

HAMPSHIRE COUNTY COUNCIL

Decision Report

Committee:	River Hamble Harbour Management Committee
Date:	7 January 2011
Title:	River Hamble Budget 2010/11 and 2011/12
Reference:	2405
Report From:	The County Treasurer and Director of Culture, Communities and Rural Affairs

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1. Executive Summary

- 1.1. This report presents the proposed revised budget for the River Hamble for 2010/11 and the proposed budget for 2011/12. The budget takes into account the agreed harbour dues for 2011, and enables the Harbour Authority to meet its legal and operational requirements within the income generated (of which more than 85% is from Harbour Dues).
- 1.2. It is estimated that there will be a surplus of £22,600 in 2010/11 and £18,800 in 2011/12.
- 1.3. The budgets are presented to the River Hamble Harbour Management Committee Board for comment.
- 1.4. Appendix 1 sets out the detail of the approved original budget for 2010/11, together with the 2010/11 revised budget and the proposed original budget for 2011/12.

2. Revised Budget 2010/11

- 2.1. The revised budget for 2010/11, set out in Appendices 1 and 2, includes gross expenditure of £666,400 which is an increase of £14,800 (2%) over the original budget. The income budget has also increased in the revised budget to £689,000, an increase of £24,900; this is due to the settlement of insurance claims, which covers additional costs incurred, so there is no impact on the bottom line. This results in a surplus of £22,600 after the

contribution to the Asset Replacement Reserve of £43,000 is transferred across.

- 2.2. The anticipated surplus of £22,600 is close to the estimated £15-£20,000 contained in the monitoring report considered in the Autumn.
- 2.3. More detailed comments on the variations to the original budget are included in the Notes to Appendices 1 and 2.

3. Original Budget 2011/12

- 3.1. The original budget for the financial year 2011/12 is shown in Appendices 1 and 2. The proposed budget is set to generate a surplus of £18,800. This reflects the reduced contribution to the Asset Replacement Reserve of £35,000, as well as the 10% reduction in Harbour Dues (agreed in November 2010.)
- 3.2. The original budget represents a decrease of £80,100 in expenditure compared to the 2010/11 original budget. Gross expenditure is budgeted at £571,500 which is £13,000 (2%) lower than the assessment made by the operational review as part of the Select Committee process. This has enabled the 10% reduction in Harbour Dues.
- 3.3. The most significant reductions in expenditure are staff costs, rent and office expenses. Staff costs are forecast to reduce by £39,200 compared to the 2010/11 original budget, taking into account the cost of annual step progressions. This is a reduction of some 10% in the staffing budget, and reflects the new staffing structure, approved in July 2010.
- 3.4. The lease for the Solent School of Yachting was not renewed in October and alternative long term storage space is currently being sought. This reduced the rent budget by £22,300.
- 3.5. Office expenses reduce by £11,200 owing to a reduction in IT costs.
- 3.6. Income is some £73,800 less than in the 2010/11 original budget. Two of the main factors in this are :
 - The loss of rent receivable for the sublet of the Solent School of Yachting, which is offset by a reduction in rental expenditure.
 - Harbour dues have reduced by £48,700 which is due to the 10% reduction in harbour dues agreed by the Board in November 2010. This income also reflects the 2.5% increase in VAT. Appendix 2 shows the Harbour Dues income in more detail.

4. Reserves

- 4.1. Appendix 3 sets out the estimated reserves position. Total estimated reserves including interest are as follows:

- **31 March 2011 £673,553**
- **31 March 2012 £734,653**

Reserves at 31 March 2011 are lower than the 2010 level owing to the purchase of the new patrol boats. The level of reserves was reviewed in 2010/11 and £180,000 was transferred from the Revenue Reserve to the Asset Replacement Reserve.

- 4.2. Estimated interest on reserves for 2010/11 was set at £7,213 to reflect that £450,000 of reserves were placed on a 12 month fixed term investment at 1.5%, as approved by the River Hamble Harbour Board in November 2010. The balance of reserves receive interest at 0.25%
- 4.3. Estimated interest for 2011/12 has been set at £7,300.

