

# HAMPSHIRE COUNTY COUNCIL

## Report

<b>Committee:</b>	River Hamble Harbour Board
<b>Date:</b>	7 July 2023
<b>Title:</b>	River Hamble Final Accounts 2022/23, Forecast Outturn 2023/24 and Revised Budget 2023/24
<b>Report From:</b>	The Director of Corporate Operations and Director of Universal Services

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### Purpose of this Report

1. The purpose of this report is to present the final accounts of the Harbour Authority for the year ended 31 March 2023 and the forecast outturn and proposed revised budget for the year ended 31 March 2024 to the River Hamble Harbour Board for consideration.

### Recommendations

2. That this report, the statutory accounts and management accounts for 2022/23 be approved by the River Hamble Harbour Board.
3. That the Board approves the proposal to retain the revenue surplus for the 2022/23 financial year in the Revenue Reserve to offset the expected draw required from the Revenue Reserve in the 2023/24 financial year.
4. That the Board notes the forecast outturn for the 2023/24 financial year and approves the recommended changes to the 2023/24 budget.

## Executive Summary

5. Under 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. However, these accounts are considered to be exempt from the requirement to be separately audited.
6. The statutory accounts for the year ended 31 March 2023 show a net surplus of £38,370, as detailed in Appendix 1. This is after a depreciation charge of £32,938, a profit on the disposal of assets of £12,589, and net expenditure on projects that have been funded from reserves totalling £4,891.
7. This report also presents the end of year management accounts, comparing the final outturn position for income and expenditure for the year ended 31 March 2023 against the 2022/23 revised budget (detailed in Appendices 2 and 3).
8. The management accounts show that the Harbour Undertaking returned a net surplus of £52,208 on general revenue activities, enabling the agreed £42,000 contribution to the Asset Replacement Reserve to be made in full and leaving a remaining surplus of £10,208.
9. Under the reserves policy, the Revenue Reserve should hold annual surpluses totalling no more than 10% of the gross revenue expenditure budget, which currently equates to £65,100. However, the forecast outturn position for the year ended 31 March 2024 is that a £10,000 draw will be required from the Revenue Reserve. Therefore, it is proposed that the £10,208 revenue surplus be added to the Revenue Reserve, to offset the projected draw required in the 2023/24 financial year.
10. The outturn position for the year ended 31 March 2023 is a £15,208 improvement on the budgeted position, mainly as a result of increased visitor income, miscellaneous income and interest, partly offset by smaller increased costs against various expenditure budgets.
11. The forecast outturn for the year ending 31 March 2024 is a £32,000 surplus on revenue activities, £14,000 lower than the forward budget. Significantly this would not be sufficient to meet the £42,000 annual contribution to the Asset Replacement Reserve in full, and therefore a £10,000 draw from the Revenue Reserve is projected.
12. The forecast variance largely reflects the removal of provision for additional income from commercial late payment surcharges, and higher credit card charges relating to income received, both of which are based on the 2022/23 year-end outturn; one-off planned expenditure on replacement office furniture; partly offset by the projected continuation of increased visitor income which has been sustained since the covid pandemic.

13. A revised budget is proposed to include planned draws from the Asset Replacement Reserve of £94,000 for Warsash Bridge remedial works and a net £114,000 for the remaining cost of the new patrol vessels less the expected proceeds from the sale of the current vessels.

### **Contextual Information - Statutory Accounts**

14. 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.
15. 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.
16. The statutory accounts, as detailed in Appendix 1, show a profit for the year of £38,370. This is after a net charge to the accounts relating to depreciation on the assets held of £32,938, a profit of £12,589 on the disposal of assets, and one-off planned expenditure on projects of £4,891 that have been funded from reserves.

### **2022/23 Outturn**

17. The revised budget provided for a surplus on standard revenue activities of £37,000, before the agreed £42,000 contribution to the Asset Replacement Reserve (ARR), with a net deficit of £5,000 to be funded by a transfer from the Revenue Reserve (RR).
18. The final outturn position, as presented in Appendix 2, is a surplus of £52,208 on standard revenue activities, £15,208 higher than the revised budget. The surplus will be used to fund the agreed £42,000 annual contribution to the ARR, with the remaining £10,208 added to reserves.
19. In view of the forecast pressure for 2023/24 as set out below, it is proposed that the full £10,208 is added to the RR and used to offset the expected £10,000 draw required from the RR in 2023/24.

## **Income**

20. Total income for 2022/23 was approximately £26,000 higher than budgeted at £714,002, but £9,000 lower than the forecast presented to the Board in January.
21. Annual Harbour Dues totalled £561,253, marginally higher than the £559,000 budget. The January forecast had included additional income for late payments and surcharges based on the previous year, however this income has proven not to be ongoing.
22. The rise in yachting popularity following the relaxation of Covid-19 restrictions has been sustained and contributed to a £23,000 overachievement of visitor income, with total income for the year of £67,933. Increased income from larger boats staying longer and demand from boats displaced by dredging also contributed to the overachievement.
23. Miscellaneous income was £4,000 higher than budgeted due to increased demand for pile lines and irons services, and higher levels of harbour consent work.
24. However, minimal towing income was received for the year as no pile replacement projects were carried out by the Crown Estate, and retail sales of crabbing equipment have not resumed following the Covid-19 pandemic, so the small other funding income budget was not met.
25. Interest of £4,226 was received, with interest paid on the revenue reserve balance held by Hampshire County Council at an average rate of 2.29% to mirror the average Bank of England base rate.

