

HAMPSHIRE COUNTY COUNCIL

Report

Committee:	River Hamble Harbour Board
Date:	10 January 2020
Title:	Income Adjustment Option Paper
Report From:	Director of Culture, Communities and Business Services

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Purpose of this Report

1. The Harbour Board Meeting on 12 July 2019 reviewed future Harbour Authority finances in some detail. It was clear that without specific action, the Harbour Authority would be heading towards a regular annual deficit. The Board gave direction at that meeting that a paper be considered, analysing future financial options for 2020/21 and beyond. The Board met at Warsash Sailing Club, out of committee, on 6 September 2019 to discuss those options in the light of the ongoing requirement to safeguard the future financial position. The River Hamble Management Committee unanimously supported the options presented and took into account emerging joint work between the Harbour Authority and the Association of River Hamble Marina and Boatyard Operators' Group to refine data on the number of Dry Launches conducted. The purpose of this report is to set out those options and to summarise Board conclusions arising from the meeting on 6 September in order to better balance the forward budget.

Recommendation

2. With the need for certainty in future income, it is recommended that the River Hamble Harbour Board agrees that the following options are incorporated into next year's budget:
 - (i) To apply a flat rate charge for Harbour Dues in respect of all dry-stacked vessel berths for each berth per annum, enabling a flexible launching regime and ensuring that Harbour Dues are paid in respect of launches which are not currently captured. Calculating this figure is

subject to varying permutations which deliver a range between £61.50 and £87.26¹. This will be a matter for Board discussion with a review recommended to take place after one year.

- (ii) To apply the following annual Harbour Authority mooring rates for permanently moored fishing vessels at Warsash:
 - <8m - £1000
 - >8m - <9.5m - £1100
 - >9.5m - £1200
- (iii) To increase daily launching charges, payable according to length overall and power as follows:
 - Under 6m and under 10hp – free;
 - Under 6m and over 10hp - £5 (formerly £4);
 - Over 6m and over 10hp - £8 (formerly £6).

And to increase Visitors' Rates to the following:

- Warsash Jetty
 - Short stay (up to 4 hours):
 - up to 12 metres length overall - £8 (£6);
 - over 12 metres length overall - £10 (£8);
 - overnight (after 5pm) - £3 (£2) per metre.
 - Weekly - £3 (£2) per metre per night.
- Hamble Jetty
 - Short stay (up to 4 hours):
 - up to 12 metres length overall - £8 (£6);
 - over 12 metres length overall - £10 (£8);
 - overnight (after 5pm) - £2.50 (£1.75) per metre.
 - Weekly - £2 per metre per night.
- Mid-stream Visitors' Pontoon.
 - Short stay (up to 4 hours):
 - up to 12 metres length overall – £5 (£4);
 - over 12 metres length overall – £8 (£6);
 - overnight (after 5pm) - £2 (£1.50) per metre.

¹ Both before a 10% discount, thereafter £55.35 and £77.36.

- Weekly - £2 (£1.50) per metre per night.

- (iv) To transfer any additional balance that may be created as a result of these measures to the Asset Enhancement Reserve to take advantage of future opportunities.

Executive Summary

Issue

3. Financial predictions were examined in some detail at the Board meeting on 12 July 2019 and indicate that the Harbour Authority will move to a position of annual deficit. Considerable and successful work over the past two years has reduced expenditure as much as is reasonable. The need to examine income sources and options to vary these is therefore essential if service levels are to be maintained.

Method

4. This paper takes into account the comprehensive analysis of income and expenditure made in July and identifies a number of opportunities to better align the services provided with market rates elsewhere. It sets out current arrangements and then offer proposals for prudent review and suggests, without prejudice, what benefit each might realise.

Scope

5. The Harbour Board agreed at the review on 12 July that all sensible opportunities for reduction in expenditure levels had been taken. A further review at this time is not justified and would not be beneficial. Given the increasing level of other costs and a requirement to balance the accounts, the Board decided to increase Harbour Dues, the Authority's primary controllable means of increasing income. Despite the recent increase for 2019/20, there remains a requirement now to examine other areas with the potential for an increase in overall income. There is also a need to ensure that certain Harbour Authority-controlled berthing is charged at the correct rate, both for a small number of permanent berth holders and visitors. Commercial Charges will be the subject of business-as-usual review at the January Board meeting and will not be considered further here.