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

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

River Hamble Harbour Undertaking

	Original Budget 2010/11	Adjustments 2010/11	Revised Budget 2010/11	Adjustments 2011/12	Original Budget 2011/12	Note
EXPENDITURE						
Staff Related						
Salaries	394,100	(14,000)	380,100	(39,200)	354,900	1
Training	2,500	0	2,500	0	2,500	
Staff Advertising/Interview Expenses	500	(500)	0	0	500	
Other Employee Expenses	200	(100)	100	0	200	
Sub Total Staff Related	397,300	(14,600)	382,700	(39,200)	358,100	
Premises						
Repair & Maintenance (including Health & Safety Modifications)	2,000	(1,500)	500	(1,500)	500	2
Electricity	3,500	(1,500)	2,000	(1,500)	2,000	3
Gas	1,500	0	1,500	0	1,500	
Rent/Rates	13,000	(200)	12,800	(200)	12,800	
Rental of Workshop & Oil Spill Store	23,500	900	24,400	(22,300)	1,200	4
Water/Sewerage	1,000	100	1,100	0	1,000	
Cleaning	600	(200)	400	0	600	
Burglar Alarms/Security	500	300	800	300	800	
Sub Total Premises	45,600	(2,100)	43,500	(25,200)	20,400	
Transport						
Repair, Maintenance and Boat Refurbishment	12,000	3,000	15,000	3,000	15,000	5
Vehicle Running Expenses (Fuel)	6,000	500	6,500	500	6,500	
Tools (inc Chandlery)	3,000	1,500	4,500	1,500	4,500	
Car Allowances/Staff Travel	4,000	(2,000)	2,000	(2,000)	2,000	6
Insurance	1,600	0	1,600	0	1,600	
Sub Total Transport	26,600	3,000	29,600	3,000	29,600	
Supplies & Services						
Office Expenses	34,100	(2,900)	31,200	(11,200)	22,900	7
Environmental Maintenance	1,000	2,500	3,500	2,500	3,500	
Public Jetties & Navigational Safety (including Navigational Aids)	9,500	11,500	21,000	4,500	14,000	8
Central Department Charges	37,400	300	37,700	300	37,700	9
Other Services	15,500	(4,900)	10,600	(2,600)	12,900	10
Contribution to Asset Replacement Reserves	43,000	0	43,000	(8,000)	35,000	11
Port Waste Management Plan	2,700	(200)	2,500	(200)	2,500	
Dredging Plan	1,400	(1,300)	100	0	1,400	
Oil Spill Response	6,000	25,800	31,800	0	6,000	12
Estuary Management Plan	1,500	(800)	700	0	1,500	
Hydrographic Consultancy	5,000	3,500	8,500	1,000	6,000	

Agenda Item: 9

	Original Budget 2010/11	Adjustments 2010/11	Revised Budget 2010/11	Adjustments 2011/12	Original Budget 2011/12	Note
The Crown Estate Settlement	20,000	(5,000)	15,000	(5,000)	15,000	13
CCTV	5,000	0	5,000	0	5,000	
Sub Total Supplies & Services	182,100	28,500	210,600	(18,700)	163,400	
Gross Expenditure (Current)	651,600	14,800	666,400	(80,100)	571,500	
INCOME						
Miscellaneous Income	(2,000)	(4,300)	(6,300)	200	(1,800)	14
Interest	(700)	400	(300)	300	(400)	
Harbour Dues	(561,600)	8,200	(553,400)	48,700	(512,900)	15
The Crown Estate Funding	(46,700)	(11,100)	(57,800)	0	(46,700)	16
Other Funding	0	(25,200)	(25,200)	0	0	17
Visitor Income	(36,700)	8,200	(28,500)	8,200	(28,500)	18
Fisherman's Jetty	(1,400)	1,400	0	1,400	0	
Solent School of Yachting	(15,000)	(2,500)	(17,500)	15,000	0	19
Gross Income	(664,100)	(24,900)	(689,000)	73,800	(590,300)	
NET EXPENDITURE	(12,500)	(10,100)	(22,600)	(6,300)	(18,800)	

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

	Original Budget 2010/11	Adjustments 2010/11	Revised Budget 2010/11	Adjustments 2011/12	Original Budget 2011/12	Note
Office Expenses						
Equipment	1,500	(300)	1,200	(300)	1,200	
First Aid Supplies/Health & Safety	1,000	0	1,000	0	1,000	
Printing & Stationery	5,000	(1,000)	4,000	1,000	6,000	
Catering/General	1,000	0	1,000	0	1,000	
Protective Clothing	4,000	500	4,500	0	4,000	
IT Charges	13,000	(11,200)	1,800	(11,200)	1,800	7
Postage	3,000	(1,000)	2,000	(1,000)	2,000	
Subscriptions	0	1,800	1,800	800	800	
Phones	2,600	0	2,600	0	2,600	
Promotional Events/Publicity/Publications	1,500	8,800	10,300	0	1,500	7
Credit Card Charges	1,500	(500)	1,000	(500)	1,000	
Sub Total	34,100	(2,900)	31,200	(11,200)	22,900	
Other Services						
Legal Expenses/District Audit Fees	2,900	(2,300)	600	0	2,900	
Subscriptions/Memberships/Licences	2,600	(2,600)	0	(2,600)	0	10
Designated Person (SMS Annual costs)	10,000	0	10,000	0	10,000	
Sub Total	15,500	(4,900)	10,600	(2,600)	12,900	
Harbour Dues						
Marinas and Boatyards	(396,000)	6,600	(389,400)	38,300	(357,700)	15
River Moorings	(133,800)	11,100	(122,700)	19,900	(113,900)	15
Jetty Charges	(15,000)	(9,000)	(24,000)	(9,000)	(24,000)	
Miscellaneous Income - Commercial and Pleasure craft	(1,800)	(4,000)	(5,800)	(4,000)	(5,800)	
Net Sublet Income	(15,000)	3,500	(11,500)	3,500	(11,500)	
Sub Total	(561,600)	8,200	(553,400)	48,700	(512,900)	

