

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	River Hamble Harbour Management Committee
Date:	4 December 2020
Title:	River Hamble 2020/21 Forecast Outturn and 2021/22 Forward Budget
Report From:	The Director of Corporate Resources and Director of Culture, Communities and Business Services

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Purpose of the Report

1. The purpose of this report is to present the 2020/21 outturn forecast as at the end of September 2020 and the proposed 2021/22 forward budget to the River Hamble Harbour Management Committee for comment.

Recommendations

2. That the projected outturn for the 2020/21 financial year is noted.
3. That the proposed forward budget is supported by the River Hamble Harbour Management Committee and submitted to the River Hamble Harbour Board for approval.
4. That the balances held within the reserves and the improved position on the general reserve balance are noted.
5. That the proposal to postpone the decision on the possible excess in the Revenue Reserve based on the proposed 2021/22 forward budget be supported by the Management Committee and submitted to the River Hamble Board for approval.

Executive Summary

6. The revised 2020/21 budget reflects the newly introduced dry launching charges, as supported by the River Hamble Harbour Management

Committee and approved by the River Hamble Harbour Board at the September 2020 meetings. Current year forecasts are presented against this revised budget.

7. For the 2020/21 financial year, the River Hamble is projected to achieve a surplus of £90,000 on revenue funded expenditure, compared to a revised budgeted surplus of £87,000. This would allow for the £35,000 annual transfer from the Revenue Reserve (RR) to the Asset Replacement Reserve (ARR) to be made, and for an increase in the balance in the RR from £189 to £55,189 by March 2021.
8. In 2021/22 the budgeted surplus on revenue funded expenditure is £62,000. This would potentially increase the Revenue Reserve to £82,189, exceeding the current maximum per the reserves policy of no more than 10% of the gross revenue budget, which equates to £61,900 in 2021/22, and therefore potential options are considered later within this report.
9. The detailed revised budget for 2020/21, the 2020/21 outturn forecast and the proposed 2021/22 forward budget are set out in Appendices 1 and 2, with the current and projected reserves balances shown in Appendix 3.
10. The forward budget includes the 2% increase to harbour dues, as approved by the River Hamble Harbour Board on 25 September 2020.

2020/21 Revised Budget

11. The revised budget includes the previously approved £35,000 increase to the harbour dues income budget to reflect dry launching charges.

2020/21 Forecast Outturn

12. The outturn forecast for 2020/21 as at the end of September 2020 is detailed in Appendix 1. It is projected that a surplus on standard revenue activity of £90,000 will be achieved, £3,000 higher than the budgeted surplus of £87,000.
13. It was agreed by the Board in May 2007, that a contribution of £43,000, later reduced to £35,000 per annum would be made to the Asset Replacement Reserve (ARR) to fund the cost of replacing assets in future years. This contribution is met from the surplus on revenue funded expenditure, supplemented by a transfer from the Revenue Reserve if necessary.
14. The £35,000 will therefore be transferred to the ARR in full, with the projected remaining £55,000 being transferred to the RR. The RR balance is therefore expected to increase from £189 to £55,189 as at 31 March 2021.

15. Total gross expenditure is projected at £577,000, £8,000 lower than the budgeted £585,000. The variance mainly relates to lower staffing costs with seasonal staff costs being lower than expected. This saving is partly offset by higher than budgeted IT costs relating to the annual subscription for the new Harbour Assist system.
16. Income is projected to be £5,000 lower than budgeted at £667,000, mainly as a result of visitor income being £7,000 lower than anticipated during the Covid-19 national lockdown earlier in the year. Since the lockdown has ended, visitor income levels have improved and it is hoped that by the end of the financial year the reduction in income will be recovered, particularly if the winter deal (relating to temporary berths on the mid stream visitors pontoon during winter months when visitor levels are low) generates high levels of uptake. Miscellaneous income is also forecast to be £3,000 below budget based on past trends, and it is proposed to reduce this particular budget in 2021/22. Partly offsetting these pressures is additional harbour dues income of £5,000, resulting from the 2% increase to rates for 2021, as approved by the Board on 25 September 2020.
17. Projects funded from the AER were budgeted at £28,000 for the Hamble Games and pontoon improvements, however the Games were cancelled this year due to the Covid-19 situation and the pontoon improvements have been postponed. Therefore no spend is forecast against the AER this year.
18. Spend against the ARR of £32,000 is now anticipated, consisting of £27,000 for boat engines and £5,000 for the replacement of anchors for four navigation buoys. Approximately £3,000 is expected to be added to reserves as interest generated on balances.

