

HAMPSHIRE COUNTY COUNCIL**Report**

Committee	River Hamble Harbour Board
Date:	15 July 2016
Title:	River Hamble Statutory Accounts 2015/16
Reference:	7629
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 2016 to the River Hamble Harbour Board for approval.
- 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 2016 with the 2015/16 budget (detailed in Appendices 2 and 3).
- 1.5. The Harbour Undertaking made a surplus of £1,400 in 2015/16 which was added to the general reserve. This is after the agreed contribution to the Asset Replacement Reserve (ARR) of £35,000, and a draw of £170,157 from the Asset Enhancement Reserve (AER) to fund agreed projects.
- 1.6. The surplus is an improvement on the original budget forecast which predicted that a draw of £12,000 would be required from the Revenue Reserve to meet the full agreed contribution to the ARR.

- 1.7. The balance on the General Reserve as at 31 March 2016 is £108,642, which remains in excess of the 10% gross revenue budget (equating to approximately £59,000) as per the agreed reserves policy. There are a number of options for addressing the excess balance that the Board may wish to consider.

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 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. 2015/16 Outturn

- 3.1. The Profit and Loss account shows a net loss of £164,642 (Appendix 1), however this is after expenditure on projects funded by reserves of £170,157.
- 3.2. The management accounts show a surplus generated on general revenue activities (i.e. after transfers to and from the reserves) of £1,400, 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).
- 3.3. The £1,400 surplus results from lower than budgeted revenue expenditure, largely offset by lower than budgeted income. 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.
- 3.4. Total income for 2015/16 was £600,431, including £5,919 interest received on reserves balances, lower than the £623,000 presented in the original

budget but slightly higher than the £598,625 income received in the previous financial year.

- 3.5. This was mainly due to Visitor income being £13,895 below budget (the Visitors' income in previous financial years was higher due to the Royal Southern development and pile replacement programme leading to greater use of the Visitors' moorings).
- 3.6. Harbour Dues were £3,522 below budget, mainly as a result of lower jetty charges and harbour dues from marinas and boatyards, offset by slightly higher than expected outturns from river moorings, miscellaneous income and net sublet income.
- 3.7. Revenue expenditure was £558,112 (excluding the £36,804 depreciation charge and £170,157 on projects funded from reserves shown in the profit and loss account), which is £33,888 lower than budgeted. The main reasons for this are explained below.
- 3.8. Staff related expenditure was £18,499 above the original budget, due to the additional cost of the new assistant harbour master recruited during the year and also the advertising / interview expenses associated with the appointment of the new Harbour Master.
- 3.9. Premises expenditure was £5,560 below the original budget, due to lower than budgeted expenditure on rent/rates, utilities and premises repairs and maintenance.
- 3.10. The outturn for transport expenditure was £25,839 lower than budgeted, mainly due to lower repair, maintenance and boat refurbishment costs as the replacement of the patrol boat fendering was not completed. Two new engines were purchased for the patrol boats, but these costs were partially offset by the buyback of the old engines.
- 3.11. Supplies and services expenditure was £20,988 lower than budgeted, due to:
 - Lower IT costs as following a review, further development of the new E-Harbours system is not now considered to be suitable. However, an alternative system with more functionality will be explored going forwards.
 - The environmental budget being £8,423 underspent, due mainly to fewer clearances of seaweed from the Warsash slipway as a result of the modification work carried out.
 - Central department charges being £12,242 below budget, due to lower than budgeted Legal Services and Democratic and Member Services support charges, which are 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 £644,352 at 31 March 2016, a decrease of £127,468 on the position at the end of 2014/15. The reserves are detailed in Appendix 4.
- 4.2 The Revenue Reserve decreased by £37,600 following the transfer of £39,000 to the Asset Enhancement Reserve, as agreed by the Harbour Board in January 2015, offset by the £1,400 in year surplus. The Asset Replacement Reserve (ARR) was increased by the planned annual transfer of £35,000 from the trading account.
- 4.3 In 2015/16, 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 0.5% on all reserve balances.
- 4.4 A total of £170,157 was drawn from the AER in 2015/16 for a variety of projects including the contribution to the Hamble Lifeboat Station, the Sediment Management Desktop study and work on the Warsash slipway improvements.
- 4.5 The Harbour Board approved a reserves policy on 18th 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 2015/16, 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.
- 4.6 The balance on the General Reserve as at 31st March 2016 is £108,642, which remains in excess of the 10% gross revenue budget (equating to approximately £59,000) as per the agreed reserves policy. The Board has already committed to a zero percent increase in the Harbour Dues for 2016 to start to redress the balance, and based on the current balance and being mindful of the practicalities discussed last year in terms of issuing refunds, it is recommended that the Board considers a further one-year freeze when the level of Harbour Dues for the coming year is reviewed in the Autumn.

5. Conclusion

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

6. Recommendations

That the River Hamble Harbour Board:

- i) Approves this this report, the statutory accounts and management accounts for 2015/16.
- ii) Considers the proposal that Harbour Dues be frozen for a further year and that this proposal is brought to the Board for approval at the next Board meeting in September 2016.

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.