HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	River Hamble Harbour Management Committee
Date:	9 December 2016
Title:	River Hamble 2017/18 Forward Budget
Reference:	7901
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 2016/17 outturn forecast as at Period 6 (September 2016) and the 2017/18 forward budget to the River Hamble Harbour Management Committee for comment.

1.2. The River Hamble is projected to achieve a surplus of £10,000 on net revenue funded expenditure in 2016/17, against the budgeted surplus of £51,000. 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 2016/17, the shortfall of £25,000 will need to be covered by a transfer from the Revenue Reserve (RR).

1.4. A contribution of £25,000 is expected to be made in 2017/18 from the in-year surplus on general revenue activities, which will mean the shortfall of £10,000 will need to be covered by a transfer from the RR.

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 2016/17, approved by the Harbour Board in January 2016, the outturn forecast for 2016/17 and the proposed forward budget for 2017/18 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 2016/17

2.1. The forecast outturn for 2016/17, as at period 6 (September 2016) is detailed in Appendices 1 and 2. Current projections are that a surplus on standard revenue activity of £10,000 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 annual transfer to the ARR of £35,000, it is projected that a transfer of £25,000 will be required from the RR. It was originally budgeted that a surplus of £51,000 would be achieved, which would have allowed both the transfer to the ARR to be made in full and a transfer to the RR.

2.3. Total gross expenditure is projected at £593,000, which is £29,000 higher than the budgeted £564,000, largely due to increased staffing costs.

2.4. The increased spend on staffing reflects the full year cost of the new Assistant Harbour Master, recruited in October 2015. This post was previously vacant and not included in the budget.

2.5. The spend on Environmental Maintenance is projected to be £5,000 higher than originally budgeted due to additional expenditure resulting from clear up work as a result of Storm Katie.

2.6. Central Department Charges are projected to be £8,000 lower than originally budgeted, due to lower expected charges from Legal and Democratic Services. However, these charges do vary depending on activity and the requirements of the Harbour, and therefore could increase.

2.7. Income is largely expected to be as originally budgeted, with the exception of Visitor Income, which is now forecast to be £12,000 lower than originally budgeted at £20,000. This is consistent with the level of income received in 2015/2016, rather than the preceding two financial years, which had seen increased visitor income resulting from the Royal Southern development and pile replacement programme leading to greater use of the Harbour Authority's visitor moorings.

2.8. Expenditure of £63,000 is planned on approved projects, including £55,000 on the Warsash Link Pontoon, to be funded from reserves. Approximately £3,000 is expected to be added to reserves as interest generated on balances. Details are provided in Appendix 3.

3. Forward Budget 2017/18

3.1. The 2017/18 forward budget is detailed in Appendices 1 and 2 and projects a surplus of £25,000 on general revenue activities. The Board has agreed to add £35,000 to the ARR each year, and therefore the shortfall of £10,000 will need to be met by a transfer from the RR. Approximately £2,000 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 £586,000, an increase of £22,000 (3.90%) compared with the original 2016/17 budget, but a reduction against the forecast outturn for the current financial year. The forward budget includes a proposed net increase in the staffing budget to reflect the current staffing levels, partly offset by projected reductions in training, transport and environmental maintenance costs.

3.3. The budget for salary costs has been increased by £33,000 to provide for the Harbour Authority being fully staffed, including the full year cost of the Assistant Harbour Master. An allowance for anticipated overtime costs has also been included, to cover staff time for events and training.

3.4. This is partly offset by a decrease in the training budget (£5,000). This is due to training and induction costs being incurred in 2016/17 for new staff that will therefore not recur in 2017/18.

3.5. The budget for transport costs has been decreased by £4,000 to reflect a reduction in anticipated Repair, Maintenance and Boat Refurbishment costs, partly as additional work has been carried out in 2016/17, reducing the work needed to be carried out in 2017/18, but also as this work is largely being carried out by Harbour Authority staff at a lower cost.

3.6. Central Department Charges have been kept at the original budgeted level. However, the level of support charges, including for the provision of office space, is currently being reviewed to maximise transparency, and this could lead to an increase or decrease in actual charges from 1st April.