2021/22 Forward Budget

19. The proposed 2021/22 forward budget is detailed in Appendix 2 and projects a surplus of £62,000 on general revenue activities which will therefore fully meet the agreed £35,000 transfer to the ARR for the cost of replacing assets in future years, and allow for a further transfer to reserves of £27,000. Should the full projected £27,000 be transferred to the RR, this would increase the projected balance of the RR to £82,189.
20. In view of the uncertainties surrounding Covid-19, any potential financial impact has not been factored into the setting of the budget, which has been prepared on the basis of a normal year. Any actual Covid-19 related impact will be captured as a one-off pressure against the budget, which would therefore deplete the planned surplus and potentially could require a draw from reserves.
21. The proposed gross expenditure budget has been set at £619,000, an increase of £34,000 compared with the revised 2020/21 budget, and an

increase of £42,000 on the 2020/21 outturn forecast. There has been no inflationary increase to the expenditure budgets, except where specifically referenced below, with every effort being made to mitigate ongoing cost pressures through efficiencies.

22. The salaries forward budget has been increased by £24,000, which includes a provision of £9,000 for the impact of pay inflation (based on an estimated rate of 2% as the pay award for 2021/22 has yet to be agreed); overtime and allowances budgets have been increased by £8,000 to bring them in line with spend over previous years; and the remaining increase relates to step progression within salary grades, where applicable. The budget for past pension contributions remains nil, however, a budget (previously the cost was £25,000 per annum) may need to be reinstated following the actuary's triennial pension valuation which is due in 2022.
23. The rent and rates budget will be increased by £3,000 to reflect the known further withdrawal of transitional relief for the business rates following the 2017 revaluation, and an inflationary increase. The next business rates revaluation is due in 2022.
24. The office expenses budget has been increased by £2,000 to reflect the costs of the annual subscription for the new Harbours Assist system.
25. The biennial bathymetric survey is scheduled to take place in 2021/22 and therefore the public jetties and navigational safety budget has been increased by £5,000 for the year.
26. The income budget for 2021/22 has been set at £681,000, an increase of £9,000 from the revised 2020/21 budget. This is primarily due to the agreed 2% increase to Harbour Dues for the 2021 calendar year, equating to £10,000, partly offset by a £3,000 reduction to the miscellaneous income budget to bring it in line with expected income levels based on past trends.
27. Budgeted Crown Estate funding has been increased to £71,000 to reflect the 2.5% increase that was applied to the charges.

Reserves

28. A detailed breakdown of reserves is shown in Appendix 3.
29. 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.
30. The balance in the Revenue Reserve is expected to increase to £55,189 by the end of March 2021 following the transfer of the £90,000 surplus from revenue, less the agreed £35,000 annual transfer to the AER.
31. The budgeted revenue surplus in 2021/22 is £62,000 which would leave a remaining surplus of £27,000 after the annual £35,000 transfer to the AER. Should this surplus be transferred in full to the RR it would increase the projected balance in the RR to £82,189, which would be in excess of the 10% of the gross revenue budget set out as the maximum in the reserves policy (equating to a maximum balance in the RR of £61,900).
32. However, in view of the uncertainties surrounding Covid-19, it is proposed that the budget assumes the full amount will be transferred to the RR. When the final position for the 2021/22 financial year is known, the Board can then make an informed decision on how to deal with any additional surplus if applicable, which could include making an addition to the AER for future projects to enhance the River Hamble for the benefit of river users, or potentially making provision for a contingency should the actuarial review due in 2022 lead to a budget for past pension contributions budget needing to be reinstated.
33. As at 31 March 2020, a total of £542,180 was held in reserves, the majority of which relates to the ARR, with this balance regularly reviewed to ensure that it is maintained at an appropriate level to replace the assets of the Harbour Authority as required.
34. The balance in the ARR is expected to increase slightly to £480,697 at 31 March 2021, after £32,000 expenditure as outlined in section four of this report, offset by the £35,000 annual contribution and £3,000 anticipated interest receivable.
35. There is no planned spend from the ARR in 2021/22. Therefore, with the £35,000 annual contribution and estimated interest receivable, the balance in the ARR is expected to increase to £518,697 by 31 March 2022.
36. The balance in the AER is expected to remain at £67,294 by 31 March 2021 and reduce to £55,294 by 31 March 2022 due to the provision for planned

