

# HAMPSHIRE COUNTY COUNCIL

## Report

<b>Committee</b>	River Hamble Harbour Board
<b>Date:</b>	1 April 2022
<b>Title:</b>	River Hamble Asset Register
<b>Report From:</b>	Director of Culture, Communities and Business Services

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### Purpose of the Report

1. The purpose of this annual report is to indicate the condition of essential operational assets and possible associated maintenance expenditure to judge whether the Asset Replacement Reserve is being maintained at an adequate level.

### Recommendation

2. It is recommended that the River Hamble Harbour Board agrees to recommend that:
  - a. This report be taken into account alongside the annual statutory accounts in setting Harbour Dues for 2022/23 at the June Board meeting;
  - b. That a policy to maintain this Reserve at a minimum of £100,000 be adopted to afford improved resilience around 2037;
  - c. That an increase in the contribution from Revenue to the Replacement Reserve from £35,000 to £42,000 be applied for 2022/23 and note be taken of the need for frequency and amount of potential future increases. This amount will come from the revenue surplus of £37,000 in the approved forward budget.

### Summary

3. While the River Hamble Harbour Authority's Replacement Reserve has been in a reasonably healthy position, this report highlights general increases in raw material costs and services which render an increase in our annual contribution from revenue appropriate. It is recommended that an increase in 2022/23 from £35,000 to £42,000 be applied and monitored in detail over the next five years. It is anticipated that further adjustments are likely to become necessary over time.

### Background

4. The RHHA's annual contribution to the Asset Replacement Reserve has been set at £35,000 since 2010. The figure is reviewed each year to ensure

continued delivery of mission critical assets supporting the Marine Safety Management System. This report takes account of ongoing wear, as well as husbandry of those assets aimed at optimising availability and the cost of replacement where necessary.

5. Our operational assets are regularly inspected for wear and initially forecasted estimates of lifespan adjusted. This report passes judgement on their condition against changing material and manufacturing costs brought about by market conditions and any other factors. Replacement costs have increased over the past year and continued price volatility is a factor that must be borne in mind when considering the correct requirement for the annual contribution.
6. In some areas, prices have seen marginal increases in absolute terms, most notably where smaller items of lesser capital value such as lights are concerned. Broadly, prices in steel and manufacturing have seen the cost of more expensive replacement items such as pontoons and patrol craft increase more.
7. In parallel, it is clear that technology is developing. There is also a movement towards greater sustainability in manufacturing which brings obvious advantages, such as in combatting climate change, but also a degree of risk. This is because technology in some cases remains temporarily insufficiently mature. The most obvious area in which this applies is in the application of electric boat power. Here, only one UK company offers currently anything near a viable propulsion option and that in a vessel which will not meet our requirement, either in terms of capability or cost. This position is likely to change over the next five years and we must monitor developments to take advantage when appropriate. For the moment, however, one (overseas) representative manufacturer's offer illustrates plainly the challenges for organisations such as ours wishing to take advantage of such technology. Its prices for the same vessel with electric propulsion are double those of the equivalent diesel craft. It is likely therefore that replacement of patrol hulls will take place incrementally and with an eye on purchase of long-lasting and recyclable craft that may ultimately be retrospectively fitted with propulsion systems which match environmental aspiration.
8. While it is possible to assess with reasonable accuracy short-term replacement costs, it is as ever more difficult to predict the cost of replacement of larger items in, say 10 years' time and becoming more so. Enough is known now however to judge that costs are unlikely to reduce or remain static as inflationary pressures take effect. Vitality, maintaining the current contribution of £35,000 would see the balance diminish beyond zero in 2037 and, although we will not allow it to happen, not recover to a positive figure until 2041. An immediate increase is therefore recommended.
9. Our planning tool affords visibility of the impact various increases will have. The tool shows first that Reserve use is logically cyclical over around a 30 year period. The key to success is in ensuring that the minimum of its value during these rolling periods is catered for with a satisfactory degree of surety which will be discussed later. It is equally important not to over-contribute and accumulate an unreasonably high balance with a concomitant impact on the level of Harbour Dues.

