

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	River Hamble Harbour Management Committee
Date:	2 September 2010
Title:	River Hamble Reserves and Financial Outlook
Reference:	2012
Report From:	The County Treasurer and Director of Culture, Communities and Rural Affairs

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1. Executive Summary

1.1. This report reviews the River Hamble Revenue and Asset Replacement Reserves in the context of:

- The reserves policy approved in May 2007
- The level of reserves as at 31 March 2010
- Subsequent reductions achieved in costs relating to the Harbour
- A review of the asset replacement programme

2. Reserves Policy

2.1. The Reserves Policy was approved by the River Hamble Harbour Board in May 2007. In summary, the most significant elements of that policy are:

- An Asset Enhancement Reserve of (then) £250,000 to be accompanied by a programme of opportunities for the future (such a programme is currently being actively considered.)
- Asset Replacement Reserve to be sufficient to replace all Harbour Authority assets and maintenance dredges over a 25 year cycle, with annual contributions of £43,000.
- Revenue Reserve to stand at no more than approximately 10% of gross revenue budget. Any excess to be:

- transferred to Asset Enhancement Reserve, or
- returned as a one-off lump sum to mooring holders, or
- used to reduce the annual increase in harbour dues, or
- used to fund one-off pressures on the revenue budget.

3. Current Level of Reserves

3.1. The balances on the reserves at 31 March 2010 were:

	£000
Revenue Reserve	195
Asset Enhancement Reserve	312
Asset Replacement Reserve	<u>187</u>
	<u>694</u>

3.2. In July 2009, £50,000 was transferred from Revenue Reserve to Asset Enhancement Reserve, in keeping with the reserves policy. This policy requires the maximum Revenue Reserve balance to be in the region of £65,000, whereas it currently stands at £195,000. This exceptionally high level reflects the surplus of £120,000 in 2009/10: this arose from the one-off settlement with The Crown Estate which covered three years. In the current year and beyond, this settlement will be at, or close to, budgeted levels.

4. Other Financial issues and Impact on Revenue Reserve

4.1. Following a detailed review, the approved budget for 2010/11 includes some £40,000 of annual savings in expenditure. Since then, the Harbour Office staffing structure has been approved, and it is estimated that will save a further £35,000 approximately against the 2010/11 budget. (These savings are subject to final confirmation of grading levels.)

4.2. Taking into account other minor savings, the surplus for the current year is likely to be some £40,000 more than the budgeted £12,000. As a consequence, the Revenue Reserve would be in the region of £250,000 at 31 March 2011. When future budgets are prepared, opportunities to achieve further savings in expenditure will continue to be explored.

5. Review of Asset Replacement Programme

5.1. When the reserves policy was approved in 2007, it was anticipated that the Asset Replacement Programme would be reviewed after five years. However, a review has been undertaken recently so that a comprehensive view of the reserves position can be established.

5.2. The appendix to this report details information concerning the assets which were taken into account in the review exercise. In order to calculate the annual contribution to Asset Replacement Reserve, the key factors are the estimated date and cost of replacing these assets.

5.3. Taking into account those factors, and the balance on the Asset Replacement Reserve, maintaining the current £43,000 per annum contribution to Asset Replacement Reserve would be sufficient to cover the 25 year asset replacement programme. This would result in a nil balance by the mid 2030s, but this is considered a low risk issue, given that there will continue to be regular reviews of the asset replacement programme, and that identifying the cost of replacing assets in 25 years' time inevitably involves a degree of estimation.

6. Conclusions

6.1. It is proposed that the key principles of the Reserves Policy remain the same. In particular:

- The balance on the Revenue Reserve should be no more than approximately 10% of the annual gross budget.
- The Asset Replacement Reserve should be sufficient to replace all Harbour Authority assets and maintenance dredges over a 25 year cycle.

6.2. The balance on the Revenue Reserve is substantially higher than required by the Reserves Policy and it is estimated that it will be in the region of £250,000 at 31 March 2011.

6.3. The review of the Asset Review Programme suggest that, all other things being equal, the current level of annual contribution of £43,000 p.a. should be maintained.

