

The logo for Harwich Haven Authority is located in the top right corner. It consists of a dark teal square containing the text "Harwich Haven Authority" in white, stacked vertically. Below the text is a stylized graphic of three overlapping waves in shades of yellow and blue.

Harwich
Haven
Authority

The background of the entire page is a photograph of a harbor at sunset. The sun is a large, bright yellow orb in the center of the sky, casting a long, shimmering reflection on the water below. The sky transitions from a pale yellow near the horizon to a soft purple at the top. In the distance, the silhouettes of several large cranes are visible against the bright light. The foreground shows a dark, silhouetted landscape with some buildings and structures.

Harwich Haven Authority

Annual Report and Financial Statements 2018



ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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ABOUT US

Harwich Haven is a major trade gateway, which has been fuelling the UK's economy since 1863. With five port facilities operating in the Haven area, our marine services operate 24 hours a day, 365 days of the year.

STRUCTURE AND GOVERNANCE

Harwich Haven Authority is a trust port, which is a statutory body governed by legislation and managed by an independent Board.

Our trust port status means we do not have shareholders, do not receive public funding and operating surpluses are reinvested back into the organisation for the benefit of our stakeholders. Our stakeholders

include: employees, customers, local residents, businesses, local and regional community groups, and local and national Government agencies.

Our jurisdiction covers the River Stour, the lower part of the River Orwell, Harwich Harbour and a 12 nautical mile stretch of sea leading into the Haven.

VISION

We aim to be an exemplary trust port offering world class services, working with all stakeholders for a flourishing Haven.

STRATEGIC OBJECTIVES

- 01 To sustain leading standards for safety of navigation.
- 02 To deliver long term financial sustainability.
- 03 To work in partnership with others to protect and improve the environment within the Haven.
- 04 To be proactively engaged and work in partnership with all stakeholders.
- 05 To maintain a continuous focus on improving customer service.
- 06 To proactively develop our world class capability to handle future vessel and port developments.
- 07 To develop and maintain a high-performing team.
- 08 To engage with, and lead where appropriate, development projects in the Haven.
- 09 To explore commercial opportunities in partnership with others in the Haven.
- 10 To raise the Authority's profile, communicating more effectively with our stakeholders.
- 11 To invest in our assets to support our strategic goals.

HAVEN HIGHLIGHTS

It took a big Harwich Haven Authority team effort to move the Harbour's resident Lightship, which is owned and managed by the Pharos Trust, to a temporary mooring in Ipswich Marina in September 2018.



Our iconic Ha'penny Pier hosted a variety of family-focused events as part of the annual Harwich Festival of Arts.



Pictured left to right: Jim Keohane, Chair, Harwich Haven Authority - Nusrat Ghani MP - Baroness Scott of Needham Market, Deputy Chair, Harwich Haven Authority - Neil Glendinning, Chief Executive, Harwich Haven Authority

In June 2018 we welcomed the Assistant Government Whip and Parliamentary Under Secretary of State for Transport, Nusrat Ghani MP, to meet with the Authority's senior team and tour our operations.



We always look forward to - and sponsor - the annual Harwich International Shanty Festival, which attracts people from across the world.



We were delighted to welcome more than 120 people to our Annual Public Meeting, which was held in July 2018.



What better place to home this wonderful piece of public art Esturiana (Goddess of the Estuaries) than Ha'penny Pier. Funded by Arts Council England and created by artist Anne Schwegmann-Fielding.



STATEMENT BY THE CHAIR

Despite facing challenges to our business during 2018 we continue to deliver high quality services to our customers.

I am pleased to report that the Authority achieved a successful outcome to 2018 and returned a positive surplus, despite an increase in challenges that faced the business.

These challenges were both global, as a result of the changes to trades and port calls by vessel operators, and local as ports in the UK and Europe compete harder for business.

This means the Authority must, more than ever, ensure the services we provide continue to be of the highest standard and delivered at the most competitive price we can achieve. During 2018 we continued to look very closely at how we operate all aspects of our business and at all of our costs.

The outcome of this initiative has meant considerable change to how many of our employees work. I am greatly impressed by the way in which everyone at the Authority has embraced these changes and sustained high quality services to our customers.

The business also faces pressures to comply with increasing standards of cyber security provision. While these requirements are an increased cost to the Authority, they will greatly improve our resilience to the growing and serious threats that our business may face.

At the end of 2018 we made some changes to our Board membership. We said goodbye to our Deputy Chair Baroness Scott of Needham Market who contributed so much to the Authority through her two terms of office.

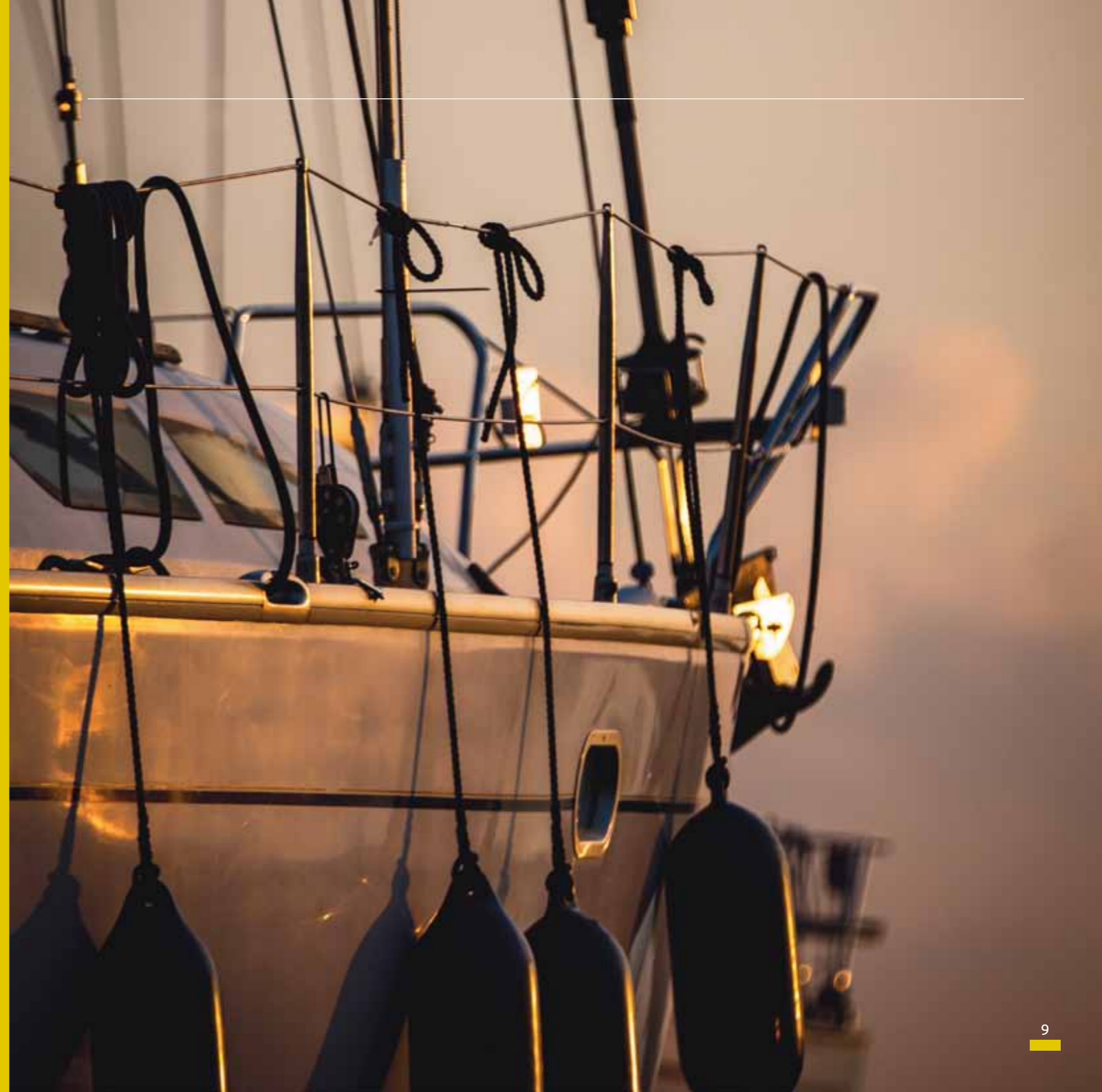
At the start of 2019 we welcomed Dame Lin Homer and Flemming Dalgaard who takes the position of Associate Non-Executive Director before taking up full board membership at the end of 2019. Both bring a wealth of experience gained

