

Southwold Harbour

Annual Report and Accounts | 31 March 2020



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1. Introduction

Stephen is the Chief Executive of East Suffolk Council and in turn, Southwold Harbour.

The caravan site has continued to thrive this year. The team have continued to make improvements to the camping and campervan fields, with the addition of more power points and hard standing, and improvements to showers and bathrooms. Security arrangements have been improved and health and safety issues addressed.

We've had another strong year in the harbour itself, with strong visitor numbers – albeit not as high as in the previous year. Once again managing the demands placed on the harbour by all of these visitors is the job of the harbourmasters and seasonal staff, who continue to do a great job.

Southwold Harbour is a special place and we are fortunate to have it within our district. But we know that it is a location that comes with a considerable responsibility; that we need to understand the forces at work in the river, the estuary and at sea, and to be ready to make the changes and investments needed to maintain this wonderful natural resource for harbour users and visitors for years to come.

In terms of the long term governance of the Harbour. In last year's report we were able to share that there has been agreement on the

correct structure to manage the harbour- a Harbour Management Committee. A Harbour Management Committee – similar to those that manage other, similar harbours across the country – is a way that local voices can have a seat around the table when decisions are made affecting the Harbour. Further details on the make up the committee and of a stakeholder group have been consulted on, and it is the hope of the Council that the HMC will be in operation by the end of the financial year, 2021.

This report covers the period to March 2019. Immediately after that period, Coronavirus struck, and presented a huge challenge to Southwold Harbour. The impacts of that will be the subject of next year's report. It is enough to say that every effort has been taken to operate the harbour safely and continue with the work to set up the HMC during this period of restriction and uncertainty. In last year's report we expressed a desire to ensure a secure future for Southwold as a working harbour.

Despite coronavirus and challenging circumstances, this desire remains unchanged.



2. Background Information

Relevant legislation:

- Pier and Harbour Orders (Elgin and Lossiemouth and Southwold) Confirmation Act 1933;
- The Harbours Act 1964;
- The Transport Act 1981;
- The Harbour, Docks and Piers Clauses Act 1847;
- The Statutory Harbour Undertakings (Accounts etc.) Regulations 1983; and
- Local Government Act 1972.



3. Report on Statutory Harbour Undertakings

East Suffolk Council is the statutory harbour authority for Southwold Harbour and 'The Corporation' for the purpose of the Pier and Harbour Orders (Elgin and Lossiemouth and Southwold) Confirmation Act 1933 (Hereafter referred to as the 1933 Harbour Order). Harbour legislation requires the Council to prepare an annual statement of accounts relating to harbour activities and any associated activities for each harbour for which it is the statutory harbour authority. This report contains a summary of activities during the year and the financial statements for the year ended 31 March 2019 for Southwold Harbour.

Principal activities:

The principal activities during this year continue to be the provision and maintenance of anchorage, moorings, pontoons and associated harbour facilities as well as the management of leases for harbour land and buildings.

Harbour Management Committee Update

At a meeting held at the end of March 2019, it was agreed that a new strategic body called the Harbour Management Committee will oversee harbour operation, bringing expertise and experience to the management of the port.

In July 2019, the JC met to consider the advice and draft constitution for the Harbour Management Committee, provided by Ashfords LLP. It was agreed that these documents would be put out to public consultation, between September and December 2019.

Following the close of the public consultation, a further meeting was held in February 2020 at which a representative from Ashfords LLP attended to answer questions about the proposals for the creation of the HMC. At the meeting held on 3 February it was resolved by the JC that:

1. the Harbour Management Committee should be created by the Cabinet of East Suffolk Council, based on the revised Terms of Reference and the revised Memorandum of Understanding agreed in the meeting and initialled by the Chairman for the purposes of identification
2. Ashfords LLP should be instructed to prepare the draft terms of reference and structure for the Advisory Group as soon as reasonably practicable
3. a skills audit for the Harbour Management Committee is carried out as soon as reasonably practicable
4. the Joint Committee should be disestablished on creation of the Harbour Management Committee

Following that meeting, Ashfords were instructed by the council to prepare the draft terms of reference and structure for the Advisory Group as well as advice on the method of appointment to the HMC. This has now been completed, and draft documents prepared. It is the intention of East Suffolk Council to convene a meeting later in 2020 to establish the HMC, with a view to it being operational by the end of the financial year 2021.

4. Officers' Report

Section 42 of the Harbours Act 1964, as amended by paragraph 10 of Schedule 6 to the Transport Act 1981, specifies requirements as to accounts and reports relating to the activities of statutory harbour undertakings. It is the duty of every statutory harbour undertaker to prepare an annual statement of accounts relating to the harbour activities and to any associated activities carried out. This requirement cannot be satisfied by the preparation of a statement of accounts which relates to other activities in addition to harbour activities.

The accounts prepared under the Harbours Act 1964 shall be prepared in accordance with the requirements of the Companies Act 2006 as to the form and content of the accounts and reports, and shall be subject to an assurance review. It shall be the duty of any person by whom a statement of accounts is prepared to send to the Secretary of State for Transport a copy of the statement, together with a copy of the assurance reviewer's report on it.