3.7. The income budget for 2017/18 has been set at £611,000, which is a reduction of £4,000 from the original 2016/17 budget, as a result of projected increased income from the Crown Estate offset by anticipated reduced visitor income now that other marina developments within the Harbour have been completed.

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 is estimated to be £3,000 in 2016/17 and £2,000 in 2017/18.

4.4. Expenditure has been / is planned to be incurred in 2016/17, funded by the AER, to contribute to the PhD project to research the effects of Sacrificial Anodes (£5,000), the River Hamble Games 2016 (£3,000) and the building of the Warsash Link Pontoon (£55,000).

4.5. Further expenditure from the AER is expected in 2017/18 for the completion of the PhD Sacrificial Anodes project (£2,500).

4.6. There has been no expenditure incurred in 2016/17 which has been funded by the ARR.

4.7. The balance on the RR is anticipated to be £83,641 at 31 March 2017, reflecting the reduction of £25,000 in the 2016/17 financial year. The balance does remain in excess of the 10% gross revenue budget (equating to approximately £56,000) as per the agreed reserves policy. However, as agreed by the Board at the meeting of 21 October 2016, this is being addressed by a commitment to a zero percent increase in Harbour Dues for next 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

6.1 It is recommended that this report be noted by the River Hamble Harbour Management Committee and be 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

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	

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 disproportionally 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.

APPENDIX 1

River Hamble Harbour Undertaking

	Original Budget 2016/17 (£)	Variance 2016/17 (£)	**P6 Forecast Outturn / Revised Budget 2016/17 (£)**	Adjustments 2017/18 (£)	**Forward Budget 2017/18 (£)**	**Notes**
EXPENDITURE						
Staff Related						
Salaries	**382,000**	31,000	**413,000**	2,000	**415,000**	1
Training	**15,000**	0	**15,000**	(5,000)	**10,000**	
Sub Total Staff Related	**397,000**	31,000	**428,000**	(3,000)	**425,000**	
Premises						
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	**19,000**	(2,000)	**17,000**	0	**17,000**	
Water/Sewerage	**1,000**	0	**1,000**	0	**1,000**	
Burglar Alarms/Security	**1,000**	0	**1,000**	0	**1,000**	
Sub Total Premises	**25,000**	(2,000)	**23,000**	0	**23,000**	
Transport						
Repair, Maintenance and Boat Refurbishment	**23,000**	0	**23,000**	(4,000)	**19,000**	2
Vehicle Running Expenses (Fuel)	**3,000**	3,000	**6,000**	(3,000)	**3,000**	3
Tools (inc Chandlery)	**2,000**	0	**2,000**	0	**2,000**	
Car Allowances/Staff Travel	**1,000**	0	**1,000**	0	**1,000**	
Insurance	**2,000**	0	**2,000**	0	**2,000**	
Sub Total Transport	**31,000**	3,000	**34,000**	(7,000)	**27,000**	
Supplies & Services						
Office Expenses	**27,000**	0	**27,000**	0	**27,000**	
Environmental Maintenance	**10,000**	5,000	**15,000**	(5,000)	**10,000**	4
Public Jetties & Navigational Safety (including Navigational Aids)	**10,000**	0	**10,000**	0	**10,000**	
Central Department Charges	**48,000**	(8,000)	**40,000**	8,000	**48,000**	5
Other Services (including Designated Person)	**11,000**	0	**11,000**	0	**11,000**	
Oil Spill Response	**5,000**	0	**5,000**	0	**5,000**	
Sub Total Supplies & Services	**111,000**	(3,000)	**108,000**	3,000	**111,000**	
Gross Expenditure (Current)	**564,000**	29,000	**593,000**	(7,000)	**586,000**	

