

HAMPSHIRE COUNTY COUNCIL

Report

Committee:	River Hamble Management Committee
Date:	24 June 2021
Title:	River Hamble Final Accounts 2020/21
Report From:	The Director of Corporate Resources and Director of Culture, Communities and Business Services

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Purpose of this Report

1. The primary purpose of this report is to present the final accounts of the Harbour Authority for the year ended 31 March 2021 to the River Hamble Harbour Management Committee for consideration.

Recommendations

2. That this report, the statutory accounts and management accounts be noted by the River Hamble Harbour Management Committee prior to submission to the River Hamble Harbour Board for approval.
3. That the Committee notes that as at 31 March 2021 the General Reserve has a balance of £43,829 and notes that the General Reserve balance is currently expected to exceed the maximum balance set out in the reserves policy, requiring a decision to be taken at that time on how to treat the excess.
4. That the Committee supports the recommended changes to the 2021/22 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 2021 show a net surplus of £26,241, as detailed in Appendix 1. This is after a depreciation charge of £37,569 and net expenditure on projects that have been funded from reserves totalling £15,368.
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 2021 against the 2020/21 revised budget (detailed in Appendices 2 and 3).
8. The management accounts show that the Harbour Undertaking returned a net surplus of £78,640 on general revenue activities. After the agreed £35,000 contribution to the Asset Replacement Reserve, this becomes a net surplus of £43,640, which has been transferred to the General Reserve.
9. The outturn position is less favourable than both the revised budget and the forecast presented as part of the 2020/21 Budget Report to the Committee in December 2020, which predicted net surpluses of £52,000 and £55,000 respectively, after the agreed contribution to the ARR of £35,000.
10. The change since the last report to the Committee is largely the result of reduced income - in particular visitor income and towing charges, and increased charges relating to supplies and services, partially offset by lower than anticipated staff related costs.
11. The balance held in the General Reserve as at 31 March 2021 is £43,829. The reserves policy states that the General Reserve should hold annual surpluses totalling not more than 10% of the gross revenue expenditure budget, which currently equates to £58,500. There is no minimum balance set out in the policy.
12. The main impact of the Covid-19 pandemic relates to visitor income with the total income for the year being £11,090 lower than budgeted. Also, the number of mooring surrenders throughout the year has been higher than usual which could potentially be attributed to the Covid-19 pandemic.

Contextual Information - Statutory Accounts

13. 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.

14. 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.
15. The statutory accounts, as detailed in Appendix 1, show a profit for the year of £26,241. This is after a net charge to the accounts relating to depreciation on the assets held of £37,569, and one-off planned expenditure on projects of £15,368 that has been funded from reserves.

2020/21 Outturn

16. The revised budget projected a surplus on standard revenue activities of £87,000, before the agreed £35,000 contribution to the Asset Replacement Reserve (ARR), with a net surplus of £52,000 therefore expected.
17. At the Committee meeting on 4 December 2020 and Board meeting on 8 January 2021, it was reported that the projected surplus was expected to be £3,000 higher than the revised budget.
18. The final outturn position, as presented in Appendix 2, is a surplus of £78,640 on standard revenue activities, £8,360 lower than the revised budget. The surplus will be used to fund the agreed £35,000 annual contribution to the ARR, with the remaining £43,640 being transferred to the General Reserve.

Income

19. Total income for 2020/21 in the management accounts was £657,592, lower than both the revised budget of £672,000 and the forecast presented to the Committee in December of £667,000.
20. Annual Harbour Dues totalled £545,296. This is £4,296 higher than budgeted and £1,296 higher than previously forecast. Whilst there have been higher than usual numbers of mooring surrenders during the year, potentially due to the Covid-19 pandemic, this has been fully offset by increased income relating to additional dry stacks and a marina reconfiguration leading to increased meterage and therefore higher charges.

21. Visitor income has been impacted by the Covid-19 pandemic with total income for the year of £33,910 being £4,090 lower than forecast and £11,090 lower than budget. Although income levels did recover after the first national lockdown, the second and third lockdowns resulted in further income losses.
22. Towing income was £7,982 lower than budget due to there being no pile replacement projects during the year and far fewer boat movements between moorings to accommodate individual pile maintenance.
23. No income was received for other funding as there were no retail sales during the year.
24. Interest was £915 lower than budget, with interest paid on the reserve balances held by Hampshire County Council reduced to 0.1% to mirror the cut to the Bank of England base rate to 0.1% in 2020.