In the case of the harbour undertakings carried out by East Suffolk Council, all of the harbour undertakings are part of the council's service provision to residents, and in accordance with their duties as the Corporation as outlined in the 1933 Harbour Order. On that basis, these accounts have been prepared for Southwold Harbour activities in a style which is consistent with the reporting requirements of the Companies Act 2006.

However the legislation does not prescribe the form of assurance review to be undertaken, and neither does the Local Audit and Accountability Act 2014 (or the previously extant legislation, the Audit Commission Act 1998) which specifies the audit requirement for public

bodies. Clarification was issued by the Audit Commission that, as the council's harbour accounts are below the threshold for the Companies Act, they are reviewed by the assurance reviewer on the basis of Agreed Upon Procedures. In this case, the Council's external auditor is required to confirm that the harbour accounts have been prepared on a reasonable basis, by confirming that the transactions recorded in the annual statement of accounts relating to harbour activities agree to the underlying records upon which they have been prepared and are consistent with the transactions recorded in the local authority financial statements for the same reporting period. They will also confirm that the accounts cast correctly.

It is considered that Southwold Harbour activities as presented here in abbreviated form are consistent with the reporting requirements of the Companies Act 2006. We have acknowledged our responsibilities for ensuring that accounting records are kept which comply with Companies Act 2006, and for preparing accounts which give a true and fair view of the state of affairs of Southwold Harbour and of the profit or loss for the financial year. Accordingly, we have prepared abbreviated financial statements which comprise the Profit and Loss Account, the Balance Sheet and the related notes to the accounts from the accounting records of the council's Southwold Harbour activities and on the basis of information and explanations that have been provided by operational staff and officers engaged in port and harbours activities.

The accounts summarise the transactions for the 2019/20 financial year and the financial position at the year-end of 31 March 2020. The authority is required to prepare the accounts in accordance with

proper accounting practices. The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets.



Activity Report – Update

Southwold Harbour is sited within The Southwold Harbour Lands, as prescribed and delineated by the 1933 Harbour Order.

As Harbour Authority and ‘Corporation’ for the purpose of the 1933 Harbour Order, East Suffolk Council lets a number of holdings within Southwold Harbour Lands, to various parties.

Revenue from Southwold Harbour is retained for use in its operation, in accordance with and as outlined in sec 39 of the 1933 Harbour Order.

Southwold Harbour is managed by a Harbour Master and Deputy Harbour Master. Harbour users have formed an Association (Southwold Harbour & River Blyth User Association) which has regular meetings with Harbour staff and designated, responsible East Suffolk Council officers, to discuss issues pertaining to Southwold Harbour.

Southwold Harbour attracts a large number of pedestrian visitors as well as pleasure and business vessels, who use its facilities. The port is home to a number of artisanal fishermen; visiting wind farm vessels are increasing, due to developing projects for renewable energy in the area.

The Harbour is fully compliant with the Trinity House requirements, confirmed at their annual inspection or navigation marks. It is also pleasing to report there have been no injuries reported at the Harbour during the past year.

There were 1150 overnight stays at Southwold Harbour in 2019/20 and the Harbour Master and Deputy Harbour Master dealt with 3888 radio calls. Of those overnight stays, 220 of the visiting vessels were from other countries, predominantly Belgium and the Netherlands.

In 2019, the Council appointment Royal Haskoning DHV to deliver a Southwold Harbour Study. This project is being undertaken to examine the various issues for the harbour and advise on options to address the future function and operation of the Harbour entrance in the broader context of the management of the Blyth Estuary. An investment plan will be developed which sets out future funding needs and informs decisions relating to the prioritisation of works. A stakeholder group was established, and an initial scoping workshop was held in December 2019. At this session, the group was given an overview of the project and discuss the key issues for the future management of the harbour, the condition of the harbour structures and embankments, the hydrodynamic behaviour of the harbour and wider estuary.

Further contact and workshops for the stakeholder group will continue through 2020 and by July we hope to be in a position to review initial findings from the modelling work carried out and discuss potential options.

In addition to the cyclical maintenance routine observed by harbour staff and East Suffolk Council, other activities during 2019/20 include:

- Specification for repairs and replacement of the fendering on the north pier head works have been prepared, for works to commence in 2020
- Agreed plans for the replacement of 180ft fixed stage visitors berths with pontoon berths
- New CCTV in place, which has assisted us in supporting the police and border control with suspected criminal activity



5. Profit and Loss Account

This statement provides information on how the harbour authority has performed throughout the year and as a result, whether or not their operations have resulted in a surplus or a deficit.