respectively within the public sector and the shipping industry. Current Board member Keith Winstanley accepted the role of Deputy Chair of the Board and his term of office started on 1 January 2019.

Finally, on behalf of myself and members of the Board, I extend my thanks to both the management and employees of the Authority for the way in which they have worked so hard to meet the challenges of 2018. Each and every one of them has contributed to the success we have achieved this year.

J Keohane

Chair
16 May 2019





NEIL GLENDINNING
Chief Executive

STATEMENT BY THE CHIEF EXECUTIVE

Throughout 2018 our efforts were focused on making good progress towards achieving our strategic goals, which included delivering long-term financial sustainability, proactively engaging with external stakeholders, sustaining leading standards of safety of navigation, attracting and retaining well trained and engaged employees and protecting and improving the environment within the Haven.

Our strategic goals, along with our fundamental trust port requirement to conserve, protect and improve the Haven for the benefit of all stakeholders, provides the framework for everything that we do.

I am pleased to report that we have made good progress in achieving our strategic goals. We continue to make considerable improvements to our long-term financial planning to ensure we are well-placed to face both current and future challenges. Our good record of navigational safety improved further with a reduction in the number of marine incidents. We continue to attract and retain high calibre employees in all areas of the Authority's operations, despite the traditional sources of recruitment into marine roles continuing to decline. I receive many compliments

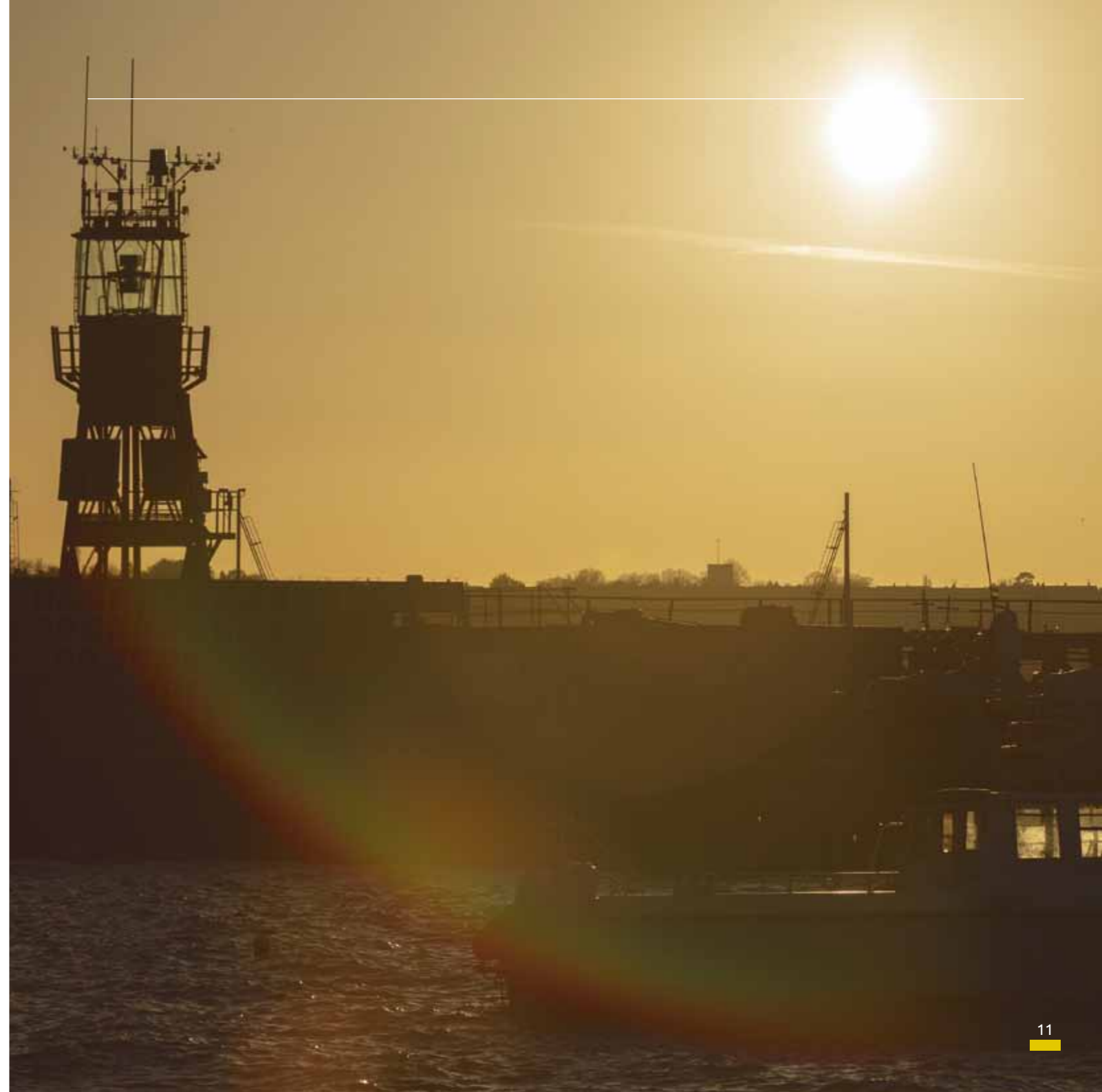
from stakeholders about the quality of our website and other information that we make available to the many people, local and not so local, who have a great interest in what we do every day. We also continue to raise awareness with our stakeholders about the precious natural environment of the two rivers, the harbour and the seaward approaches that sit within our area of jurisdiction.

We have achieved all of this in a challenging financial situation. The number of vessels calling at Haven Ports, principally Felixstowe, declined during 2018 with an adverse impact upon the Authority's revenues. This is the result of continuing changes within the global container vessel fleets and also as a result of some difficulties experienced by the Port of Felixstowe during the second half of 2018.

