

HAMPSHIRE COUNTY COUNCIL

Report

Committee:	River Hamble Harbour Board
Date:	7 July 2023
Title:	Review of Harbour Dues
Report From:	Director of Universal Services

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Purpose of this Report

1. The purpose of this report is to analyse the financial position of the River Hamble Harbour Undertaking in order to make a recommendation on any change in Harbour Dues that may be necessary.

Recommendation

2. That the River Hamble Harbour Board supports the recommendation to the the approval of an increase in Harbour Dues of 3% for 2023/24.

Executive Summary

3. The decision made last year to increase Harbour Dues by 1% met our requirement and has generated a revenue surplus of £10,208. This helpful position will enable the Harbour Authority to offset necessary pressures in expenditure in the forward budget. Those pressures and specifically the impact of a projected 6% increase in the salaries budget, mean that a deficit will remain, requiring an increase in Harbour Dues to make good the difference.

Background

4. This paper recommends the rate for Harbour Dues for 23/24, based on an analysis of our Asset Review of March 2023 and our Annual Statutory Accounts, already presented at this meeting. Its recommendation provides for the long-term maintenance of our appropriate risk-based Marine Safety Management System, as well as other expected services. This year, as last,

our Asset Review work has demonstrated likely continuation in volatility in the cost of both raw materials and manufacturing. Our annual contribution to the Asset Replacement Reserve (ARR) remains correctly at £42,000 and is reviewed each year. An increase in this figure will become necessary in due course. Our annual accounts and forward budget show that, while income streams remain strong, the pressures brought about by a necessary increase in the salary budget must be met.

4. Last year's decision to increase Harbour Dues by 1% has been seen to be correct with the Revenue Reserve at its upper threshold and options available for the use of a revenue surplus of £10,208 from a continuation in the increase in visitors' income. This is the second such beneficial surplus in consecutive years indicating when combined with favourable early-season levels of visitors' income, increased confidence that visitor levels and associated income should continue.
4. Expenditure has been broadly as expected with savings made in some areas offset by greater spend elsewhere. Pre-emptory spending on some operational assets has taken place to take advantage of opportunity to minimise future draw on the ARR. In achieving a modest surplus in 2022/23, the Harbour Authority must be mindful of forecast necessary increases in expenditure this year which sit outside its control. Principally, these include our salary budget and rising costs in necessary purchases from the revenue budget. Of these, the salary forecast is the largest, based on a likely representative increase of 6% this year. This represents an additional £29,000 of expenditure. Taken together, and despite sustained visitors income, the budget forecast for 2023/24 after making our £42,000 contribution to the ARR, predicts a shortfall of £10,000. It is this increase which will have the greatest affect on our future budget because likely pay awards for this current and next year's budgets must be anticipated in this review.
5. Modest surpluses over the past two years of £11,000 and £10,208 have been achieved but the forward budget illustrates how additional income is projected to be absorbed by our increased expenditure. We can see that the forward budget also includes one other item of necessary expenditure from revenue which has a correspondingly disproportionate effect upon that account. Retaining exceptionally the surplus made in 2022/23 in the revenue account will offset the £10,000 deficit position transparently and reduce the requirement to increase Harbour Dues to a more modest level.
6. This year's projected pay award has been included in our forward budget and represents extra expenditure of £29,000. With the forward budget showing a projected deficit of £10,000, it can be seen that most of the expenditure increase is being absorbed by our projected higher income. It can also be seen how the £10,208 surplus from last year, retained exceptionally in the Revenue Reserve can be available to meet that deficit. However, it is clear that we are unlikely to achieve a surplus in this financial year and, unless an appropriate increase in Harbour Dues is applied, we will continue in deficit and require continued draw on the Revenue Reserve. This is position is not sustainable, the more so as ongoing uncertainties in markets mean retaining

a suitable margin of financial surety is sensible. An increase in Harbour Dues must therefore address this shortfall first and take the benefit of the £10,208 revenue surplus as the 'windfall' it is to offset any further revenue pressures this year.

7. We must also try look further ahead to next year in a reasonable attempt to forestall as well as we can future budgetary pressures, driven, inter alia by salary increases. Pressure for a similar salary increase next year is likely to diminish as inflation drops over the rest of this year (as it is widely forecast to do). While it is not possible to forecast what next year's salary award will look like, it is reasonable to prepare for some form of increase to moderate and smooth the requirement for future increases in Harbour Dues. This is because, each year, the Harbour Authority recognises that the benefit of any increase the calendar year must be applied proportionately against the different dates of the financial year.
8. The resultant issue is therefore to offset the immediate requirement of a shortfall of £10,000, de-risk by a reasonable margin any shortfall in visitors' income which will always be variable and to pre-empt as well as possible any additional pay award next year. Judgment of what constitutes a reasonable margin in visitors' income will be to a degree subjective. Visitors' income has been strong for the past two years and, at the time of writing, we are on track for a similar performance to last year. A margin of £3,000 is deemed a reasonable risk margin. On that basis, an increase of £13,000 in income will be seen to be a combination of what is necessary and what is prudent. £13,000 represents an approximate increase on Harbour Dues of 2.5%. Preparing for future salary increases and our 'glidepath' up to our projected 2026 increase in our ARR contribution, it is recommended that an increase of 3% in Harbour Dues is applied.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes

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

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

(a) An EIA is not required as no negative impacts are anticipated.