

HAMPSHIRE COUNTY COUNCIL

Report

Committee:	River Hamble Management Committee
Date:	10 June 2022
Title:	River Hamble Final Accounts 2021/22
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 2022 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 2022 the Revenue Reserve has a balance of £73,705, which exceeds the maximum balance set out in the reserves policy by approximately £11,000.
4. That the Committee considers the proposal to transfer the excess within the Revenue Reserve to the Asset Enhancement Reserve and agrees a recommendation for submission to the River Hamble Harbour Board for approval.
5. That the Committee supports the recommended changes to the 2022/23 budget and their submission to the River Hamble Harbour Board for approval.

Executive Summary

6. 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.
7. The statutory accounts for the year ended 31 March 2022 show a net surplus of £46,406, as detailed in Appendix 1. This is after a depreciation charge of £32,417 and net expenditure on projects that have been funded from reserves totalling £7,480.
8. 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 2022 against the 2021/22 revised budget (detailed in Appendices 2 and 3).
9. The management accounts show that the Harbour Undertaking returned a net surplus of £64,876 on general revenue activities, enabling the agreed £35,000 contribution to the Asset Replacement Reserve to be made in full and a transfer of the remaining £29,876 to the Revenue Reserve.
10. The outturn position is a £5,876 improvement on the budgeted position, mainly as a result of increased income, partly offset by increased environmental maintenance and planned one-off public jetty expenditure.
11. The balance held in the Revenue Reserve as at 31 March 2022 is £73,705. 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 £62,200, £11,505 less than the actual balance. It is proposed that the excess be transferred to the Asset Enhancement Reserve.

Contextual Information - Statutory Accounts

12. 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.
13. 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.
14. The statutory accounts, as detailed in Appendix 1, show a profit for the year of £46,406. This is after a net charge to the accounts relating to depreciation on the assets held of £32,417, and one-off planned expenditure on projects of £7,480 that has been funded from reserves.

2021/22 Outturn

15. The revised budget provided for a surplus on standard revenue activities of £59,000, before the agreed £35,000 contribution to the Asset Replacement Reserve (ARR), with a net surplus of £24,000.
16. The final outturn position, as presented in Appendix 2, is a surplus of £64,876 on standard revenue activities, £5,876 higher than the revised budget. The surplus will be used to fund the agreed £35,000 annual contribution to the ARR, with the remaining £29,876 being transferred to the Revenue Reserve.

Income

17. Total income for 2021/22 was approximately £37,000 higher than budgeted at £718,061.
18. Annual Harbour Dues totalled £572,193, approximately £21,000 higher than budgeted. Whilst there are a number of vacant eight metre moorings with no demand on the waiting list to fill these, income relating to marinas and boatyards was higher than expected due to an increase in dry stack income and marina meterage.
19. A rise in yachting popularity following the relaxation of Covid-19 restrictions has contributed to a £26,000 overachievement of visitor income, with total income for the year of £70,558. Increased income from larger boats staying

longer and demand from boats displaced by dredging also contributed to the overachievement.

20. However, minimal towing income was received for the year as displaced Crown Estate vessels were moored on vacant Crown Estate moorings rather than Harbour Authority moorings, and boat movements were made by vessel owners, and therefore had no associated towing charge, leading to a pressure on this particular income budget.
21. There were also no retail sales during the year, so the small other funding income budget was not met.
22. Interest of £269 was received, with interest paid on the revenue reserve balance held by Hampshire County Council at an average rate of 0.19% to mirror the average Bank of England base rate.

Expenditure

23. Revenue expenditure for the year totalled £653,186, approximately £31,000 higher than budgeted.
24. The overspend primarily relates to one-off planned expenditure on the replacement pump out system and mesh decking at Warsash jetty, and the reconfiguration of the River Hamble Country Park jetty, which have led to a £20,000 budget pressure on public jetties and navigational safety. Additionally, Environmental Maintenance expenditure was almost £9,000 over budget due to the pump out system.
25. Other smaller cost overspends included additional credit card income collection charges within Office Expenses and higher turnover rental charges from the Crown Estate within Premises expenditure, both as a result of the higher levels of income; and higher transport related expenditure due to rising fuel costs.
26. Expenditure savings were made on the Central Department Charges budget, with actual legal support required being lower than budgeted and savings arising from the Harbour Authority meetings being held virtually rather than in-person.
27. 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.

2022/23 Revised Budget

28. The 2022/23 forward budget was approved by the Board at the meeting on 7 January 2022, and the Board subsequently agreed at the meeting on 1 April 2022 to increase the annual ARR contribution from £35,000 to £42,000. This increase is reflected in the revised budget, as shown in appendix 6, which provides for a £37,000 surplus that will be transferred to the ARR, together with a £5,000 draw from the Revenue Reserve to make up the full £42,000 contribution.
29. The planned spend from reserves has also changed since the approval of the forward budget and the Committee is therefore asked to support the following revised budget changes for submission to the Board for approval:
- To remove the £25,000 planned draw from the Asset Enhancement Reserve in 2022/23, as the River Hamble Country Park jetty works were completed in 2021/22 and funded from revenue.
 - To include provision for a £16,000 draw from the Asset Replacement Reserve for anticipated expenditure on replacement boat engines. A further draw is expected for the replacement of at least one longitudinal beam section on Warsash Bridge, but the cost will not be confirmed until quotations have been received later in the year for the works recommended in the engineer's inspection report.
30. Should the increased income levels seen for the 2021/22 financial year continue, this would potentially generate an overachievement against the income budget in the region of £30,000. As income can fluctuate and cost inflation is a current concern, it is not proposed to amend the budget at this time, however, the income levels will need to be kept under close scrutiny to ensure that decisions can be made in a timely manner in relation to the opportunities that any increased income could create.

Reserves

31. 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 2021/22 this equates to £62,200). 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.

32. On 1 April 2022 the Harbour Board approved the following changes to the reserves policy in relation 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.
33. The total reserves for the River Hamble were £649,196 at 31 March 2022, an increase of £58,431 on the position at the end of 2020/21. The reserves are detailed in Appendix 4
34. The Revenue Reserve increased by £29,876 during the financial year, to £73,705 as at 31 March 2022. Under the reserves policy, the balance on this reserve should be no more than 10% of the gross revenue budget which currently equates to £62,200, £11,505 less than the actual balance. It is proposed that the excess be transferred to the Asset Enhancement Reserve.
35. There was no draw from the Asset Enhancement Reserve during the year.
36. A net amount of £27,520 was transferred to the Asset Replacement Reserve, being the planned annual transfer of £35,000, less a total of £7,480 spent on boat engines and navigation lights.
37. In 2021/22, interest of £1,035 was received on the reserves balances and income received in advance for annual Harbour Dues. Interest was paid at the average agreed rate of 0.19% on all reserve balances.

Conclusion

38. The report highlights the final position for the 2021/22 financial year, which was more favourable than budgeted, and allowed for revenue to fund one-off expenditure on the jetties that would otherwise have been charged to reserves, whilst still generating a surplus.
39. The reserves also remain in a good position and are considered an appropriate level for future anticipated expenditure. The improved financial position for 2021/22 has resulted in the Revenue Reserve balance being higher than expected.
40. The outlook for 2022/23 remains positive and a further favourable revenue surplus is expected. However, an element of caution and uncertainty remains surrounding

sustaining the higher levels of income seen in 2021/22 and thus this has not been adjusted for in the revised budget.

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

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.