expenditure of £12,000 in 2021/22 in relation to a pump replacement at Warsash jetty.

Impact Assessment

37. 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.

CORPORATE OR 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

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 disproportionately 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 – 2020/21 Forecast Outturn as at P6 (end of September)

	2020/21 Original Budget £'000	2020/21 Revised Budget £'000	2020/21 Forecast Outturn as at Sept £'000	2020/21 Variance to Budget £'000
EXPENDITURE				
Staff Related				
Salaries	445	445	434	(11)
Past Pension Contributions	-	-	-	-
Training	5	5	5	-
Professional Subscriptions	2	2	2	-
Sub-Total Staff Related	452	452	441	(11)
Premises				
Rent / Rates	25	25	25	-
Electricity	2	2	2	-
Gas	1	1	1	-
Water / Sewerage	1	1	1	-
Repair & Maintenance	1	1	1	-
Burglar Alarms / Security	1	1	1	-
Sub-Total Premises	31	31	31	-
Transport				
Repair, Maintenance and Boat Refurbishment	3	3	3	-
Vehicle Running Expenses (Fuel)	3	3	3	-
Tools (including Chandlery)	2	2	2	-
Car Allowances / Staff Travel	1	1	1	-
Insurance	2	2	2	-
Sub-Total Transport	11	11	11	-
Supplies & Services				
Office Expenses	24	24	27	3
Environmental Maintenance	5	5	5	-
Public Jetties & Navigational Safety	1	1	1	-
Central Department Charges	42	42	42	-
Designated Person	10	10	10	-
Oil Spill Response	4	4	4	-
Crown Estate Settlement	5	5	5	-
Sub-Total Supplies & Services	91	91	94	3
GROSS EXPENDITURE	585	585	577	(8)

Appendix 1 – 2020/21 Forecast Outturn as at P6 (end of September)

	2020/21 Original Budget £'000	2020/21 Revised Budget £'000	2020/21 Forecast Outturn as at Sept £'000	2020/21 Variance to Budget £'000
INCOME				
Harbour Dues	(506)	(541)	(544)	(3)
Crown Estate Funding	(69)	(69)	(71)	(2)
Visitor Income	(45)	(45)	(38)	7
Miscellaneous Income	(6)	(6)	(3)	3
Towing Charges	(9)	(9)	(9)	-
Other Funding	(1)	(1)	(1)	-
Interest	(1)	(1)	(1)	-
GROSS INCOME	(637)	(672)	(667)	5
NET REVENUE FUNDED EXPENDITURE	(52)	(87)	(90)	(3)
INCOME / EXPENDITURE ON RESERVES				
Projects Funded by Reserves				
Asset Enhancement Projects	28	28	-	(28)
Asset Replacement Projects	18	18	32	14
Revenue Reserve Projects	-	-	-	-
Expenditure from Reserves	46	46	32	(14)
Interest on Reserves				
Asset Enhancement Interest	-	-	-	-
Asset Replacement Interest	(3)	(3)	(3)	-
Income on Reserves	(3)	(3)	(3)	-
NET RESERVES FUNDED EXPENDITURE	43	43	29	(14)
TOTAL NET EXPENDITURE	(9)	(44)	(61)	(17)

Appendix 1 – 2020/21 Forecast Outturn as at P6 (end of September)

	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Forecast Outturn as at Sept	2020/21 Variance to Budget
	£'000	£'000	£'000	£'000
RESERVES				
Contribution to Asset Replacement Reserves	35	35	35	-
Transfer To / (From) Revenue Reserves	17	17	55	38
Transfer To / (From) Asset Enhancement Reserves	-	-	-	-
	52	52	90	38
Transfer Interest to Reserves	3	3	3	-
Transfers from Reserves - Projects	(46)	(46)	(32)	14
	(43)	(43)	(29)	14
TOTAL TRANSFERS TO / (FROM) RESERVES	9	9	61	52