10. Consideration of a variety of increases in contribution levels of shows the impact on the minimum ARR holding, forecast currently to arrive around 2037. It will be appreciated readily that any calculations will be subject to ‘events’:

Contribution Level from 2022/3	Forecast ARR Balance in 2037
£40,000 (£5,000 increase)	£3,000
£42,000 (£7,000 increase)	£33,000
£45,000 (£10,000 increase)	£78,000

These basic increases provide a starting point for further planning consideration. A simple increase to £40,000, with no further increase, will leave us with a very small positive balance and very little room for manoeuvre. An increase to £42,000 will bring the contribution back to the level it was in 2010 and provide a modest cushion if maintained. Finally, an increase to £45,000 will give a more reasonable margin. Next, the effect of subsequent incremental increases merit analysis. Here, there will clearly be many permutations. The following table illustrates, albeit arbitrarily in terms of the levels set, the impact of some examples:

Contribution Level from 2022/3	Contribution Level from 2027/28	Contribution Level from 2032/33	Forecast ARR Balance in 2037
£38,000	£41,000	£44,000	£24,000
£40,000	£42,000	£45,000	£43,000
£40,000	£45,000	£50,000	£88,000
£42,000	£46,000	£50,000	£101,000
£42,000	£47,000	£52,000	£118,000
£45,000	£47,500	£50,000	£119,000

11. This analysis raises initially the important policy question of whether a minimum ARR balance should be set and, if so, at what level. In this, there are both objective and subjective considerations; objective, in as much as we consider this Review annually with the best information possible at the time and subjective in that, as recent events have proved, we must to some degree develop a corporate ‘feeling’ as to what level of cushion will both provide an acceptable degree of financial confidence and also continue to deliver value-for-money for Harbour Dues payers. It is with this in mind that it is recommended that a minimum balance of the ARR be set at £100,000.
12. What is also highlighted is that earlier larger increases improve considerably the forecast balance. Taking steps now, in a reasonable financial position, is prudent. This will also be beneficial in the prevention of ‘tail-chasing’ and the need to make more substantial and perhaps unwelcome increases later in the

day. Subsequent increases may of course be adjusted from those in the table to reflect contemporary circumstances and conditions to match the requirement.

13. Three graphs are presented to illustrate the effects on the ARR of:
  - a. Maintaining the annual contribution at £35,000.
  - b. Increasing the contribution to £40,000 now, £45,000 in 2027 and £50,000 in 2032. This leads to a forecast ARR balance of £88,000 in 2037.
  - c. Increasing the contribution to £42,000 now, £46,000 in 2027 and £50,000 in 2032. This leads to a forecast ARR balance of £101,000 in 2037.
14. In the event that the Management Committee agrees to recommend to the Board an increase of the contribution from Revenue, the amount will require a transfer of that amount from the Forward Budget, which forecast a £37,000 revenue surplus.

### **Climate Change and Carbon Mitigation Impact Assessment**

15. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

Climate Change Adaptation. A full assessment of climate change vulnerability was not completed as no decision is required in respect of this report.

Carbon Mitigation. A full assessment of carbon mitigation vulnerability was not completed as no decision is required in respect of this report.

Asset (* Composite Structure)	Year of purchase	Purchase cost £	Initial life expectancy of whole structure (years)	Forecast lifespan of whole structure <sup>1</sup>	Depreciation charge for 2019/20 £	Replacement Cost of whole structure <sup>2</sup> £
<b>Marks, beacons, lights, piles &amp; buoys</b>						
Cardinal mark at river entrance – piling only	2000	3,000	30	2030	100	4,000
Superstructure and cardinal top mark	2000	1,000	20	2030 (was 2020)	0	1,700
9 beacons at river entrance, plastic piling	2000	30,000	30	2030	1000	39,000
Sector lights – Hamble Point / Warsash superstructure	1997	30,000	30	2032 (2027)	1000	40,000
2 sector lights	2006	12,000	15	2032 (2021)	0	12,000
5 port & starboard navigation marks / piles	1977	20,000	45	2027 (2022)	444	28,000
Maintenance piles – Warsash	2002	33,000	30	2032	1,100	20,000
Maintenance piles – Hamble	1989	15,000	30	2027 (2019)	0	10,000
Maintenance piles – Land's End	1988	15,000	30	2030 (2018)	500	10,000
5 navigation buoys	2006	16,000	20	2028 (2026)	800	18,000
Navigation lights at harbour entrance	2015	5,068	10	2028 (2025)	507	6,000
Tide Gauges	2019	1,500	15	2034	100	1,500
River Signage for various structures	2018	1,000	10	2028	100	1,000

<sup>1</sup> Life end forecast at build. Applies less to composite structures, elements of which are programmed to be replaced on a rolling basis, dependent on husbandry and condition. Design and project management costs also removed. Applies to structures such as Hamble and Warsash Jetties, component replacement of which will be smoothed over time.

