

HAMPSHIRE COUNTY COUNCIL

Report

Committee	River Hamble Management Committee
Date:	23 June 2017
Title:	River Hamble Statutory Accounts 2016/17
Report From:	The Director of Corporate Resources and Director of Culture, Communities and Business Services

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1. Executive Summary

- 1.1. The purpose of this report is to present the final accounts of the Harbour Authority for the year ended 31 March 2017 to the River Hamble Harbour Management Committee for consideration.
- 1.2. Under Section 42(1) of the Harbours Act 1964, the River Hamble Harbour Authority is required to prepare an annual statement of accounts relating to the harbour activities in accordance with the Companies Act 2006, to be submitted to the Secretary of State for Transport.
- 1.3. The River Hamble Harbour Authority is considered to be exempt from the requirement for these accounts to be separately audited, as set out in section 477 of the Companies Act 2006. However, the Harbour Authority accounts form part of Hampshire County Council's final accounts, and are therefore included within the audit for those accounts.
- 1.4. The statutory accounts for the year ended 31 March 2017 (as detailed in Appendix 1) show a net loss of £21,533. This is after a depreciation charge of £33,307, and expenditure on projects that have been funded from the Asset Enhancement Reserve totalling £7,424.
- 1.5. This report also compares the outturn position for income and expenditure for the year ended 31 March 2017, with the 2016/17 budget (detailed in Appendices 2 and 3).
- 1.6. The Harbour Undertaking returned a net deficit of £20,580 in 2016/17, after the agreed contribution to the Asset Replacement Reserve (ARR) of £35,000. A transfer of £21,272 was required from the General Reserve to maintain the agreed contribution to the ARR, consisting of the £20,580 to offset the deficit, plus £692 interest received on the General Reserve.

- 1.7. The deficit is a deterioration on the original budget forecast which predicted that there would be a net surplus of £16,000, but is an improvement on the revised forecast presented alongside the 2017/18 Budget Report to the Committee in December 2016 and the Board in January 2017, where it was predicted that a transfer of £25,000 would be necessary from the General Reserve to meet the full agreed contribution to the ARR.
- 1.8. The balance on the General Reserve as at 31 March 2017 is £88,063, which, although a reduction on the previous balance, remains in excess of the 10% gross revenue budget (equating to approximately £59,000) as per the agreed reserves policy.

2. Statutory Accounts

- 2.1 Under Section 42(1) of the Harbours Act 1964, the River Hamble Harbour Authority is required to prepare an annual statement of accounts relating to the harbour activities in accordance with the Companies Act 2006. Section 42(5) of the Harbours Act 1964 states that the published accounts should be sent to the Secretary of State for Transport, together with a report on the “state of affairs” disclosed by the accounts, within nine months of the financial year end.
- 2.2 Using guidance issued by the Department for Transport, the River Hamble Harbour Authority is considered to be exempt from the requirement to audit the statutory accounts under Section 477 of the Companies Act 2006. However, the Harbour Authority accounts form part of the overall Hampshire County Council accounts and therefore will be included within the audit of those accounts.
- 2.3 The statutory accounts, as detailed in Appendix 1, show a loss for the year of £21,533. However, this is after depreciation charged of £33,307, and projects that have been funded from reserves costing £7,424.
- 2.4 The statutory accounts also show an increase to the capital assets of the Harbour Authority of £52,725 (before annual depreciation charges), reflecting the Warsash Link Pontoon development.

3. 2016/17 Outturn

- 3.1. At the Committee meeting on 9 December 2016 and Board meeting on 13 January 2017, it was reported that a surplus on standard revenue activity of £10,000 was projected for the 2016/17 financial year, based on the actuals as at the end of September 2016 (quarter two). This projected surplus would be transferred to the Asset Replacement Reserve (ARR) together with a draw of £25,000 from the Revenue Reserve in order to make the agreed £35,000 annual contribution to the ARR, to fund the cost of replacing assets in future years.
- 3.2. The projected £10,000 surplus was £41,000 lower than the budgeted surplus, due to higher than budgeted staffing costs (reflecting the full year cost of the Assistant Harbour Master post), additional environmental maintenance expenditure resulting from clear up work after Storm Katie, and

lower than budgeted visitor income, partly offset by an anticipated underspend on central department charges.