	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000
Turnover:					
- Sale of fuel / electricity	(34)	(33)	(31)	(21)	(5)
- Harbour dues and mooring	(42)	(40)	(43)	(38)	(46)
- Lease income	(42)	(42)	(42)	(42)	(42)
- Property and stage rent	(130)	(133)	(125)	(129)	(117)
- Car parking income	(58)	(64)	(51)	(46)	(39)
- Contribution from campsite to capital investment	(47)	(136)	(179)	(107)	(176)
- Other income	(44)	(66)	(235)	(268)	(143)
Total income	(397)	(513)	(706)	(651)	(568)
Operating Expenses:					
- Employees	99	93	92	72	69
- Premises	33	23	29	63	58
- Transport	0	0	0	9	0
- Supplies and services	77	60	46	16	20
	209	176	167	160	147
Other Expenses:					
- Support services	4	38	38	35	28
- Depreciation	142	142	146	148	149
- Repayment of capital investment	34	71	253	242	199
- loss on disposal of non current assets	0	(2)	7	0	(210)
- Use of reserve for maintenance works	0	0	0	(55)	0
	179	249	444	370	166
Total Expenditure	388	425	611	530	313
(Profit) or Loss for the Year	(8)	(88)	(95)	(121)	(255)

6. Balance Sheet

This statement provides a snapshot of the financial position as at 31 March 2020, showing what the harbour authority owns and owes.

	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000
Non current assets:					
- Property, plant and equipment	5,114	5,256	5,402	5,546	5,651
Total non current assets	5,114	5,256	5,402	5,546	5,651
Current assets:					
- Cash	1	1	1	2	0
Total current assets	1	1	1	2	0
Current Liabilities:					
- Creditors	(20)	(20)	(1)	0	0
Total current liabilities	(20)	(20)	(1)	0	0
Long term liabilities:					
- Long term creditors	(797)	(947)	(1,181)	(1,422)	(1,646)
Total long term creditors	(797)	(947)	(1,181)	(1,422)	(1,646)
Net Assets	4,298	4,290	4,221	4,126	4,005
Capital and reserves	(4,298)	(4,290)	(4,221)	(4,126)	(4,005)
Total Reserves	(4,298)	(4,290)	(4,221)	(4,126)	(4,005)

7. Notes to the Accounts – Accounting Policies

a. General principles

The Statement of Accounts summarises the Harbour Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Harbour Authority is required to prepare an annual Statement of Accounts to meet the requirements of the Harbours Act 1964 (Section 42) and in accordance with the requirements of the Companies Act 2006. The figures disclosed in this Statement of Accounts may vary from those disclosed in the District Council's statement of accounts due to the differences in accounting requirements.

b. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Harbour Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Harbour Authority.
- Revenue from the provision of services is recognised when the Harbour Authority can measure reliably the percentage of

completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Harbour Authority.

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments have been received in advance of obligations being performed, they have been recognised as a liability on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress with inventories on the Balance Sheet.

c. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Harbour Authority as Lessor

Operating leases

Where the Harbour Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Profit and Loss Account. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

d. Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service.

e. Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), and expenditure below a de-minimis level of £10,000, is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure - depreciated historical cost;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Assets included in the Balance Sheet are revalued at least every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to Other Expenses where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against Other Expenses in the Profit and Loss Account for the amount not covered by any Revaluation Reserve balance for that asset.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against Other Expenses in the Profit and Loss Account for the amount not covered by any Revaluation Reserve balance for that asset.

Where an impairment loss is reversed subsequently, the reversal is credited to Other Expenses in the Profit and Loss Account, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;

- vehicles, plant, furniture and equipment - straight line allocation over the useful life of the asset, as advised by a suitably qualified officer; or
- infrastructure - straight-line allocation over 40 to 60 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, and whose life is materially different to that of the main asset, the components are depreciated separately. This will generally apply where the cost of the potential component exceeds 25% of the total cost of the asset, and where the life of that component is less than 50% of the expected life of the main asset. Below those de minimis levels, it is unlikely that a failure to account separately for components would have a material impact on depreciation charges, using the Harbour Authority's capital expenditure de minimis level of £10,000 as a guide for material impact.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non-current assets held for sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to Other Expenses in the Profit and Loss Account as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Profit and Loss Account also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of

disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

f. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Property, plant and equipment

	Land £'000	Buildings £'000	VPE* £'000	Infrastructure £'000	Total £'000
Cost:					
As at 1st April 2019	930	434	0	5,488	6,852
Additions	0	0	0	0	0
Revaluations	0	0	0	0	0
Derecognition	0	0	0	0	0
As at 31st March 2020	930	434	0	5,488	6,852
Depreciation and impairment:					
As at 1st April 2019	0	72	0	1,524	1,596
Charge for the year	0	18	0	124	142
Derecognition	0	0	0	0	0
As at 31st March 2020	0	90	0	1,648	1,738
Net book value as at 31st March 2020	930	344	0	3,840	5,114
Net book value as at 31st March 2019	930	362	0	3,964	5,256
* VPE means vehicles, plant and equipment					

Long Term Creditors

The long term creditor disclosed within the balance sheet relates to the outstanding sum due to East Suffolk Council for the capital investment into the harbour which has been paid for by the taxpayers of East Suffolk Council as the Harbour itself did not have the funds available to undertake the works required.

8. Auditors Opinion

Please refer to the audit opinion issued to East Suffolk Council within their 2019/20 Statement of Accounts.