<sup>2</sup> This is the TOTAL replacement cost. Based on current price estimate. Some assets are composite structures. For these, different components will be replaced at different times, depending on their condition. This enables payments to be spread more effectively and optimise asset availability.

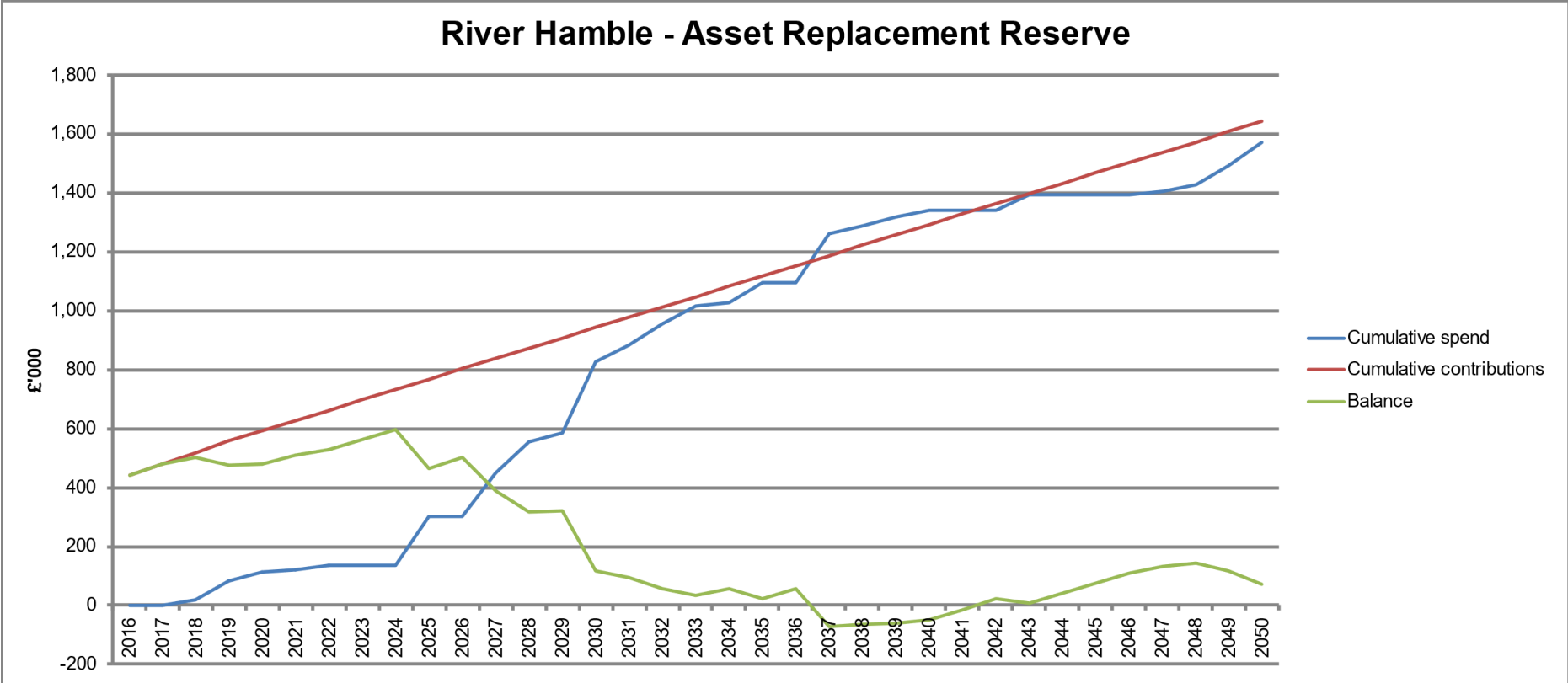
<b>Total</b>		<b>182,568</b>			<b>5,651</b>	<b>191,200</b>
<b>Bridges, walkways, jetties</b>						
Bridge to Hamble jetty	1988	40,000	40	2033 (2028)	1,000	60,000
Bridge to Warsash jetty	1990	40,000	40	2035 (2030)	1,000	70,000
Walkway to Warsash jetty	1982	50,000	50	2037 (2032)	1,000	60,000
10 support piles for Warsash walkway	1982	36,000	50	2037 (2032)	720	40,000
*Warsash jetty – piling, pontoons, services, lighting etc	2006	170,000	35	2041	4,857	110,000
Warsash connecting pontoon	2016	55,000	35	2051	1,571	57,000
*Hamble jetty – piling, pontoons, services, lighting etc	1991	140,000	35	2031 (2026)	4,000	105,000
*Fisherman's pontoon / jetty	2006	48,000	20	2031 (2026)	2,400	57,000
*Visitors' pontoon and piles	2000	60,000	25	2025	2,400	65,000
*River Hamble Country Park Jetty <sup>3</sup>	2014	Est 55,000	25	2040 (2030)	2,200	25,000
<b>Total</b>		<b>694,000</b>			<b>21,148</b>	<b>649,000</b>
<b>Boats</b>						
*2 patrol boats	2011	40,000	12	2025 (2023)	3,333	150,000
*RIB	2012	15,000	15	2028 (2027)	1,000	50,000
Engines <sup>4</sup>	2018/19/20	37,500	4	2022/25	9,375	37,500
<b>Total</b>		<b>92,500</b>			<b>13,708</b>	<b>237,500</b>
<b>Service provision</b>						
Replacement Harbour Management System	2020	£45,000	10	2029	4,500	£30,000