However, as a result of some of the efficiencies that we have made in the way that we operate the business, the Authority returned a surplus after tax of £3.9 million, which will allow us to continue to invest into the business during 2019.

The External Landscape

The challenges faced in recent years by the global container shipping industry continue. There still exists a significant imbalance between the supply of vessels and the demand driven by shippers wanting to transport their goods, particularly between China and the United Kingdom. There is also a significant number of new vessels ordered for delivery during 2019/20 which will further compound the imbalance. This will continue to place downward pressure on the freight rates operators can charge shippers. As a result,



vessel operators will seek even further reductions in their costs. This costs pressure led to the formation of the vessel operating alliances three years ago and these alliances are realising more efficiencies by rationalising some of their services and pooling cargoes into ever fewer but larger vessels. This trend is set to continue, with the number of the largest vessels predicted to double within the next two years.

The Authority has met the challenge of larger vessels visiting the Haven by developing our pilots' skills to handle these huge vessels safely and efficiently. We will continue to lead the industry in this area and to ensure that customers looking to send their vessels to the Haven Ports can do so in the knowledge that their vessels can reach and depart from the port facilities both safely and efficiently. Haven Ports continue to handle more of the largest vessels afloat than any other UK port.

During 2018 the media was dominated by the political challenges surrounding the UK's EU-Exit, with many articles forecasting major disruption to vessel traffic at ports and shortages of essentials from medicines to foodstuffs. We have worked closely with government departments, the

local resilience agencies and port facilities to ensure that we are all prepared for whatever the outcome of the Brexit negotiations turns out to be.

The Authority and Haven Ports are well placed to adapt to whatever changes emerge from the way we trade with our European and international partners. Haven Ports have significant capacity to absorb any additional traffic that may be displaced from more congested Channel ports.

Throughout 2018, the short-sea Haven Port facilities of Ipswich, Harwich International, Navyard and Mistley have enjoyed buoyant trades with customers around Europe and all report themselves well prepared for the challenges and the opportunities that flow from an EU-Exit – whatever they may be!

Fit For Purpose Operating Systems

Haven Ports are significant to the national transport infrastructure and as such the Authority's Vessel Traffic Services operation was identified under the EU's NIS directive as an 'essential service'. Therefore, we have been tasked with ensuring our cyber resilience complies with the stringent requirements of the NIS directive. Working closely with the

Department for Transport we have developed a robust compliance plan and are making good progress in strengthening our cyber security systems to ensure that we can meet the growing threat from malign attacks.

Additionally, much progress has been made during 2018 improving internal operating systems by sourcing new, off-the-shelf solutions for our accounting processes, asset management and employee rosters.

Building strong stakeholder relationships

The Corporate Services team had a successful year developing relationships with stakeholders using the Haven. The team actively took part in initiatives related to tourism, coastal communities planning, sea safety, multi-agency communications activities and community sponsorship projects. We also launched an awareness campaign focused on reducing the amount of plastics used and discarded into the Haven. Responses to the initiative culminated in a community beach clean event and we held free workshops for primary-aged children that used recycled materials to reinforce these messages.

In support of our community giving strategy we have been

delighted to join with the Essex Community Foundation and Suffolk Community Foundation who have ensured that our funding goes to grass-roots initiatives that benefit stakeholders on both sides of the Haven. See page 42 for more information about community giving activity.

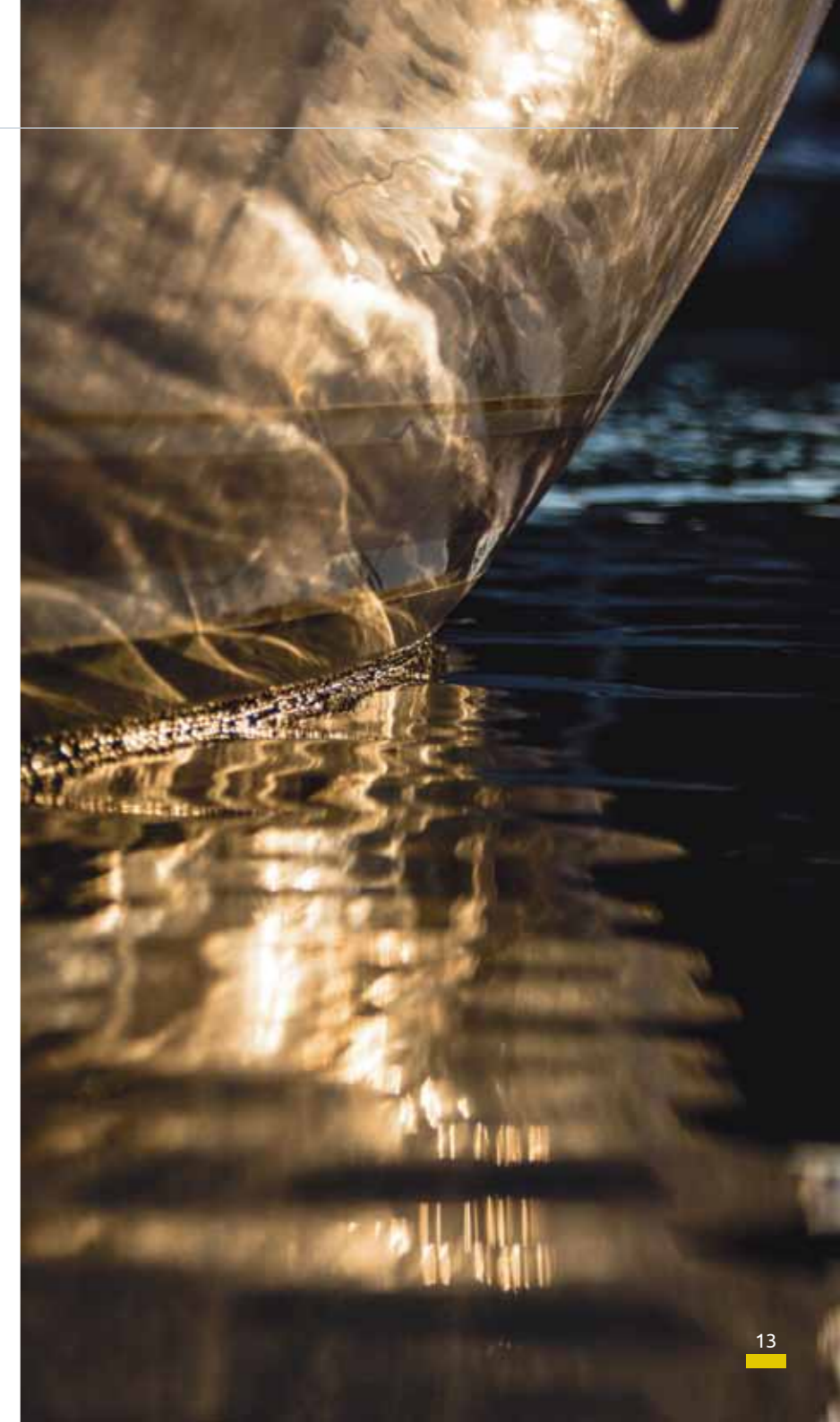
Balancing our Dredging Operation

Maintenance dredging of the Harwich Harbour remains one of our largest items of expenditure. It is also an activity that presents the most potential environmental challenges, requiring us to continually monitor and assess any impact dredging the harbour may have on the estuaries and foreshore, which are important intertidal feeding habitats for resident and visiting birds.