Analysis of Income Options

Harbour Dues

6. Analysis of income and expenditure over the past decade has already been presented in comprehensive terms and resulted in the implementation of a 5% increase in Harbour Dues this year.
7. At its September meeting, the Board recalled the recommendations made in 2010, when a River Hamble Select Committee convened to examine those to whom Harbour Dues should and should not apply. The Harbour Board judged those recommendations to apply equally today:
 - (i) Zero-rated vessels which do not have to pay dues and include:
 - sailing dinghies, of less than 6 metres length overall (not keelboats);
 - craft powered by oars or paddles, including rowing boats, canoes and kayaks, unless also fitted with an engine of 10hp or more;
 - windsurfers;
 - craft used in a safety role by sailing clubs or marine protection and prevention agencies.
 - (ii) There should be a 10% discount for commercial payers, recognising the administrative saving of collection to the RHHA.
8. It is important to recognise that Harbour Dues apply equally to dry-launched vessels at the appointed rate, whether they be launched from a public or private slipway, or from a marina with a dry-stack facility. This matter is addressed next.

Dry-launching

9. The collection of Harbour Dues in respect of marina afloat meterage from Marinas and Boatyards in accordance with a recognised formula has been acknowledged as a steady and reliable source of income. A 10% discount on collection has been consistent with the Board's wish to acknowledge the important role of marine businesses in the local economy.
10. For dry-launching, whereas collection by Harbour Authority staff in respect of slipway launches has been effective, the capturing of launches from the increasing number of dry berths at marinas has not. These launches are entirely separate from the afloat berthing pattern. Marinas and yards with dry-launching facilities recognised the obligation to report on and pay dues for launches in a Memorandum of Understanding of 23 January 2013. This document:

- Differentiated between any calculation made in terms of afloat meterage and dry stack launches; and
- Agreed that all vessels launched from ashore must pay the set level of Harbour Dues in respect of the vessel being launched.

It further set out that:

- Each marina, yard or club shall submit to the Harbour Master a year-end report detailing those launches made where Harbour Dues would apply, accompanied by a payment for those Dues.
- Marinas, yards and clubs would have the autonomy to decide whether to pay for individual launches or pay the appropriate annual Harbour Dues fee in respect of a particular vessel, whichever was the lower figure with the financial advantage being passed to the marina, club or yard for onward transmission.

11. The Memorandum of Understanding, while a step in the right direction, has not proved as effective as it might have been. Only one report and payment has been received since the agreement has been in place.
12. The Harbour Board collects all Harbour Dues under the authority of a legal instrument² in order to ensure that all essential safety services are provided. It has been shown that Harbour Dues apply to certain vessels in terms of length overall and power, into which category dry stacked vessels will fall. Businesses offering dry stack and launch facilities do so on the basis that Harbour Dues are paid as a component. They are not, with the annual commercial Harbour Dues invoice being calculated solely on an established meterage formula for afloat berthing (ie not dry-stacks), whether or not all berths are fully occupied. As a result, Harbour Dues for dry stack launches are not currently paid. This leads to other River Users effectively subsidising dry-stack launches, at no fault of the dry-stack customer who may reasonably believe he or she is paying Harbour Dues as part of the overall annual storage fee.
13. Given that the MoU has not worked as intended and must therefore be considered as moribund, the options for collecting Harbour Dues in respect of Dry Launches are twofold:
 - Require each yard offering a facility to contact the Harbour Authority in advance of every dry launch with payment of Harbour Dues in respect of any vessel being launched;

² The Harbours Act 1964.

- To charge an element for Harbour Dues in respect of the number of dry stack berths at each business as part of the annual billing round in January, applying the 10% discount already offered.
14. The first option is impracticable both for businesses and customers, for whom there would be an inevitable delay in clearing the launch. The associated additional work caused to the Harbour Authority and businesses in collecting payment would also render any discount in respect of dry stack launches inappropriate. The only option remaining which would guarantee that Dues would be paid fairly is to implement a Harbour Dues element charge for each dry stack berth. That charge would need to be set at a rate that reflected the flexible nature required by the customer base.
 15. Given that it is not unrealistic for a single dry stack berth to cost a customer in excess of £5000 a year (for which the renting business in any case claims Harbour Dues are included), a flat figure for each boat berth (regardless of length), is suggested as being appropriate. Marina and Boatyard operators recognise this.
 16. It will be seen from the arguments in the following paragraphs that the permutations for the calculation of the exact amount payable for each dry stack slot are many. It is a matter for the Board to decide on the precise chargeable amount, based on the requirement to increase income, and also on the simplicity and justifiability of the calculation method. It is important that whatever calculation method is chosen is as simple as possible. A number of methods, which involve factors specific to the issue may apply.
 17. One method of calculation is to look at the lengths of the vessels in each of the slots and charge a percentage of their annual harbour dues payment in respect of length. Dues for a 7m vessel would cost £113.12, for a 6m vessel £96.96 and for a 5m vessel £80.80. This is a complex method because not all slots are filled and the lengths of the vessels change as customers and their vessels change throughout the year. Selecting an arbitrary average length of 6m would give a basis for calculation. Were a 10% discount on that figure to be applied in order to recognise that craft do not remain in the water throughout the year, the chargeable figure would be £87.26. With the additional 10% reduction awarded to recognise that Marinas and Boatyards collection reduces Harbour Authority workload, that figure would become £77.56. This calculation is a reasonable method although it does not reflect the actual number of launches conducted.
 18. A second method of calculation can be made on launch data which looks at the number of physical launches made and multiplies that by the applicable daily launching charge. Data collected by the Harbour Authority