Appendix 1b – Further detail on Harbour Dues, Visitors Income, Office Expenses and Central Department Charges

	2020/21 Original Budget £'000	2020/21 Revised Budget £'000	2020/21 Forecast Outturn as at Sept £'000	2020/21 Variance to Budget £'000
Harbour Dues Income				
Marinas and Boatyards	(400)	(400)	(402)	(2)
Marinas and Boatyards - Dry Launching	-	(35)	(35)	-
River Moorings	(106)	(106)	(107)	(1)
Total Harbour Dues Income	(506)	(541)	(544)	(3)
Visitor Income				
Mid Stream Visitors Pontoon	(17)	(17)	(14)	3
Warsash Jetty	(18)	(18)	(15)	3
Hamble Jetty	(3)	(3)	(2)	1
Commercial and Pleasure Craft Income	(7)	(7)	(7)	-
Total Visitor Income	(45)	(45)	(38)	7
Office Expenses				
Equipment	1	1	1	-
First Aid Supplies / Health & Safety	1	1	1	-
Printing & Stationery	3	3	3	-
Catering / General	1	1	1	-
Protective Clothing and Safety Equipment	3	3	3	-
IT Charges	5	5	8	3
Postage	1	1	1	-
Subscriptions	2	2	2	-
Promotional Events / Publicity /Publications	3	3	3	-
Retail (Crabbing Equipment)	1	1	1	-
Credit Card Charges (re Income Collection)	3	3	3	-
Total Office Expenses	24	24	27	3
Central Department Charges				
Operational Finance	22	22	22	-
Integrated Business Centre / Audit / Tax Team / Finance	6	6	6	-
Democratic Services (Including Venue Hire)	9	9	9	-
Legal Services	5	5	5	-
Total Central Department Charges	42	42	42	-

Appendix 2 – 2021/22 Forward Budget

	2020/21 Forecast Outturn £'000	2020/21 Revised Budget £'000	Adjust' ments £'000	2021/22 Forward Budget £'000
EXPENDITURE				
Staff Related				
Salaries	434	445	24	469
Past Pension Contributions	-	-	-	-
Training	5	5	-	5
Professional Subscriptions	2	2	-	2
Sub-Total Staff Related	441	452	24	476
Premises				
Rent / Rates	25	25	3	28
Electricity	2	2	-	2
Gas	1	1	-	1
Water / Sewerage	1	1	-	1
Repair & Maintenance	1	1	-	1
Burglar Alarms / Security	1	1	-	1
Sub-Total Premises	31	31	3	34
Transport				
Repair, Maintenance and Boat Refurbishment	3	3	-	3
Vehicle Running Expenses (Fuel)	3	3	-	3
Tools (including Chandlery)	2	2	-	2
Car Allowances / Staff Travel	1	1	-	1
Insurance	2	2	-	2
Sub-Total Transport	11	11	-	11
Supplies & Services				
Office Expenses	27	24	2	26
Environmental Maintenance	5	5	-	5
Public Jetties & Navigational Safety	1	1	5	6
Central Department Charges	42	42	-	42
Designated Person	10	10	-	10
Oil Spill Response	4	4	-	4
Crown Estate Settlement	5	5	-	5
Sub-Total Supplies & Services	94	91	7	98
GROSS EXPENDITURE	577	585	34	619

