
Plus Estimated Annual Interest	0	(1,000)	(3,000)	(4,000)
Plus Estimated Net surplus for year	0	0	0	0
<b>Predicted Balance at 31 March 2017</b>	<b>(108,242)</b>	<b>(76,309)</b>	<b>(441,268)</b>	<b>(625,819)</b>
<b>Commitments for future projects</b>				
PhD project - Sacrificial Anodes	0	2,500	0	2,500
<b>Balance Available</b>	<b>(108,242)</b>	<b>(73,809)</b>	<b>(441,268)</b>	<b>(623,319)</b>