	Original Budget 2016/17 (£)	Variance 2016/17 (£)	P6 Forecast Outturn / Revised Budget 2016/17 (£)	Adjustments 2017/18 (£)	Forward Budget 2017/18 (£)	Notes
INCOME						
Miscellaneous Income	**(7,000)**	0	**(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	**(56,000)**	0	**(56,000)**	(8,000)	**(64,000)**	7
Other Funding	**(5,000)**	0	**(5,000)**	0	**(5,000)**	8
Visitor Income	**(32,000)**	12,000	**(20,000)**	0	**(20,000)**	9
Gross Income	**(615,000)**	12,000	**(603,000)**	(8,000)	**(611,000)**	
NET REVENUE FUNDED EXPENDITURE	**(51,000)**	41,000	**(10,000)**	(15,000)	**(25,000)**	
Projects Funded by Reserves						
- Asset Enhancement	**63,000**	0	**63,000**	(60,500)	**2,500**	
- Asset Replacement	**0**	0	**0**	0	**0**	
- Revenue Reserve	**0**	0	**0**	0	**0**	
Gross Expenditure	**63,000**	0	**63,000**	(60,500)	**2,500**	
Interest on Reserves						
- Asset Enhancement	**(1,000)**	0	**(1,000)**	1,000	**0**	
- Asset Replacement	**(3,000)**	1,000	**(2,000)**	0	**(2,000)**	
Gross Income	**(4,000)**	1,000	**(3,000)**	1,000	**(2,000)**	
NET RESERVES FUNDED EXPENDITURE	**59,000**	1,000	**60,000**	(59,500)	**500**	
TOTAL NET EXPENDITURE	**8,000**	42,000	**50,000**	(74,500)	**(24,500)**	
RESERVES						
Contribution to Asset Replacement Reserve	**35,000**	(25,000)	**10,000**	15,000	**25,000**	10
Transfer Interest to Reserves	**4,000**	(1,000)	**3,000**	(1,000)	**2,000**	
Transfers from Reserves - Projects	**(63,000)**	0	**(63,000)**	60,500	**(2,500)**	
Total Transfers To/(From) Reserves	**(24,000)**	(26,000)	**(50,000)**	74,500	**24,500**	
NET SURPLUS TRANSFERRED TO GENERAL RESERVE	**(16,000)**	16,000	**0**	0	**0**	

APPENDIX 2

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

	Original Budget 2016/17 (£)	Variance 2016/17 (£)	**P6 Forecast Outturn / Revised Budget 2016/17 (£)**	Adjustments 2017/18 (£)	**Forward Budget 2017/18 (£)**	**Notes**
Office Expenses						
Equipment	**1,000**	0	**1,000**	0	**1,000**	
First Aid Supplies/Health & Safety	**1,000**	0	**1,000**	0	**1,000**	
Printing & Stationery	**4,000**	0	**4,000**	0	**4,000**	
Catering/General	**2,000**	0	**2,000**	0	**2,000**	
Protective Clothing	**3,000**	0	**3,000**	0	**3,000**	
IT Charges	**5,000**	0	**5,000**	0	**5,000**	
Postage	**2,000**	0	**2,000**	0	**2,000**	
Subscriptions	**1,000**	0	**1,000**	0	**1,000**	
Phones	**2,000**	0	**2,000**	0	**2,000**	
Promotional Events/Publicity/Publications	**4,000**	0	**4,000**	0	**4,000**	
Retail	**1,000**	0	**1,000**	0	**1,000**	
Credit Card Charges	**1,000**	0	**1,000**	0	**1,000**	
Sub Total	**27,000**	0	**27,000**	0	**27,000**	

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	**(380,000)**	0	**(380,000)**	0	**(380,000)**	
River Moorings	**(102,000)**	0	**(102,000)**	0	**(102,000)**	
Jetty Charges	**(15,000)**	0	**(15,000)**	0	**(15,000)**	
Miscellaneous Income - Commercial and Pleasure craft	**(8,000)**	0	**(8,000)**	0	**(8,000)**	
Net Sublet Income	**(9,000)**	0	**(9,000)**	0	**(9,000)**	
Sub Total	**(514,000)**	0	**(514,000)**	0	**(514,000)**	6

Notes to Appendix 1

The details of significant variations are as follows:

1. The forecast outturn for salaries in 2016/17 is expected to be £31,000 higher than the original budget for 2016/17. This is due to the seasonal staff being in post for six months rather than the budgeted five months during the summer season, and increased overtime needed to cover events and staff training.