6.4. Taking into account the anticipated balance on the Revenue Reserve, it is proposed that £180,000 be transferred from Revenue Reserve to Asset Replacement Reserve. It is also proposed that this transfer be offset by reducing the annual contribution to the Asset Replacement Reserve by £8,000 to £35,000 from 2011/12 onwards.

6.5. The impact of the expenditure reductions and the proposals is shown below:

	Revenue Reserve	Asset Replacement Reserve	Asset Enhancement Reserve
	£000	£000	£000
Balance at 31 March 2010	195	187	312
Approved in-year use		-100	
Annual contribution		43	
Budgeted surplus 2010/11	12		
Expenditure reductions	40		
	247	130	312
Proposed transfer	-180	180	
	67	310	312

7. Recommendation

7.1. It is recommended that the River Hamble Management Committee should advise the River Hamble Harbour Board to:

- endorse the current Reserves Policy;
- transfer £180,000 from the Revenue Reserve to the Asset Replacement Reserve, and reduce the annual contribution to the Asset Replacement Reserve to £35,000.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Improvement 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 Authority
Asset register and replacement schedule**

Serial	Item	Cost at purchase	Estimated Replacement cost	Current age	Life expectancy	Due replacement	Remarks
01	Cardinal Mark at River Entrance – piling only	£3,000	£3,000	10 years	30	2030	
02	Superstructure and cardinal top mark	£1,000	£1,000	10 years	15 years	2015, 2030	
03	9 Beacons River entrance Plastic piling	£30,000	£40,000	10 years	30-50 years	2030 - 2050	Replace on failure
04	Sector lights Hamble Point/Warsash Superstructure	£30,000	£40,000	13 years	20 years	2017	Replace on failure
05	Sector lights x 2	£12,000	£12,000	2 years	15 years	2017, 2032	
06	Bridge to Hamble Jetty	Not Known	£40,000	22 years	30 years	2018	Engineers survey report completed every three years
07	Bridge to Warsash Jetty	Not known	£40,000	20 years	30 years	2020	Engineers survey report completed every three years
08	Walkway to Warsash Jetty	Not known	£50,000	28 years (estimate)	50 years	2032	Engineers survey - report completed every three years
09	10 support piles for Warsash Walkway	Not known	£36,000	25 years (estimate)	50 years	2032	Remedial work may be required in shorter timescale.
10	Warsash Jetty – piling – services – lighting etc.	£170,000	£200,000	4 year	25 years	2031	

APPENDIX

Serial	Item	Cost at purchase	Estimated Replacement cost	Current age	Life expectancy	Due replacement	Remarks
11	Hamble Jetty – piling – services – lighting – etc.	Not known	£140,000	17 years	25 years	2018	
12	Fisherman’s pontoon/jetty	£48,000	£55,000	4 years	20 years	2026	Grants may be available for fishing industry
13	Visitors Pontoon	Not known	£60,000	10 years	25 years	2025	
14	5 x port and starboard navigation marks/piles	Not known	£20,000	33 years	40 years	2017	Rolling replacement programme as and when required
15	Patrol boats x 2	£40,000	£100,000	New	12 years	2022, 2034	
16	Dory	£7,000	£10,000	14 years	15 years	2011, 2026	
17	Sewage Pump out system	£7,000	£10,000	2007	10 years	2017, 2027	Maintenance contract in place.
18	CCTV	£70,000	£25,000 to £50,000	5 years	20 years	2025	Replacement should be a rolling programme. More cameras could be fitted if costs reduce with introduction of new technology
19	Maintenance piles Warsash	£33,000	£35,000	8 years	25 years	2027	Surveyed every 5 years
20	Maintenance piles Hamble	Not known	£15,000	21 years	25 years	2014	Surveyed every 5 years
21	Maintenance piles Lands End	Not known	£15,000	22 years	25 years	2013	Surveyed every 5 years
22	Navigation Buoys Four in total, including ground tackle	16,000	£16,000	4 years	20 years	2026	Risers and some tackle replacement every 3 or 4 years(Revenue budget)
23	Maintenance Dredging Warsash	£20,000	£25,000	Completed 2006	8 years	2014, 2022, 2030	