Expenditure

25. Total revenue expenditure in the management accounts was £578,952 which was lower than the revised budget of £585,000 and higher than the forecast of £577,000 that was presented to the Committee in December.
26. Staff related costs were £16,135 lower than budgeted with seasonal staff pay and training costs being lower than usual. Training costs were also lower than usual due to the Covid-19 pandemic.
27. Supplies and services expenditure was £8,033 higher than budgeted, predominantly due to charges relating to online payments made through the new Harbour Assist System. These charges contributed to credit card and bank related spend for the collection of income being £12,642 higher than budget.
28. 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.

2021/22 Revised Budget

29. At the meeting on 8 January 2021, the Board approved the forward budget for the 2021/22 financial year. The approved budget allowed for a surplus on general revenue activities of £62,000, which would enable the full £35,000 contribution to the ARR to be made and leave a residual balance of £27,000 which, if transferred to the General Reserve, would increase the projected balance from £43,829 to £70,829. This would exceed the current maximum

amount as per the reserves policy of no more than 10% of the gross revenue budget, equating to £61,900 in 2021/22.

30. For the purposes of this report, the anticipated excess revenue surplus is assumed to be transferred to the Asset Enhancement Reserve for future projects to enhance the River Hamble for the benefit of river users. However, this will need to be considered by the Committee and approved by the Board once the final position is known.
31. The forward budget included a £9,000 provision for the impact of pay inflation (based on an estimated rate of 2% as the pay award for 2021/22 had yet to be agreed). Since then, the public sector pay freeze has been announced and the provision will no longer be required. Therefore it is recommended the salaries budget should be reduced accordingly.
32. The budget for past pension contributions remains at £nil, however, it should be noted that 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.
33. As outlined above, charges relating to the collection of income increased in 2020/21 by approximately £13,000. However, the introduction of Harbour Assist has also led to printing and postage savings of approximately £1,000, as invoices no longer need to be printed and then posted. It is therefore recommended that a net increase of £12,000 is made to the office expenses budget.
34. In view of the continuing uncertainties surrounding Covid-19, any potential financial impact has not been factored into 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.

Reserves

35. 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 2020/21 this equates to approximately £58,500). 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.

36. The total reserves for the River Hamble were £590,765 at 31 March 2021, an increase of £48,585 on the position at the end of 2019/20. The reserves are detailed in Appendix 4.
37. The Revenue Reserve increased by £43,640 during the financial year, after the £35,000 transfer to the Asset Replacement Reserve.
38. There was no draw from the Asset Enhancement Reserve during the year.
39. A net amount of £4,407 was transferred to the Asset Replacement Reserve, being the planned annual transfer of £35,000 less £30,593 to fund asset replacement costs and projects. The spend is broken down as follows:
 - Purchase of boat engines - £15,225
 - Boat control mechanisms - £10,485
 - Hamble jetty maintenance - £1,052
 - Tow of donated pontoons - £2,237
 - Navigation Lights - £1,594
40. In 2020/21, interest of £623 was received on the reserves balances and income received in advance for annual Harbour Dues. Interest was paid at the agreed rate of 0.1% on all reserve balances.
41. There is £43,829 held on the Revenue Reserve as at 31 March 2021. It is expected that £18,071 will be added to the reserve in 2021/22 from the surplus on standard revenue activities (after the agreed £35,000 transfer to the ARR) in 2021/22. As highlighted earlier in the report, the balance on the Revenue Reserve will then reach the maximum level allowed under the reserves policy, and a decision will need to be taken on how to deal with the excess, in line with the reserves policy.

Conclusion

42. The report highlights the final position for the 2020/21 financial year, which although slightly less favourable than budgeted, still represents a healthy surplus.

43. This surplus has resulted in a much improved balance within the General Reserve. The outlook for 2021/22 remains positive and a favourable revenue surplus is again expected. However, an element of caution and uncertainty remains surrounding the potential impact of Covid-19.

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:

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.