- 3.3. The final position (as shown in Appendix 2) is a surplus of £14,420, approximately £37,000 below the budgeted surplus, but an improvement of approximately £4,000 on previous projections. After allowing for interest received on the Revenue Reserve balance, this will require a transfer of £21,272 from the Revenue Reserve to make the agreed £35,000 annual contribution to the ARR.
- 3.4. Total income for 2016/17 was £592,786, including £4,778 interest received on reserves balances, lower than both the £615,000 original budget and £603,000 projected at quarter two.
- 3.5. This is mainly due to visitor income, which was anticipated to be lower than budget at quarter two, returning to the levels of visitor income before the Royal Southern development and pile replacement works (which had the impact of increasing the use of the Harbour Authority's visitor mooring whist these works were undertaken). The actual visitor income for the year was £13,539, approximately £18,000 below budget and £6,000 less than previously projected.
- 3.6. Total revenue expenditure was £578,366, which is £14,366 higher than budgeted. This is mainly due to a £26,574 overspend on staff related expenditure, slightly lower than previously forecast due to lower than anticipated training costs, offset by an £11,529 underspend on Supplies and Services.
- 3.7. Within Supplies and Services, an underspend on Central Department Charges had been anticipated, offset by additional clear up costs after Storm Katie. In addition to this there were underspends against office expenses (due mainly to lower IT costs as developments to the E-Harbours system are not being progressed), Public Jetties & Navigational Safety, and Other Services (including Designated Person).
- 3.8. A more detailed breakdown of the income and expenditure is set out in the tables contained in Appendices 2 and 3 below. Further explanation is included in the Notes to Appendices 2 and 3.

4. Review of the 2017/18 Forward Budget

- 4.1 At the meeting on 13 January 2017, the Board approved the forward budget for the 2017/18 financial year. The approved budget allowed for a surplus on general revenue activities of £25,000, which would require a transfer of £10,000 from the Revenue Reserve to enable the full £35,000 contribution to the ARR.
- 4.2 As the forward budget was based on the forecast position for the 2016/17 financial year at quarter two, a review has been undertaken of the approved forward budget in comparison with the final accounts for 2016/17, to highlight any potential areas of pressure against the budget in the 2017/18 financial year.

- 4.3 The forward budget for expenditure was set at £586,000, and had provided for the increased staff related expenditure, as reflected in the 2016/17 final accounts. This compares favourably to the actual expenditure in the 2016/17 financial year of £578,366, and therefore no pressures are anticipated at this stage.
- 4.4 The January report highlighted that the proposed budget for Central Department Charges had been kept at £48,000, but that the level of support charges was being reviewed to maximise transparency, and this could lead to an increase or decrease in actual charges in the 2017/18 financial year.
- 4.5 Charges from legal and democratic services, which are based on actual hours provided, have been below budget in recent years, however, these charges depend on the level of work required and can increase significantly should a particular legal issue arise. Finance charges have been reviewed and are considered to be a fair reflection of the time undertaken on the Harbour Authority's affairs. The provision of office space is currently not recharged to the River Hamble Harbour Authority, but has been assessed by our property surveyors as having a value of £7,500 per annum.
- 4.6 The income budget for 2017/18 was set at £611,000, which allowed for the expected lower visitor income and an anticipated increase in Crown Estate income. However, the actual visitor income in 2016/17 was lower still and there was also a slight reduction in Harbour Dues. Should visitor income and Harbour Dues income remain at the same level, there could potentially be a small shortfall against the income budget, however, it is too early in the financial year to have reasonable certainty.

5. Reserves

- 5.1. The Harbour Board approved a reserves policy on 18 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, also known as the General Reserve) – to hold annual surpluses totalling no more than 10% of the gross revenue budget (for 2016/17, this equates to approximately £59,000). 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
- 5.2. The total reserves for the River Hamble were £603,432 at 31 March 2017, a decrease of £40,920 on the position at the end of 2015/16. The reserves are detailed in Appendix 4.
- 5.3. The Revenue Reserve decreased by £20,580 during the financial year, due to the overall net deficit of the Harbour Authority. A total of £60,119 was drawn from the Asset Enhancement Reserve in 2016/17 for a variety of projects including the work on the Warsash Link Pontoon and the River

Hamble Games 2016. The Asset Replacement Reserve was increased by the planned annual transfer of £35,000.

- 5.4. In 2016/17, interest of £5,471 was received on the reserves balances and income received in advance for annual harbour dues. Interest was paid at the agreed rate of 0.33% on all reserve balances.
- 5.5. The balance on the Revenue Reserve as at 31 March 2017 is £88,062, which remains in excess of the 10% gross revenue budget (equating to approximately £59,000) as per the agreed reserves policy. The Board committed to a zero percent increase in Harbour Dues for 2016 and 2017 to reduce the balance on the Revenue Reserve in a controlled way, to minimise the risk of higher increases to Harbour Dues in the future.

6. Conclusion

- 6.1. The report highlights that robust financial management has resulted in an improved position from the forecast presented alongside the 2017/18 Budget Report in January, with a lower than anticipated transfer being needed from the General Reserve to meet the agreed contribution to the ARR.

7. Recommendations

- 7.1 That this report, the statutory accounts and management accounts be noted by the River Hamble Harbour Management Committee and submitted to the River Hamble Harbour Board for approval.**
- 7.2 That the Committee notes the level of the General Reserve as at 31 March 2017, at £88,062, and that whilst the balance is reducing, it remains in excess of the stated level in the reserves policy.**

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

Hampshire safer and more secure for all:	yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
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.)

DocumentLocation

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.

1.2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

2.1. This report does not deal with any issues relating to crime and disorder.

3. Climate Change:

3.1. 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.

3.2. 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.