As part of this process we work closely with local, regional and national bodies and agree mitigation to address issues, such as the beneficial sediment placement activities we undertake in the both the Orwell and Stour estuaries.

Looking Ahead to 2019...

We will continue to review how our business operates; seeking efficiencies wherever we can without reducing the quality of the services we deliver against the backdrop of changes in global





shipping patterns and increased competition for trade by ports in the UK and continental Europe.

Our plans for the future development of the port are developed after listening carefully to our customers, and what they need to make their visits to the Haven Ports successful.

As the number of the largest container vessels continues to grow, so too do the pressures on the seaward approach channel and the harbour. At present, by careful management of the vessel traffic by our pilots and VTS, all visiting vessels suffer very few delays to their arrival or departure from the port. However, in the very near future we believe that the increased number and size of these vessels will require wider unrestricted tidal access, and to achieve this the Authority intends to deepen the harbour and seaward approach channel.

We have conducted extensive investigations and modelling to ensure that this project will not impact adversely on the environment of the Haven, and we continue to work closely with the regulators such as the RSPB, CEFAS and the Environment Agency while we carry out this work.

The Authority will be making a formal application to the Marine Management Organisation (MMO) in 2019 to deepen the harbour and channel up to a depth of 16.0 metres below chart datum. This will open the access to Felixstowe to the deepest and largest vessels with virtually no tidal restriction. We will be keeping our stakeholders informed about this major project via our communications channels, which include a number of public events.

Finally, we are very conscious of the beautiful environment surrounding the Haven Ports and we take very seriously our responsibilities to protect and enhance it so future generations can enjoy it. We'll continue to influence what our stakeholders do that might preserve our sensitive rivers and harbour. Small changes such as driving the reduction of plastic waste in our waters and educating local schoolchildren about how they can make a difference will help ensure the future of the Haven waters.

Of course, while we are doing all of this, we will continue the day job of doing everything that we can to look after the safety of everyone who uses the waters of the Haven Ports, from the

largest commercial operators to fishermen and leisure vessel owners to passengers.

N Glendinning

**Chief Executive
16 May 2019**



JAKE STOREY
Chief Financial Officer

STATEMENT BY THE CHIEF FINANCIAL OFFICER

The number of vessel movements within the Authority's jurisdiction increased by 14% to 15,775, however, despite this increase the number of vessels piloted in the Haven Ports during 2018 reduced by 7% to 4,477.

This decrease was reflective of vessel owners' shift towards operating larger vessels as well as the challenges experienced by the Port of Felixstowe in the second half of 2018. As a consequence the gross tonnage of shipping entering the ports decreased by 8% to just over 194 million gross tons.

Despite implementing measures to tighten our spending, the Authority did experience an increase in cost, due to higher fuel prices and higher siltation that led to an increase in dredging expenditure.

Our two main revenue sources, pilotage and conservancy, produced a consolidated revenue of £25.5 million (2017: £26.5 million). In 2018 the Authority produced a surplus after taxation of £3.9 million (2017: £6.8 million).

We utilised our operating surplus in 2018 to service outstanding

borrowing and invest in essential capital projects. Investment in capital projects during the year totalled £1.4 million and included the refurbishment of Ha'penny Pier, buildings and mooring pontoons, cyber security improvements and the replacement of operational systems. In addition the Authority repaid debt of £2.4 million.

The financing of the Authority's Defined Pension Benefit Scheme remained a significant commitment during 2018. Following a period of consultation and negotiation with members of the Authority's Defined Benefit Scheme and the union Unite, formal agreement was reached to close the scheme to future accrual in the first quarter of 2019. As a result of this action, the Authority has established a new Defined Contribution pension scheme which will benefit all employees, and will remove any future risk

to the business that would have accrued from future service liabilities to the scheme.

As at 31 December 2018 the FRS102 pension deficit was valued at £6.9 million, which resulted in a gain of £4.0 million being recorded in the Statement of Total Comprehensive Income. This gain was primarily as a result of improvement in the discount rate used to value the pension deficit. However, since December 2018 the discount rate has fallen which has resulted in the pension deficit increasing by about £4 million. See Note 20 on page 65 for more detailed information.

In addition, the Authority has reached an agreement with the Trustees of the pension scheme to increase the deficit recovery payments to £1.8 million per year in order to accelerate the safeguarding of benefits already accrued by employees

and to significantly reduce the risk to the business that the scheme deficit presents.

During 2019 the Authority will be seeking and exploring ways to reduce its cost and expenditure, where it can, whilst at the same time ensuring that it maintains a high standard of service standard of service and invest in the future.

J Storey

Chief Financial Officer
16 May 2019





MIKE DUNN
Harbour Master

STATEMENT BY THE HARBOUR MASTER

During 2018 the Authority maintained its excellent record of safety of navigation and the number of recorded marine incidents was 16, which was down from the 25 recorded in 2017.

The Authority maintained its compliance with the Port Marine Safety Code in 2018, and this was confirmed by an independent auditor.

As a large and increasing number of the world's largest container vessels call at Haven Ports we continue to review our operating and safety procedures to ensure that we handle these mega vessels in the safest and most efficient way that we can. As part of this review we have further invested in training our pilots; in particular the use of advanced simulation training at HR Wallingford, as well as ensuring that we recruit and retain the appropriate number and highest calibre of pilots.

Regular liaison meetings are held with all of our maritime stakeholders including the port facilities within the Haven, the towage providers, vessel operators and leisure vessel owners. These meetings provide the opportunity to inform stakeholders of issues and developments and also to

hear about any concerns they may have.

Health and Safety

The health and safety of all employees and contractors working for the Authority remains a high priority. Therefore it is pleasing to report that as in 2017 there were no reportable incidents in 2018.

This does not give us any cause for complacency, and the Authority continues to promote improvements to our safety culture by investigating every incident, no matter how minor, and sharing any lessons learned with all employees.

Customer Service

We pride ourselves at the Authority on the highest standard of customer service. One of our key measures of this is our target of providing pilotage on demand 99.5% of the time. Therefore a key performance indicator that we use to monitor performance is the percentage of delays. Despite us achieving pilotage

on demand of 99.22%, this did not quite meet our target and we will be working very hard in 2019 to ensure that we do.

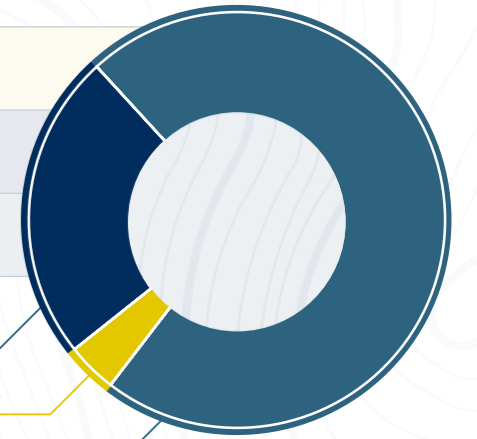
M Dunn

Harbour Master
16 May 2019

KEY FINANCIAL INDICATORS

Our two sources of revenue, pilotage and conservancy, produced a consolidated revenue of £25.5 million in 2018 (2017: £26.5 million).