Note.

1. Annual depreciation figures may differ to those calculated for the statutory accounts. This is mainly due to adjustments being made to the lifespan of assets and therefore reflected in the depreciation calculations for the statutory accounts.

<sup>3</sup> See Footnote 1.

<sup>4</sup> Staggered purchases for 5 engines in 3 boats. Trade in or private sale value for each engine of around £2500 (Manufacturer) against new purchase at 4 year intervals.

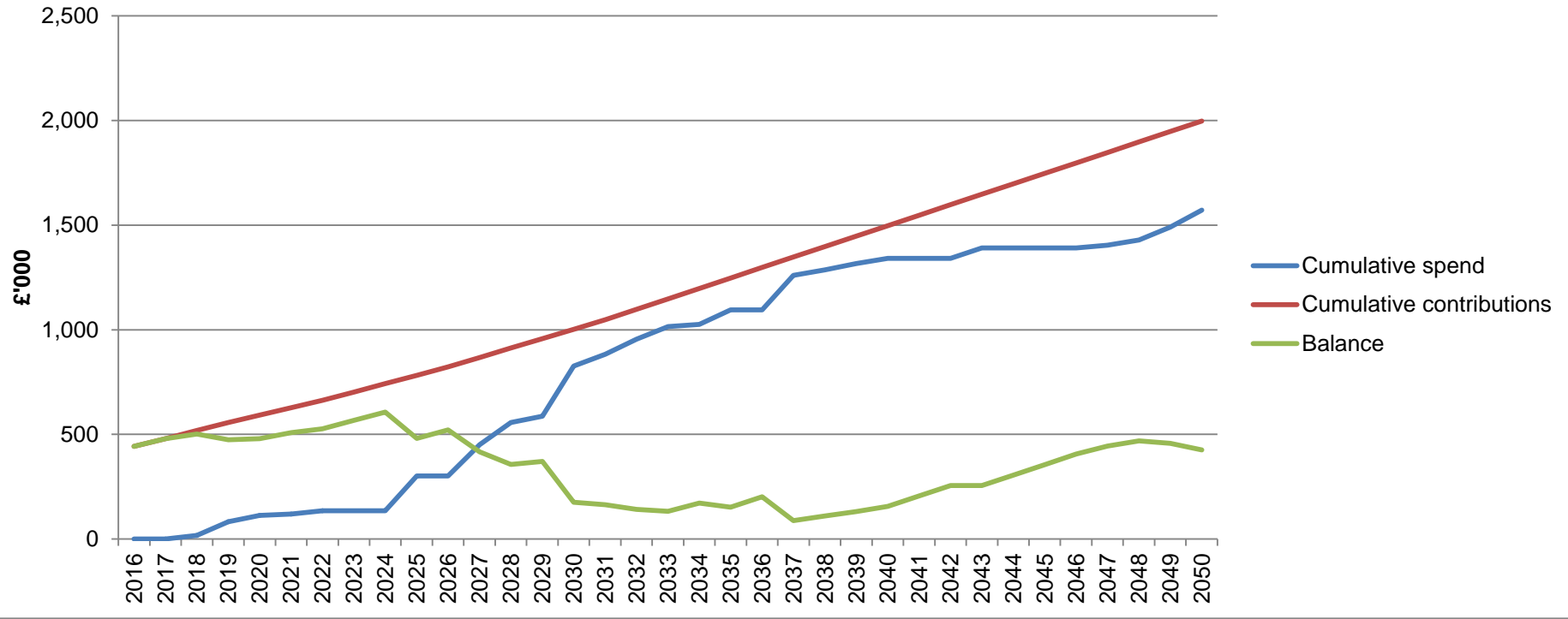


**ARR Position in the event that the annual contribution from Revenue remains at £35,000**

Note for all tables

- 1. Contribution excludes interest earned on balance of reserves.