jointly with the ARHMBYO indicates that just under 4000 launches (3967) are likely to have been conducted over the course of the past year, representing an average annual launch ratio for each slot of 10.25. With daily Harbour Dues of £6 per launch, the overall Dues payable would indicate that each berth could be 'rated' at £61.50. With a similar 10% discount, this would give a figure of £55.35 chargeable against each dry stack berth. This figure will not necessarily be accurate each year as the number of launches will vary in accordance with many factors, including but not limited to owners' preferences and the weather.

19. Taking into account the large number of permutations and the variability of calculation mechanisms which reveal variable charging rates, the Board will in its decision want to finally recognise the need for certainty in income and a steady charging regime for businesses.
20. **Recommendation** - To apply a flat rate charge for Harbour Dues in advance in respect of all dry-stacked vessel berths to enable a flexible launching regime and ensure certainty of income.
21. In deciding the chargeable figure, the Board will recognise the requirement for certainty in income and that the dry stack launching plot is subject to a large number of permutations which deliver chargeable rates (after discount) of between £55.35 and £77.56¹. It will be for the Board to decide between these figures.
22. With an estimated 387 dry stack berths around the River, the lower figure would deliver a net increase in annual income of around £21,000 and the higher a figure of around £30,000.

Permanent Berth Holders

23. The small fishing community based in the River rents currently permanent moorings on the 'B' pontoon under a commercial arrangement with the Crown Estate. At the same time, it also enjoys the benefit of landing its catch from a walk-ashore facility at Warsash on a pontoon owned by the Harbour Authority. The fishermen's landing jetty is ostensibly a temporary facility. In practice, however, fishermen occupy the facility on a permanent basis and make an annual financial contribution for its upkeep that is unrelated to the temporary nature of its designed use. Given the safety considerations, occupation by fishermen and visitors is mutually exclusive. This demands consideration of visiting income opportunity that may be being lost and equal consideration of the need to charge fishermen at a rate that reflects the true benefit of a permanent walk-ashore berth and landing platform and is in greater line with expectations elsewhere in the Solent.

24. Current jetty upkeep charges made to fishermen are modest in relation to the level at which berthing charges might be set. Made to four fishing boats for the purposes of landing catch, the permanent walk-ashore berthing facility that in reality exists is offered at much less than the market rate. The fishing community has also benefited significantly from the substantial recent improvements made. An analysis of similar local charges merits consideration.
25. Rates for facilities elsewhere in the Solent are typified by those at Lymington, which offers mid-stream (not walk-ashore and therefore less attractive) moorings at the following rates:
- 6.5m - <8m - £435
 - >8m - <9.5m - £553
 - >9.5m - <11m - £675
26. While a very different port, in Portsmouth, a registered fishing vessel on a walk-ashore Camber mooring is charged currently at £0.57 per metre per day. This means an annual charge for a day-running registered fishing vessel of 10m in length of £2080.
27. It is therefore reasonable that the charge for these Warsash berths should be made at a rate that sits between the mid-stream offer made by Lymington Harbour Commissioners and the more expensive commercial rates set in Portsmouth. The following annual rates are proposed as being reasonable:
- <8m - £1000
 - >8m - <9.5m - £1100
 - >9.5m - £1200
28. **Recommendation** - It is recommended that the rates at paragraph 4d, above, are applied.
29. Formalising this arrangement would increase income by £3380 (net).

Visitors' and Launching Fees

30. As the number of visitors cannot be relied upon, the level of income from these sources cannot be precisely predicted. It is worth recognising that lower visitors' charges in the Hamble than elsewhere are likely to increase appeal. Nevertheless, fees have remained unchanged since 2006 and an increase to bring charges more closely into line with those made elsewhere is timely, the more so in the current financial context.