Boarding and landing fees	charged to operators to whom the Authority provides launch services
Pilotage fees	charged to vessels that require a pilot to enter and leave the Haven
Conservancy dues	charged to vessels entering and leaving the Haven to support channel maintenance and safe navigation

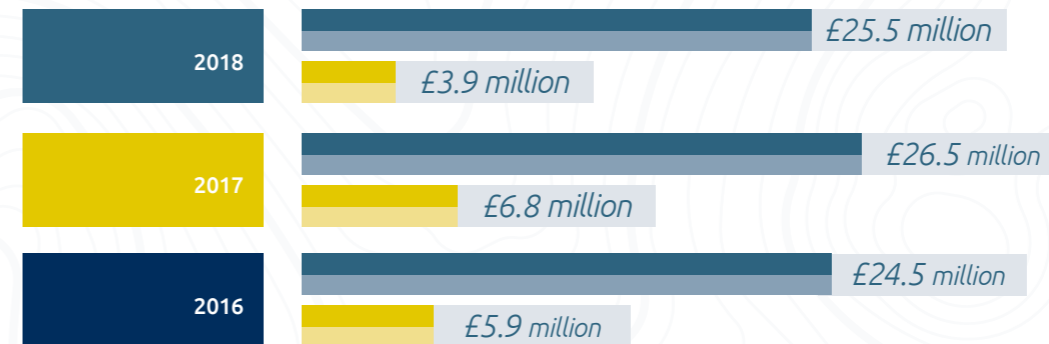


Pilotage Fees %

Boarding & Landing Fees %

Conservancy Dues %

The revenue delivered a surplus after taxation of £3.9 million (2017: £6.8 million) which was used to service outstanding borrowing, make contributions to our pension deficit recovery plan and to invest in maintaining and improving essential assets.



Key

Turnover ■

Surplus after taxation ■

See full Financial Statements on page 49.



KEY PERFORMANCE INDICATORS

	2018	2017
Arrivals		
Vessels	4,477	4,819
Tonnage	194,679,000	212,293,000
Navigational safety		
Vessel movements	15,775	13,752
Level 1 (major) navigational incidents	-	-
Level 2 (minor) navigational incidents	4	4
Level 3 (hazardous) navigational incidents	17	25
Pilotage service		
Pilotage acts	4,665	5,160
Tonnage piloted	244,634,000	278,292,316
Delays caused by pilot availability	0.86%	0.41%
External boarding and landing acts	3,000	2,705
Dredging		
Disposed volume (m ³)	2,951,850	2,678,000
Environmental		
Engine fuel use (litres)	2,827,040	3,283,141
Gas use (kWh)	295,502	394,394
Electricity use (kWh)	350,556	355,566
Water use (m ³)	1,700	1,481
CO ₂ output (tonnes)	5,117	9,157
Waste generated (kg)	36,376	41,574
People		
Employees	111	106
Accidents	9	6
- Of which were lost time accidents	-	2
- Of which were reportable	-	-



MEET THE BOARD



JIM KEOHANE

Chair, Non-executive Board member

Jim has 30 years' experience in the energy industry and worked extensively on the privatisation and restructuring of the electricity industry in the late 1980s. Jim was subsequently a director at East Midlands Electricity and later, Eastern Electricity. From 2001 he served an eight-year term as a non-executive director at the Civil Aviation Authority (CAA) and was Deputy Chair for the final two years. From 2009 until 2017 he was a non-executive director at Ofgem, the gas and electricity regulator. In 2014 he also became a non-executive director of the Low Carbon Contracts Company which contracts for the energy from all large scale renewable energy projects in the UK on behalf of the Government. In September 2017 he was appointed as Chair of the Market Operator Services Limited in the water industry.



KEITH WINSTANLEY MBE

Deputy Chair, Non-executive Board member; Safety, Health, Environment & Security Committee (Chair)

Keith Winstanley has over 34 years' maritime experience, predominantly in the Royal Navy, where he served in every class of warship, from minesweeper to aircraft carrier, and commanded four: a minesweeper, two destroyers and an amphibious command ship. He served for over two years as the senior Royal Navy officer in the Middle East and, concurrently, as the Deputy Coalition Naval Commander, commanding a force of 115 ships and 35 aircraft operating in a sea area of 2.5 million square miles. Keith has taught and lectured worldwide on strategy and operational planning and has completed a research fellowship with Oxford University into maritime security and globalisation in the maritime sector. He was made a Visiting Fellow at Oxford on completion of his fellowship. He is a Director of two UK-based companies and will be taking part in 4 of the 8 legs of the 2019-2020 Clipper Round The World Yacht Race.



NEIL GLENDINNING

Chief Executive Executive Board member

Neil has a comprehensive operational experience of harbours, pilotage and the management of the safety of navigation. Following a seagoing career, Neil served with the Authority as a senior pilot for the Haven Ports area before taking up the post of Deputy Harbour Master (Operations) in 2009. He was subsequently appointed to the position of Harbour Master & Marine Manager in January 2012. In May 2014 Neil was appointed Chief Executive.



BOB CRIGHTON

Non-executive Board member Member: Remuneration and Nominations Committee (Chair)

Bob spent 20 years in the Royal Navy, serving at sea – from minehunters to aircraft carriers – as well as holding staff appointments ashore, including within the MOD. Whilst in the Navy he was called to the Bar and thereafter worked for an international City law firm for 18 years as a marine lawyer specialising in collisions, salvage and port-related work, representing owners and underwriters at home and abroad. From 2007 to 2015 Bob worked for the Port of London Authority as Secretary and General Counsel responsible for all regulatory matters relating to navigation and conservancy. An Ocean Yachtmaster, Bob is also a former RYA Principal at his local sailing club.



RICHARD BINT

Non-executive Board member Member: Audit and Risk Committee (Chair)

Richard was the Senior Partner of PKF (UK) LLP, the eighth largest firm of accountants in the UK. He was also a member of the Board of PKF International, the management company of the firm's international network. He has held a number of senior positions in the accountancy profession including being a member of the Council of the Institute of Chartered Accountants in England and Wales (ICAEW) and of the Auditing Practices Board of the Financial Reporting Council. Richard retired in March 2015 and is currently a lay member of the Court (the governing body) of the University of Dundee, Vice-Chair of the Audit Committee of the ICAEW and is a Non-Executive Board member of Estuary Housing Association which provides social and affordable rented properties and develops new such properties across Essex and East London.



BARONESS SCOTT

Deputy Chair, Non-executive Board member Member: Remuneration and Nominations Committee, Audit and Risk Committee Term of office finished - 31 December 2018

Ros Scott has had many years of experience in local government, serving on district and county councils in Suffolk between 1991 and 2005 and serving in organisations such as the Local Government Association Transport Executive and the Audit Commission. She also served as a non-executive director of the Lloyds Register. In 2000 she was raised to the peerage as Baroness Scott of Needham Market. In the House of Lords she was a Liberal Democrat spokesperson on Transport and Community and Local Government.