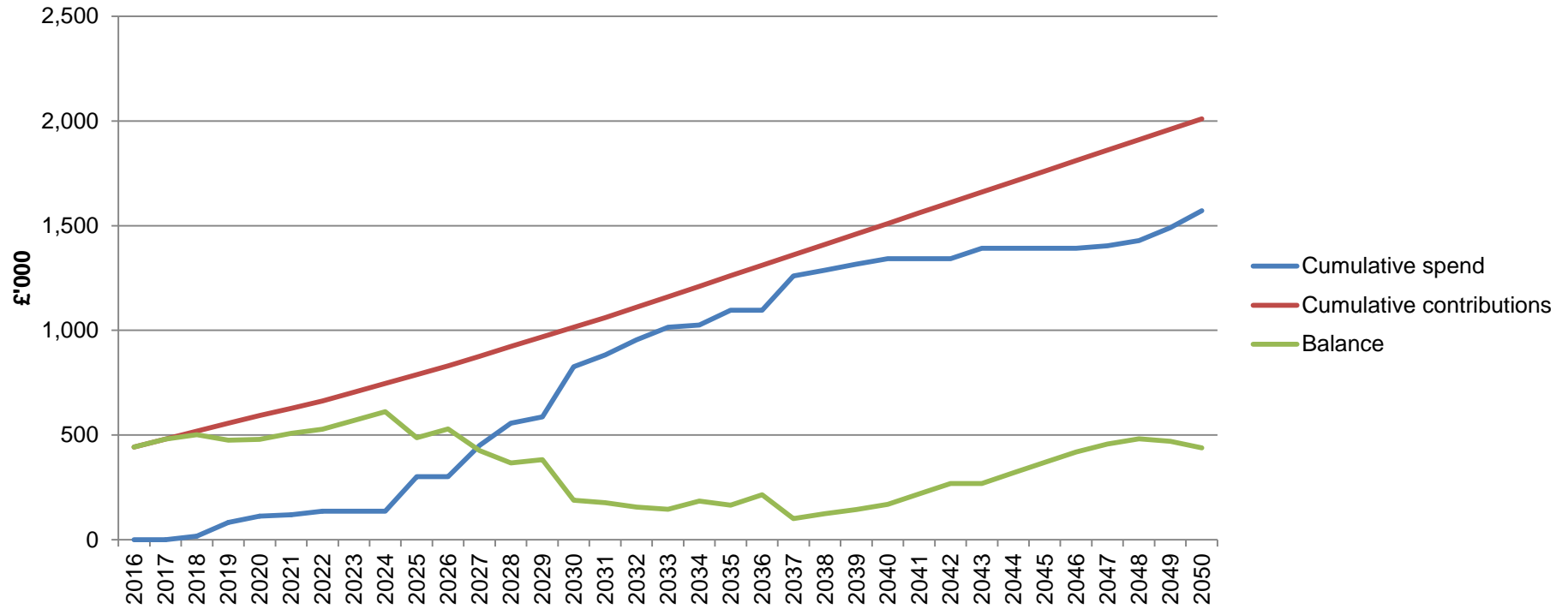
## River Hamble - Asset Replacement Reserve



**ARR Position with increases in the annual contribution to £40,000 (2022/3), £45,000 (2027) and £50,000 (2032)**



## River Hamble - Asset Replacement Reserve



**ARR Position with increases in the annual contribution to £42,000 (2022/3), £46,000 (2027) and £50,000 (2032)**

**River Hamble - Asset Replacement Reserve Actual / Forecast Spend V Planned Spend**

Type	2020/21			2021/22		
	Planned Spend	Actual Spend	Variance	Planned Spend	Actual / Forecast Spend	Variance
	£000's	£000's	£000's	£000's	£000's	£000's
Navigation	0	5	5	5	2	-3
Jetties	0	0	0	0	3	3
Boats	16	27	11	27	26	-1
Service Provision	0	0	0	0	0	0
<b>Total</b>	<b>16</b>	<b>32</b>	<b>16</b>	<b>32</b>	<b>31</b>	<b>-1</b>

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	yes
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	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 full Equalities Impact Assessment for the River Hamble Harbour Authority's compliance with the Port Marine Safety Code (including environmental responsibilities) has been carried out. This report includes an Equalities Impact Assessment within the draft Strategic Plan.