(i) Current daily launching charges, payable according to length overall and power are:

- Under 6m and under 10hp – free;
- Under 6m and over 10hp - £4;
- Over 6m and over 10hp - £6.

(ii) Visitors' Rates (payable by craft visiting each of the RHHA jetties). These are set differently to reflect the level of facilities at each of the three berths. These are shown in comparison with other harbours' fees (in respect of a vessel of 10m) in the following table:

10.01m Boat	Hamble VP	Hamble Warsash	Hamble Hamble Jty	Lymington Walk ashore (Av. Summer) ¹	Lymington Buoyed (Summer)	Cowes (Main Hbr & Folly)	Cowes Town Quay	Chichester Fees plus sep. HD Component	Poole	Beaulieu ²	Beaulieu (Buoy)
S/S	£4.00	£6.00	£6.00	£12.10	£8.60	£9.00	£15.00	£17.00	-	£15.00 (marina) £10.00 (mid-river)	£8.00
O/N	£15.00	£20.00	£17.50	£28.16	£20.50	£15.50	£25.00	£34.00	£41.80	£35.00 (marina) £25.00 (mid-river) £20.00 (River)	£15.00
Wk	£105.00	£140.00	£122.50	£124.50	£93.50	£77.50	£175.00	£85.00	£256.50	£245 (marina) £175 (mid-river) £140 (river)	

31. The difference between visitors' fees in the Hamble and elsewhere is clear. Mindful of the need to sustain the attraction to visitors of a value offer, a modest increase as indicated below to align these is timely and merits consideration (current rates, pour memoire in brackets):

(i) Daily launching charges, payable according to length overall and power:

- Under 6m and under 10hp – free;
- Under 6m and over 10hp - £5 (formerly £4);
- Over 6m and over 10hp - £8 (formerly £6).

(ii) Visitors' Rates:

- Warsash Jetty
 - Short stay (up to 4 hours):
 - up to 12 metres length overall - £8 (£6);
 - over 12 metres length overall - £10 (£8);
 - overnight (after 5pm) - £3 (£2) per metre.
 - Weekly - £3 (£2) per metre per night.

- Electricity is included.
 - Hamble Jetty
 - Short stay (up to 4 hours):
 - up to 12 metres length overall - £8 (£6);
 - over 12 metres length overall - £10 (£8);
 - overnight (after 5pm) - £2.50 (£1.75) per metre.
 - Weekly - £2 per metre per night.
 - No electricity available.
 - Mid-stream Visitors' Pontoon
 - Short stay (up to 4 hours):
 - up to 12 metres length overall – £5 (£4);
 - over 12 metres length overall – £8 (£6);
 - overnight (after 5pm) - £2 (£1.50) per metre.
 - Weekly - £2 (£1.50) per metre per night.
 - No electricity available.
32. **Recommendation** - It is recommended that these new rates are adopted, retaining as they do the competitive visitors' offer.
33. Although it will always be difficult to predict the number of visitors in a given year, it is reasonable to assume that an increase in annual income of £2000 (net) might be achieved.

Summary

34. The immediate financial position has been made stronger by this year's increase in Harbour Dues. There remains a requirement to ensure that increasing costs continue to be met. Pressure remains on the General Reserve, in particular to make good the commitment to support the Asset Replacement Reserve. It is therefore important that steps are taken now to ensure balance.
35. Each of the three options examined is reasonable. The benefit of only one cannot be predicted with accuracy. It is right that dry launch charges are paid. It is also unfortunate that the Memorandum of Understanding has not delivered the income it should have. Its failure has brought about the need to consider a workable option to recover payable Harbour Dues. Recovery as part of the Annual billing round is, in the light of the administrative burden that would otherwise exist, the only workable option. With customers' expectation being that Harbour Dues are paid as a component of an annual invoice, payment in advance (with a discount that mirrors that offered for afloat meterage) will allow continued launching flexibility – a key part of the offer. The fishing community recognises the benefits of the facility at Warsash and understands the need to increase charges.

36. Taken together, these measures will ensure that chargeable income is properly collected and reduce future pressure on the budget. With the primary focus of the Harbour Authority being the delivery of a suitable Marine Safety Management System, it may also in time allow a modest amount to be set aside to bolster the Asset Enhancement Reserve whenever possible.
37. Considered against current figures, the three recommendations, if approved, would increase total annual income by a minimum of around £26,000.

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.

¹ Were a 6m average length to be taken.