GEOFF BENN

*Non-executive Board member
Member: Audit and Risk
Committee*

Geoff has spent all his working life in service businesses. For the last 30 years he has worked at a senior level in the health and social care system including Strategic Planning, PMI, ElderlyCare, Acute, Diagnostic and Community care. He is a specialist in creating innovative, viable, commercial solutions and has designed and operated several successful public/private sector joint ventures. Now semi-retired he continues to speak at conferences on the sustainability and development of health care systems.



MIKE DUNN

*Harbour Master,
Executive Board member*

Mike attended Trinity House Navigation School from 1981 to 1986. After leaving sixth form he commenced a Cadetship with Royal Fleet Auxiliary (RFA) at Warsash College. He gained his Mates Certificate of Competency in 1993 and after seven years' service with RFA he branched out into the commercial world working for a variety of companies, including London Overseas Freighter, P&O Ferries, Rockwater and Holland America Line. Having gained his Master's Certificate in 1997 Mike focused his career on passenger ferries with 12 years command experience with both Stena Line and P&O. In 2013 Mike came ashore and took up a manager role with Associated British Ports as Dock Master Hull and Goole. Mike joined Harwich Haven Authority in 2015.



FLEMMING DALGAARD

*Associate Member
Designate
Term of office commenced - 1 November 2018*

Flemming is an experienced chief executive and non-executive director with over 30 years of experience in the maritime industry and logistics sector. Flemming started his career with A.P. Moller-Maersk in 1986 as a management trainee and spent 21 years there in a variety of roles, including Deputy Managing Director Maersk Line Germany, Managing Director of Maersk Line UK & Ireland as well Group Vice President WOC. He spent a further eight years with DP World as CEO for the Europe and Russia region followed by the position as Group Senior Vice President responsible for Global Strategy. Latterly he was Chief Executive of Gultainer, responsible for all port, trucking and logistics activities. He is a Chartered Fellow of the IOD and a Chartered Fellow of the UK Institute for Logistics and Transport. He is also an adviser to Arcus IP, an investment adviser to the APMC Africa infrastructure fund and a Non-Executive Director of Shipping SDK.



DR KAREN PURNELL

*Non-executive Board member
Member: Remuneration and
Nominations Committee*

Karen has extensive experience in the shipping, maritime and environmental sectors, having worked for ITOPF Ltd for more than 20 years. Prior to that she worked for a consultancy specialising in remediation of contaminated land. During her time with ITOPF Ltd Karen has worked alongside a wide range of stakeholders from the private and public sectors worldwide, providing technical support and advice on environmental and economic damage following accidental spills of oil and chemicals from ships. Karen also actively maintains a diverse and extensive network of contacts and is a keen support of the STEM initiative, providing school children with inspiration as to how they can use their scientific skills in the maritime sector. Karen is currently the Managing Director of ITOPF Ltd, Chair of the ITOPF's Board of Pension Trustees, a Fellow of the Royal Society of Chemistry, a member of the Institute of Directors and a Shipwright.



GARETH LLEWELLYN

*Non-executive Board member
Member: Safety, Health, Environment
& Security Committee*

Gareth is the Chief Executive of the Driver and Vehicle Standards Agency. He had previously held executive roles with Network Rail where he was Executive Director, Safety, Technical and Engineering, Anglo American where he was Global Head of Safety and Sustainable Development, and National Grid where he was Global Director for Safety, Health, Environment and Corporate Responsibility. He spent his early career with the Environment Agency and is a qualified marine chemist. Gareth has held a number of non-executive director roles. He floated Biffa plc where he chaired the Board SHE Committee and established the DFT's Renewable Fuels Agency where he chaired the Board Audit and Risk Committee. He has also been a non-executive director of the Rail Safety and Standards Board, National Grid Property and the UK Business Council for Sustainable Energy. Gareth also served a three year term as Chair of the Board of trustees at the not-for-profit CLAIRE.



DAME LIN HOMER

*Non-executive Board member
Member: Audit and Risk, Remuneration
and Nominations Committee
Term of office commenced 1 January 2019*

Lin Homer is the Former Permanent Secretary and Chief Executive of HM Revenue and Customs, a role she undertook from January 2012 until her retirement in April 2016. Prior to this she was the Permanent Secretary at the Department for Transport and Chief Executive of the UK Border Agency at the Home Office. Lin also held roles as Chief Executive of Birmingham City Council (2002-2005) and Suffolk County Council (1998-2002). Lin is a qualified lawyer, and holds a number of Non-Executive roles in the not for profit and charity sector. Lin was appointed Dame Commander of the Order of the Bath in the January 2016 New Year's Honours for public services, particularly to public finance.



REPORT OF THE BOARD

The Chair is responsible for the leadership and governance of the Board, ensuring that it operates effectively, whilst providing appropriate challenge to management.

The Board conduct themselves within, and makes decisions based on, eight behavioural values, which have been adapted from The Nolan Principles.

Board members regularly receive detailed financial and operational information to allow them to monitor the key areas of the business. The Board also receives briefings from senior managers on various aspects of the Authority's activities.

The Board is constituted of ten members, two executive members

and eight part-time non-executive members. The Secretary of State for Transport appoints the Chair and four non-executive members and the Authority appoints three non-executive and two executive members. From time to time the Authority appoints associated members who have the right to attend meetings but have no right to vote at them.

The Board's role is to provide leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board's job is to set the Authority's strategic aims, and ensure that the necessary financial and human resources are in place to meet those objectives and to review management performance in meeting them.

The Executive is responsible for the running of the business and helping to ensure the Authority's strategic aims are met. The Chair of the Board is responsible for the leadership and effectiveness of the Board. Part of the Chair's role is to set the Board agenda, allowing adequate time for discussion of items, in particular strategic issues and the promotion of a culture of openness and debate in board discussions is also important.

The role of a non-executive director (NED) is to challenge constructively and help develop the proposals on the organisation's strategy. They also scrutinise the performance of the management to ensure agreed goals and objectives are met, and monitor the reporting of performance.

REMUNERATION POLICY

Harwich Haven Authority Remuneration Policy has been designed within a framework that supports the Authority's strategic direction and the long term success of the business. The remuneration of non-executive directors

is reviewed regularly against comparative benchmarked data and determined by the Remuneration Committee and ratified by the Board.

NON-EXECUTIVE MEMBER FEES FOR 2018

G Benn	£12,712
R Bint	£15,864
B Crighton	£12,712
J Keohane	£34,670
G Llewellyn	£12,712
Dr K Purnell	£12,712
R Scott	£19,015
K Winstanley MBE	£14,813
TOTAL	£135,210

DELEGATION OF AUTHORITY

The Harwich Haven Authority Board set the strategic direction of the business, which is aligned to the organisation's vision. The primary focus is on quality of delivery, growth, finances and people. Working closely together, the authority's executive team are responsible for delivering the strategy through robust and cohesive planning.

BOARD MEETINGS AND ATTENDANCES

The Board holds six formal meetings each year. In addition to this, members also attend a number of committee meetings and workshops throughout the year. (See tables 1 and 2 opposite.)