   The 2017/18 salary budget has been increased by £33,000 from the original budget for 2016/17, due to the seasonal patrol officers being budgeted for the full six months of the summer season and as a result of an assessment of possible overtime and allowances required to cover events and staff training during the year.

   A charge of £19,300 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) – the figures for the latest triennial actuarial assessment have not been received, so, in the absence of any other information, the forward budget has been set at the same level as the original budget.

2. The forward budget for repair, maintenance and boat refurbishment has been decreased by £4,000 as work has been brought forward and carried out in 2016/17 which will now not need to be undertaken in 2017/18, but also as this work is largely being carried out by Harbour Authority staff at a lower cost.

3. The 2016/17 budget relating to Vehicle Running Expenses (fuel) has been increased by £3,000 due to an overaccrual relating to the fuel rebate claim submitted to HMRC at the end of 2015/16.

4. The forecast outturn for Environmental Maintenance spend in 2016/17 is expected to be £5,000 higher than the original budget for 2016/17, due to additional gravel clearance work having to be carried out as a result of the clearup after Storm Katie. The forward budget for 2017/18 does not include this additional work.

5. 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. These charges are currently being reviewed, to maximise transparency.

   - The anticipated charge for support from Operational Finance is £21,600 in 2017/18 and is based on an assessment of the time devoted to the River Hamble.

- The anticipated 2017/18 Corporate Resources charges are based on the actual costs incurred in 2012/13 and reflect the 1% pay award from 1st April 2016.

	£
▪ 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

	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.

- £12,300 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 currently 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.

6. The harbour dues budget for 2017/18 has been kept at £514,000, the same level as the 2016/17 original budget, to reflect the 0% increase in harbour dues that was agreed by the Harbour Board for 2017.

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

7. The Crown Estate Funding budget for 2017/18 has been increased to £64,000, an increase of £8,000 on the 2016/17 original budget, to reflect the level of income expected to be invoiced.

8. “Other Funding” includes £3,000 from Fareham Borough Council relating to a contribution towards Warsash slipway clearance.

9. The Visitor Income budget for 2016/17 and for 2017/18 has been reduced by £12,000, to £20,000, to bring it in line with the amount received in 2015/16.

10. The budgeted in-year surplus to contribute to the Asset Replacement Reserve will be £25,000 in 2017/18, and it is proposed that the shortfall from the Board agreed transfer to the ARR of £35,000 is met by a transfer from the RR of £10,000.

APPENDIX 3

River Hamble Reserves - 2016/2018

	General Reserve (£)	Asset Enhancement Reserve (£)	Asset Replacement Reserve (£)	TOTAL (£)
Balance as at 31 March 2016	**(108,641)**	**(130,898)**	**(404,811)**	**(644,350)**
PhD project - Sacrifical 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**
Transfer to ARR from General Reserve	25,000	0	(25,000)	**0**
Transfer to ARR from Revenue	0	0	(10,000)	**(10,000)**
Plus Estimated Annual Interest	0	(1,000)	(2,000)	**(3,000)**
Plus Estimated Net surplus for the year	0	0	0	**0**
Predicted Balance at 31 March 2017	**(83,641)**	**(68,898)**	**(441,811)**	**(594,350)**
Transfer to ARR from Revenue	0	0	(25,000)	**(25,000)**
Transfer to ARR from General Reserve	10,000	0	(10,000)	**0**
PhD project - Sacrifical Anodes	0	2,500	0	**2,500**
Plus Estimated Annual Interest	0	0	(2,000)	**(2,000)**
Plus Estimated Net surplus for year	0	0	0	**0**
Predicted Balance at 31 March 2018	**(73,641)**	**(66,398)**	**(478,811)**	**(618,850)**
Commitments for future projects				
	0	0	0	**0**
Balance Available	**(73,641)**	**(66,398)**	**(478,811)**	**(618,850)**