## **Expenditure**

26. Revenue expenditure for the year totalled £661,794, approximately £11,000 higher than budgeted and £5,000 higher than the forecast presented to the Board in January.
27. Salary costs were £4,000 over budget with the cost of the inflationary pay award being higher than the 2% budget provision. This pressure was partly offset by lower overtime costs.
28. Transport related costs were £5,000 higher than budget due to higher spend on boat repair and maintenance to maximise potential sale values, and rising fuel costs.

29. Credit card income collection charges were £5,000 higher than budget and reflective of the increased costs seen since the introduction of Harbour Assist.
30. Designated person expenditure was £1,285 higher than budgeted due to a change of supplier during the year, which will result in lower annual costs in future years.
31. Expenditure savings were made on the Central Department Charges budget, with actual legal and democratic support required being lower than budgeted; the Environmental Maintenance budget due to less slipway clearances being required during the year; and the Public Jetties & Navigational Safety budget as a bathymetric survey was not carried out during the year.
32. A more detailed breakdown of the income and expenditure is set out in the tables contained in Appendices 2 and 3 and the Notes to Appendices 2 and 3.

### **2023/24 Forecast Outturn and Revised Budget**

33. The 2023/24 forward budget was approved by the Board at the meeting on 13 January 2023. The approved budget allowed for a surplus on general revenue activities of £46,000, which would enable the full £42,000 contribution to the ARR to be made and leave a residual balance of £4,000 to be transferred to the RR and AER.
34. Based largely upon the year end position, the current forecast for the 2023/24 financial year is a surplus of £32,000, £14,000 lower than budgeted. Instead of a contribution to reserves, the forecast would require a £10,000 draw from the RR to meet the £42,000 contribution to the ARR in full.
35. The forecast variance includes:
  - £16,000 underachievement of Harbour Dues income, removing the forecast for commercial late payment surcharges and reflecting the 2022/23 year end position.
  - £9,000 pressure on the Office Expenses budget covering £4,000 one-off expenditure on replacement office chairs and £5,000 for credit card charges relating to income received in line with actual charges over the last two years.
  - £8,000 overachievement of Visitor Income reflecting the higher levels of income sustained over the last two years.
  - Other minor variances include a £1,000 pressure on the Rent and Rates budget, reflecting the higher turnover rental charges seen over the last two years; a reduction of £3,000 on boat repairs and maintenance due to the recent purchase of the new vessels; and

£1,000 additional income from expected increased levels of harbour consents.

36. The planned spend from reserves has changed since the approval of the forward budget and the Board is therefore asked to approve the following revised budget changes:
- Provision for a £94,000 draw from the ARR for the anticipated expenditure on Warsash Bridge remedial works.
  - Provision for a net £114,000 draw from the ARR for the £174,000 remaining 50% cost of the new patrol vessels (subject to exchange rate fluctuations) offset by £60,000 expected proceeds from the sale of the current patrol vessels.

## **Reserves**

37. 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. An 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 2022/23 this equates to £65,100). 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.
38. On 1 April 2022 the Harbour Board approved the following changes to the reserves policy in relation to the Asset Replacement Reserve:
- Increase the annual revenue contribution from £35,000 to £42,000, with future increases linked to the Asset Replacement register reporting agreed in principle.
  - Introduction of a £100,000 minimum Asset Replacement Reserve balance policy to improve future resilience.
39. On 12 January 2023 the Harbour Board approved that any excess revenue surplus that would take the RR balance above the maximum level should be automatically added to the AER unless an alternative proposal was approved.

40. The total reserves for the River Hamble were £547,996 at 31 March 2023, a decrease of £101,200 on the position at the end of 2021/22. The reserves are detailed in Appendix 4
41. It is proposed that the full £10,208 surplus for the 2022/23 financial year be added to the Revenue Reserve, to offset the £10,000 draw from the RR projected for the 2023/24 financial year, resulting in a projected balance of £62,408, just below the £65,100 maximum under the reserves policy.
42. A net amount of £121,551 was transferred from the Asset Replacement Reserve in the 2022/23 financial year, being the £173,773 50% of the cost for the three new vessels, £3,646 cost for the CCTV system, and £3,632 on boat engines, less the planned annual contribution to the ARR of £42,000 and £17,500 proceeds from the sale of the RIB.
43. A draw of £1,259 was made from the Asset Enhancement Reserve for the costs of the new weather station.
44. In 2022/23, interest of £11,402 was received on the reserves balances and income received in advance for annual Harbour Dues. Interest was paid at the average agreed rate of 2.29% on all reserve balances.

## **Conclusion**

45. The report highlights the final position for the 2022/23 financial year, which was more favourable than budgeted, and allowed for the agreed annual transfer to the ARR, plus further transfers to the RR.
46. The reserves remain in a good position and are considered an appropriate level for future anticipated expenditure.
47. The outlook for 2023/24 is now less favourable than previously anticipated with a £10,000 draw from the RR forecast to meet the annual £42,000 contribution to the ARR in full.

## Climate Change Impact Assessment

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.

### 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:**

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