Appendix 2 – 2021/22 Forward Budget

	2020/21 Forecast Outturn £'000	2020/21 Revised Budget £'000	Adjust' ments £'000	2021/22 Forward Budget £'000
INCOME				
Harbour Dues	(544)	(541)	(10)	(551)
Crown Estate Funding	(71)	(69)	(2)	(71)
Visitor Income	(38)	(45)	-	(45)
Miscellaneous Income	(3)	(6)	3	(3)
Towing Charges	(9)	(9)	-	(9)
Other Funding	(1)	(1)	-	(1)
Interest	(1)	(1)	-	(1)
GROSS INCOME	(667)	(672)	(9)	(681)
NET REVENUE FUNDED EXPENDITURE	(90)	(87)	25	(62)
INCOME / EXPENDITURE ON RESERVES				
Projects Funded by Reserves				
Asset Enhancement Projects	-	28	(16)	12
Asset Replacement Projects	32	18	(18)	-
Revenue Reserve Projects	-	-	-	-
Expenditure from Reserves	32	46	(34)	12
Interest on Reserves				
Asset Enhancement Interest	-	-	-	-
Asset Replacement Interest	(3)	(3)	-	(3)
Income on Reserves	(3)	(3)	-	(3)
NET RESERVES FUNDED EXPENDITURE	29	43	(34)	9
TOTAL NET EXPENDITURE	(61)	(44)	(9)	(53)

Appendix 2 – 2021/22 Forward Budget

	2020/21 Forecast Outturn £'000	2020/21 Revised Budget £'000	Adjust' ments £'000	2021/22 Forward Budget £'000
RESERVES				
Contribution to Asset Replacement Reserves	35	35	-	35
Transfer To / (From) Revenue Reserves	55	52	(25)	27
Transfer To / (From) Asset Enhancement Reserves	-	-	-	-
	90	87	(25)	62
Transfer Interest to Reserves	3	3	-	3
Transfers from Reserves - Projects	(32)	(46)	34	(12)
	(29)	(43)	34	(9)
TOTAL TRANSFERS TO / (FROM) RESERVES	61	44	9	53

Appendix 2a – Further detail on Harbour Dues, Visitors Income, Office Expenses and Central Department Charges

	2020/21 Forecast Outturn £'000	2020/21 Revised Budget £'000	Adjust' ments £'000	2021/22 Forward Budget £'000
Harbour Dues Income				
Marinas and Boatyards	(402)	(400)	(8)	(408)
Marinas and Boatyards - Dry Launching	(35)	(35)	-	(35)
River Moorings	(107)	(106)	(2)	(108)
Total Harbour Dues Income	(544)	(541)	(10)	(551)
Visitor Income				
Mid Stream Visitors Pontoon	(14)	(17)	-	(17)
Warsash Jetty	(15)	(18)	-	(18)
Hamble Jetty	(2)	(3)	-	(3)
Commercial and Pleasure Craft Income	(7)	(7)	-	(7)
Total Visitor Income	(38)	(45)	-	(45)
Office Expenses				
Equipment	1	1	-	1
First Aid Supplies / Health & Safety	1	1	-	1
Printing & Stationery	3	3	-	3
Catering / General	1	1	-	1
Protective Clothing and Safety Equipment	3	3	-	3
IT Charges	8	5	2	7
Postage	1	1	-	1
Subscriptions	2	2	-	2
Promotional Events / Publicity /Publications	3	3	-	3
Retail (Crabbing Equipment)	1	1	-	1
Credit Card Charges (re Income Collection)	3	3	-	3
Total Office Expenses	27	24	2	26
Central Department Charges				
Operational Finance	22	22	-	22
Integrated Business Centre / Audit / Tax				
Team Finance	6	6	-	6
Democratic Services (Including Venue Hire)	9	9	-	9
Legal Services	5	5	-	5
Total Central Department Charges	42	42	-	42

Appendix 3 – Reserves

	General Reserve	Asset Enhancement Reserve	Asset Replacement Reserve	Total
	£	£	£	£
Balance as at 31 March 2020	189	67,294	474,697	542,180
Transfer to ARR from Revenue	(35,000)	0	35,000	0
Asset Replacement - Boat engines and navigation buoy anchors	0	0	(32,000)	(32,000)
Annual Interest Receivable	0	0	3,000	3,000
Net Surplus for the year	90,000	0	0	90,000
Balance at 31 March 2021	55,189	67,294	480,697	603,180
Transfer to ARR from Revenue	(35,000)	0	35,000	0
Asset Enhancement - Warsash jetty pump replacement	0	(12,000)	0	(12,000)
Annual Interest Receivable	0	0	3,000	3,000
Net Surplus for the year	62,000	0	0	62,000
Balance at 31 March 2022	82,189	55,294	518,697	656,180