STATEMENT OF BOARD RESPONSIBILITY

The Harwich Haven Authority Board are responsible for preparing the Strategic Report, the Report of the Board and the Financial Statements in accordance with applicable law and regulations.

Applicable law requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 (FRS 102), 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under applicable law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Authority.

IN PREPARING FINANCIAL STATEMENTS, THE BOARD IS REQUIRED TO:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in business.

The Board is responsible for keeping accounting records that are sufficient to show and explain the Authority's transactions and disclose with reasonable accuracy at any time the financial position of the Authority. This enables them to ensure that the financial statements comply with the Harbours Act 1964 which requires that the financial statements be prepared in accordance with the requirements of the Companies Act 2006.

They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

The Board Members who were in office at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. The Board has taken all steps that ought to have been taken as a Board in order to be aware of any relevant audit information and to establish that the Authority's auditors are aware of that information.

**TABLE 1
BOARD MEETINGS AND ATTENDANCES**

	24/1	15/3	17/5	19/7	20/9	21/11	
J Keohane	*	*	*	*	*	*	6/6
Baroness R Scott	*	*	*	*	*	*	6/6
G Benn	*	*	*	*	*	*	6/6
R Bint	*	*	*	*	*	*	6/6
B Crighton	*	*	*	*	*	*	6/6
G Llewellyn	*	*	*	-	*	*	5/6
Dr K Purnell	*	*	*	*	*	-	5/6
K Winstanley MBE	*	*	*	*	*	*	6/6
Captain N Glendinning	*	*	*	*	*	*	6/6
Captain M Dunn	*	*	*	*	*	*	6/6

**TABLE 2
COMMITTEE MEMBERSHIP
Full attendance in 2018 apart from 31/1 A&R (R.Crighton)**

Committee	Chair	Members	No. of Meetings	Meeting Dates
Audit & Risk	R Bint	G Benn R Crighton	3	31/1 (R. Crighton apols) 2/5 7/11
Safety, Health, Environment and Security	K Winstanley	Dr K Purnell	2	14/3 19/9
Remuneration & Nominations	Baroness R Scott	G Benn G Llewellyn	3	23/1 8/3 19/9



BOARD COMMITTEES

Audit and Risk Committee

THREE MEETINGS HELD IN 2018

The Audit and Risk Committee comprises three non-executive Members of the Board. During 2018 the committee was chaired by Mr R Bint. The Committee reviews the Annual Report and Accounts and recommends acceptance by the Board. The Committee also reviewed the draft budget for 2018 and was able to recommend to the Board that the 2018 Capital and Revenue Budgets were accepted. The Committee continues to work with the Chief Executive on an updated risk register ensuring all risks are adequately assessed and reviewed on a regular basis. The Chief Executive and the Chief Financial Officer are invited to attend meetings of the Audit and Risk Committee.

Remuneration and Nominations Committee

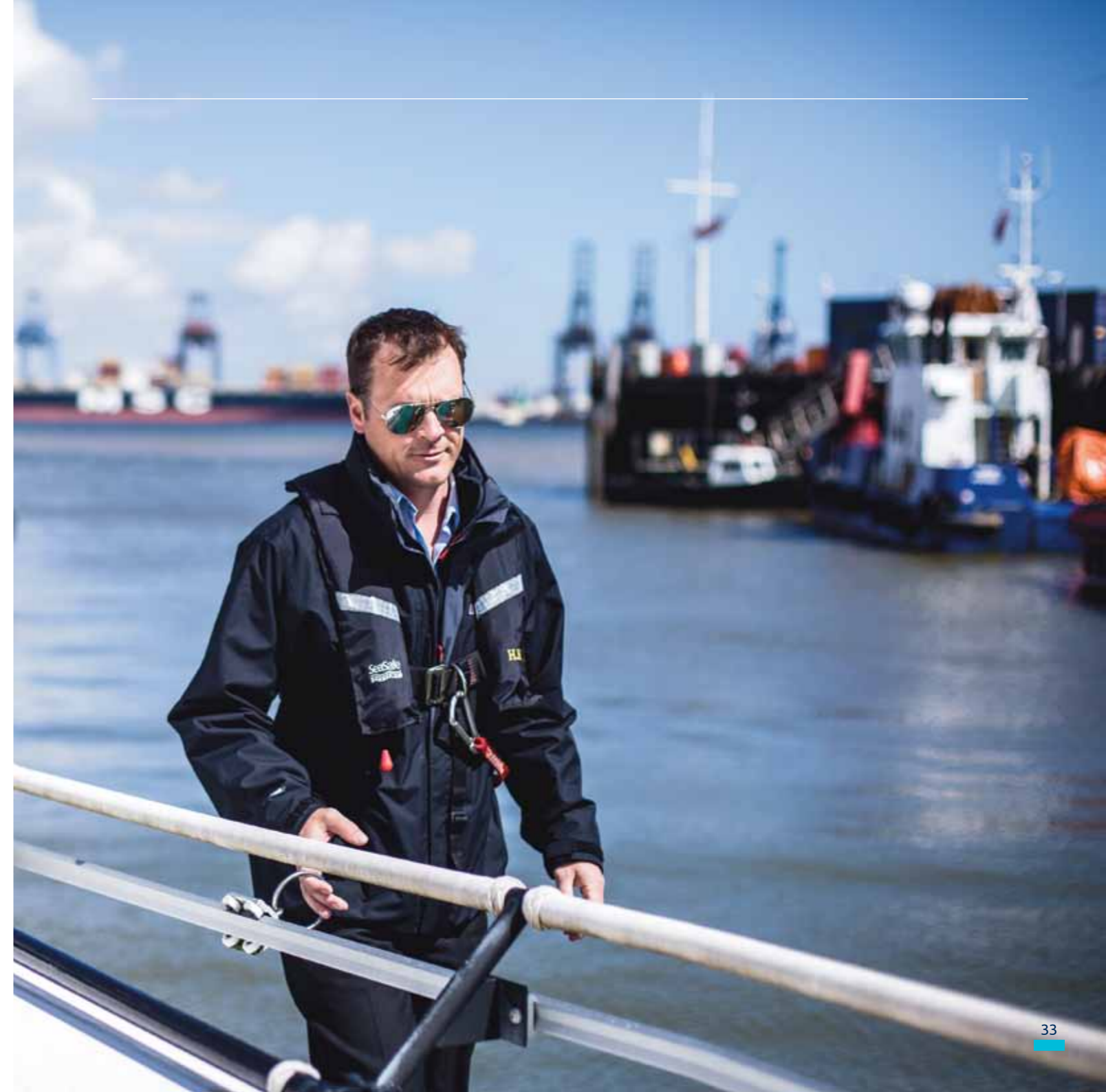
THREE MEETINGS HELD IN 2018

The Remuneration Committee comprises three non-executive Members of the Board and was chaired throughout the year by Baroness R Scott. The Committee advises the Board on the remuneration of the Chief Executive and reviews the Chief Executive's recommendations in respect of the senior management team remuneration. The Committee also makes recommendations to the Board in respect of the remuneration of non-executive Board Members.