Notes to Appendices 1 and 2

The details of significant variations are as follows:

1. Salary budgets have been reduced in 2010/11 and 2011/12 following the staff restructure. The budgets account for annual step progression where applicable and meet the increased salary costs agreed after staff grading appeals.
2. Budget reduction due to building maintenance costs being met centrally by Hampshire County Council under its landlord /tenant arrangements.
3. The electricity budget has been reduced to reflect price levels from the suppliers.
4. This budget has reduced to reflect the cessation of the lease on the Former Solent School of Yachting in October 2010. A minimal budget remains to cover the costs for temporary storage facilities.
5. The increase in this budget is to cover any additional parts and maintenance required on the new patrol boats.
6. Staff travel budget has been reduced to allow for the reduced mileage rate that is currently being paid and to reflect current spending patterns
7. The budget for offices expenses has been substantially reduced in both years, however in 2010/11 additional compensating expenditure has been incurred producing aerial photographs.
8. A survey has been carried out by ABP on all the moorings and pile on the Hamble and this budget has been increased to reflect this cost with further costs being met from 2011/12 budget.
9. Central Department charges

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

- Devolved Finance Unit - £20,200 based on an assessment of the time devoted to the Hamble and increased in line with inflation on an annual basis.
- Payroll Services - £300 based on historical levels of activity and increased in line with inflation on an annual basis.
- County Treasurers Central Finance charges – £6,000 based on historical volumes and increased inline with inflation on an annual basis. A more detailed breakdown of these services is listed below:

	£
▪ Processing of payments and travel claims	900
▪ Processing of debtor transactions - invoices, etc	1,300
▪ Tax/cash management	200
▪ Processing of Pay by Payroll Technical Team	200
▪ Audit services	3,400

	6,000

- Chief Executive Committee, Democratic & Legal Services - £11,200 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

10. Other services budgets have been reduced due to subscriptions now forming part of the office expenses budget.
11. The contributions to the Asset Replacement Reserve budget has been reduced in in 2011/12 to £35,000 as agreed by The River Hamble Harbour Board in November 2010.
12. The Oil Spill budget has been substantially increased in 2010/11 to cover the costs incurred for oil spill incidents on the River Hamble this year. This is offset by income (see note 17)
13. The Crown Estate funding has now been reduced to reflect the new management agreement and 2009/10 payment level.
14. Miscellaneous income in 2010/11 has been increased by £4,300 to include the income received from the University of Kent to contribute towards the liaison officer.
15. The Harbour Dues for 2010/11 have been decreased in 2010/11 and 2011/12 to reflect the phasing of harbour dues, the 10% reduction in fees approved by The Board in November 2010, and the impact of the 2.5% VAT increase. A detailed breakdown of Harbour Dues is contained in Appendix 2.
16. The Crown Estate funding has increased in 2010/11 due to two additional payments being received as a contribution towards the hydrographical Survey and final settlement of costs incurred during the pile maintenance programme.
17. A budget has been created for 2010/11 for other funding. This budget of £25,200 is income received from insurance claims for incidents on the Hamble

18. Visitor income has been reduced in both financial years reflecting the reducing income trends and 2010/11 current level of visitor income.
19. The Former Solent School of Yachting is no longer leased by The River Hamble and therefore this income stream has been removed from the budget in 2011/12.

APPENDIX 3

River Hamble Reserves - 2010/12

	Revenue Reserve	Asset Enhancement Reserve	Asset Replacement Reserve	TOTAL
	£	£	£	£
Balance at 31 March 2010	195,464	311,814	186,674	693,952
Payment for New Patrol Boats	0	0	(93,212)	(93,212)
Reserve Transfer 19th November 2010	(180,000)	0	180,000	0
Transfer from Harbour Revenue	0	0	43,000	43,000
Plus Estimated Annual Interest	0	2,666	4,547	7,213
Plus Estimated Net surplus for year	22,600	0	0	22,600
Predicted Balance at 31 March 2011	38,064	314,480	321,009	673,553
Payment for New Patrol Boats	0	0	0	0
Transfer from Harbour Revenue	0	0	35,000	35,000
Plus Estimated Annual Interest	0	2,700	4,600	7,300
Plus Estimated Net surplus for year	18,800	0	0	18,800
Predicted Balance at 31 March 2012	56,864	317,180	360,609	734,653