

**HAMPSHIRE COUNTY COUNCIL****Report**

<b>Committee</b>	River Hamble Management Committee
<b>Date:</b>	26 June 2015
<b>Title:</b>	River Hamble Statutory Accounts 2014/15
<b>Reference:</b>	6672
<b>Report From:</b>	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 2015 to the River Hamble Harbour Management Committee for consideration.
- 1.2. The statutory accounts shown in Appendix 1, fulfil the requirement under Section 42(1) of the Harbours Act 1964 for the River Hamble Harbour Authority to prepare an annual statement of accounts relating to the harbour activities in accordance with the Companies Act 2006. Once approved by the River Hamble Harbour Board, the statutory accounts will 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 audited, as set out in section 477 of the Companies Act 2006, as it meets the definition of a small company.
- 1.4. This report compares the outturn position for income and expenditure for the year ended 31 March 2015 with the 2014/15 budget (detailed in Appendices 2 and 3).
- 1.5. The Harbour Undertaking made a surplus of £39,128 in 2014/15 which was added to the general reserve. This is after the agreed contribution to the Asset Replacement Reserve (ARR) of £35,000, and draws of £16,341 from the Asset Enhancement Reserve (AER) and £78,896 from the ARR to fund agreed projects.

- 1.6. The surplus is an improvement on the original budget forecast which predicted that a draw of £10,000 would be required from the Revenue Reserve to meet the full agreed contribution to the ARR.
- 1.7. Due to the better than expected position, an increased transfer of £88,300 is proposed to be made from the Revenue Reserve to the AER, subject to the approval of the River Hamble Harbour Board.

## **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 164 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 The River Hamble forms part of Hampshire County Council’s final accounts, however, Section 42(3) of the Harbours Act 1964 states that this is not sufficient to fully satisfy the requirements of Section 42(1) of the Act, and that there should be separate published accounts relating to the River Hamble Harbour Authority.
- 2.3 Guidance issued by the Department for Transport states that Statutory Harbour Authorities with an annual turnover below £6.5million can effectively be classed as “small companies”, and as such the requirements of UK Generally Accepted Accounting Practice (UK GAAP) in the form of the Financial Reporting Standard for Smaller Entities (FRSSE) would apply. As the River Hamble Harbour Authority meets the definition of a small company, it is considered that the Authority is exempt from the requirement to audit the statutory accounts under Section 477 of the Companies Act 2006.

## **3. 2014/15 Outturn**

- 3.1. The net profit as shown on the Profit and Loss account in the statutory accounts is £27,159 (Appendix 1), and the surplus generated on general revenue activities (ie after transfers to and from the reserves) was £39,128, higher than the budgeted nil surplus. (A full reconciliation of the profit and loss in the statutory accounts to the surplus on general revenue activities is shown in Appendix 5, in summary the £11,969 difference relates to the projects funded from reserves less the interest received on reserve balances and the difference between the depreciation charge and agreed transfer to the Asset Replacement Reserve).
- 3.2. The £39,128 surplus results from lower than budgeted revenue expenditure offset by higher than budgeted expenditure on projects to be funded from the reserves. 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 in Appendix 3.

- 3.3. Total income for 2014/15 was £598,625, including £4,169 interest received on reserves balances, slightly lower than the £609,400 presented in the original budget and £605,544 income received in the previous financial year. Harbour Dues were £6,400 below budget, mainly as a result of lower jetty charges, and slightly lower than expected outturns across all income groups, with the exception of Miscellaneous Income, which was £2,123 higher than budgeted due to the sale of a spare engine.
- 3.4. Revenue expenditure was £520,328 (excluding the £34,113 depreciation charge and £17,025 on projects funded from reserves shown in the profit and loss account), which is £59,072 lower than budgeted. The main reasons for this are explained below.
- 3.5. Staff related expenditure was £10,357 below the original budget, due to a vacancy and lower than anticipated costs associated with the training for the Harbour Master Apprentice.
- 3.6. The outturn for transport expenditure was £21,457 lower than budgeted, mainly due to lower repair, maintenance and boat refurbishment costs as no new engines were purchased during the year and the replacement of the patrol boat fendering having been delayed to the 2015/2016 financial year. Additionally, the lower numbers of incidents than in previous years has led to lower fuel costs.
- 3.7. Supplies and services expenditure was £27,912 lower than budgeted, due to:
  - The IT costs relating to the implementation of the new E-Harbours system being charged to the Asset Replacement Reserve rather than to revenue, resulting in office expenses being £11,870 lower than expected.
  - Expenditure on the upgrade of the navigation lights at the harbour entrance also being charged to the Asset Replacement Reserve rather than to revenue, leading to a £5,227 underspend against the budget for public jetties and navigational safety.
  - Lower than anticipated costs relating to the clearance of seaweed from the Warsash slipway leading to a £6,336 underspend against the environmental maintenance budget.
  - Central department charges being £6,431 below budget, due to lower than budgeted Legal Services and Democratic Services charges based on actual hours worked.
  - Partly offset by charges owed to the Crown Estate.

#### **4. Reserves**

- 4.1 The total reserves for the River Hamble were £771,820 at 31 March 2015, a decrease of £16,940 on the position at the end of 2013/14. The reserves are detailed in Appendix 4.

- 4.2 The Revenue Reserve increased by £39,128 following the transfer of the 2014/15 surplus. The Asset Replacement Reserve (ARR) was increased by the planned annual transfer of £35,000 from the trading account.
- 4.3 In 2014/15, interest was received on the reserves balances, the budgeted transfer to the ARR and income received in advance for annual harbour dues. Interest was paid at the agreed rate of 0.8% on the first £300,000 and £150,000 held in the ARR and Asset Enhancement Reserve (AER) respectively. All remaining reserve balances received interest at the agreed rate of 0.25%.
- 4.4 A total of £17,025 was drawn from the AER and ARR in 2014/15 for a variety of projects including the bespoke floating keyrings, the River Hamble games, the Visitors Guide and spend on the Warsash slipway. A further £78,212 was drawn from the ARR to purchase assets including £50,000 on the Hamble Jetty replacement pontoons and £23,144 on the new E-Harbours system.
- 4.5 The Harbour Board approved a reserves policy on 18<sup>th</sup> 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) – to hold annual surpluses totalling no more than 10% of the gross revenue budget. 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.
- 4.6 The balance on the RR after the transfer of the 2014/15 surplus is £146,242. It had previously been agreed by the River Hamble Harbour Board at the meeting on 16 January 2015 that £39,000 be transferred from the RR to the AER to meet the cost of future projects in accordance with the reserves policy, subject to the year end balance being sufficient. Based on the year end figures, it is recommended that this transfer be increased to £88,300.

## **5. Conclusion**

- 5.1. The report highlights that robust financial management has resulted in an improved position against the budget, with a surplus being generated.

## **6. Recommendations**

- 6.1 That this report, the statutory accounts and management accounts be noted by the River Hamble Management Committee and submitted to the River Hamble Harbour Board for its approval.**

- 6.2 That the Committee note the proposed increased transfer of £88,300 from the Revenue Reserve to the Asset Enhancement Reserve, in accordance with the reserves policy.**

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

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

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p><b>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.)</b></p>	
<u>Document</u>	<u>Location</u>
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.