Safety, Health, Environment & Security Committee

TWO MEETINGS HELD IN 2018

The Safety, Health, Environment and Security Committee comprises two Board Members and was chaired during 2018 by Mr K Winstanley. The Chief Executive, Harbour Master, Deputy Harbour Master, Harbour Engineer and the Safety and Environment Manager attend by invitation. The main purpose of the Committee is to analyse reports on Occupational Health, Safety, Navigational Safety Performance, Environmental Performance and Security – in particular Cyber Security – and make appropriate recommendations to the full Board.





CORPORATE GOVERNANCE

The Board continues to be committed to the very highest standards of governance and endeavours to be compliant with both the principles of *Ports Good Governance Guidance (PGGG)* and relevant provisions of the UK Corporate Governance Code applied on a proportionate basis.



COMPLIANCE

Throughout 2018 the Authority was fully compliant with the Port Marine Safety Code (PMSC). Performance is regularly monitored with guidance from the “Designated Person” and an annual external audit.

In accordance with the updated guidance to the PMSC the Authority has a Safety Plan to demonstrate how the standard in the PMSC will be met.

Harwich Haven Authority is committed to discharging all of its statutory duties and to remaining open, accountable and fit for purpose. Its plan to manage the safety of marine operations is to comply with all of the requirements of the PMSC and to follow the guidance in the Guide to Good practice on Port Marine Operations including:

- Take care so that all who may choose to navigate in the Haven may do so without danger to their lives or property.

- Take such action that is necessary or desirable for the maintenance, operation and improvement or conservancy of the Haven.

Harwich Haven Authority will base its policies on a formal assessment of hazards and risks and it will maintain a formal safety management system which will ensure that all risks are managed so that they are as low as reasonably practicable. It will employ and engage competent staff and contractors. It has appointed a Designated Person who will regularly conduct internal compliance audits in accordance with the PMSC and who will report directly to the Board.

Additionally, independent experts will periodically conduct an external audit and the expert’s report will be presented to the Board. The Designated Person and the external auditors shall assess in their reports the Authority’s performance against its plan of complying with all of the requirements of the PMSC and to following the guidance in the Guide to Good Practice on Port Marine Operations.



RISK AND RISK MANAGEMENT

Harwich Haven Authority's key risks are:

- 01 Exposure to increasing pension deficit.
- 02 The Authority could experience a major maritime incident within its jurisdiction.
- 03 Cost implications of channel deepening required to accommodate increasing numbers of larger vessels.

Risk management and control is an integral part of corporate governance. The Board makes the management of risk a high priority. The effective management of risk is paramount; the Audit and Risk committee reviews the corporate risk register at each meeting and the full Board reviews it annually. Additionally, all Board decision papers are required to assess any risks relating to their recommendations.

The Authority additionally undertakes detailed operational risk management which focuses on safety of Navigation and health and safety. The Authority uses a Safety Management System to identify the risks,

mitigate them where possible, with monitoring and frequent reassessment.

GOING CONCERN

The Board, after review and consideration, can confirm that the organisation has adequate resources for a period of at least 12 months from the date of approval of the financial statements and has therefore assessed the business as a going concern.

INTERNAL CONTROL

The Board's responsibility to monitor the adequacy of internal control was met by reviewing the risk register and considering the adequacy of internal controls

over the principal risks and by reviewing the work of the auditors through their reports and by discussion with them. The Board is not aware of any significant deficiencies in internal control during the year. The Audit and Risk Committee regularly reviews internal controls governing the operation of the Authority.

J Keohane

Chair
Approved by the Board on
16 May 2019

Report of the Executive

MEET THE TEAM

The structure of our Executive team ensures that we have the necessary skills and experience to operate a safe and efficient operation.



NEIL GLENDINNING
Chief Executive Officer

Providing strategic leadership of all Authority operations and an executive member of the Harwich Haven Authority Board and Executive team.



MIKE DUNN
Harbour Master

Executive team member responsible for marine services, including engineering, support, Vessel Traffic Services, pilotage and launch services and executive member of the Harwich Haven Authority Board.



JOHN BRIEN
Harbour Engineer

Executive team member responsible for overseeing and managing dredging, hydrography and facilities maintenance.



ANTHONY FLETCHER
Business Systems Manager

Executive team member responsible for information technology, business support systems and communications.



JAKE STOREY
Chief Financial Officer

Executive team member responsible for all aspects of the Authority's financial strategy, reporting and treasury management.



RUTH CADMAN
Head of HR

Executive team member responsible for strategic human resources, payroll, management, Health and Safety and GDPR compliance.

turn the tide on plastics

During 2018 we launched a campaign to raise awareness about the effect plastic is having on our local marine environments.

Each year it is estimated that **billions – indeed trillions – of plastic items, such as bags, drinking straws, cotton buds and face wipes end up in our oceans and seas, the effects of which were shockingly detailed in Sir David Attenborough's 2018 BBC One programme *Blue Planet 2*.**

The show reported that plastic debris has now been found in the deepest, most remote oceans and it graphically featured marine creatures whose stomachs were full of everyday plastic items.

As one of the UK's largest trust ports we exist to conserve, protect and improve the natural environment of Harwich Harbour and its surrounding rivers for the benefit of all stakeholders.



Our campaign was aimed at local residents, commercial and leisure operators and the estimated 10,000 leisure vessels that visit the Haven each year.

We took the view that the practice of disposing of plastic into our seas and oceans is now such a global problem that we wanted to ensure

that we were doing our utmost to keep the Haven free of plastic.

We had a great year meeting and engaging with stakeholders in the Haven who have fully supported our campaign, which we launched to coincide with World Environment day on 5 June 2018.



CEO Neil Glendinning and Kellie Barrow, Harwich Haven Authority (left) pictured with Harwich Town Mayor and Mayoress Charlie and Kate Powell



Joining with the Local Community to Clean up our Local Beach

More than 250 school-aged children and their parents joined us at our beach clean-up event on Dovercourt beach in September. With support from Harwich Town Major Charlie Powell and Tendring District Council we were also able to engage with 10 local schools in the town and wider villages to deliver our 'Keep plastics out of the Haven' message.

turn the tide on plastics

We all have a Responsibility to Protect our Environment

To align with our external campaign we also introduced an internal awareness initiative to encourage our employees not to bring single-use plastic bottles into the workplace.

We also focused on other energy saving initiative to reduce water usage, electricity, and recycling bins were installed in every office across the business.

#plasticfreehaven



Fishy Business down on Ha'penny Pier

During the school holidays in August we worked with local Essex artist Monique de Vlieger to create free, environmentally focused workshops for local school-aged children.

The free, drop-in sessions were hosted on our iconic Ha'penny Pier and the activities on offer were aligned to our *Turn the Tide on Plastics* campaign. During the course of the week more than 100 children rolled up their sleeves to create colourful fish from recycled materials that they were then able to take home.



FORMALISING OUR COMMUNITY GIVING STRATEGY BRINGS RICH REWARDS

In 2018 we formalised our community giving strategy by joining forces with the Essex and Suffolk Community Foundations to boost our knowledge and understanding of how best we could support local initiatives.

Over the years Harwich Haven Authority has supported many charities in and around Essex and Suffolk but our new partnership with two, long-established community foundations ensures we can maximise the benefit Haven stakeholders receive.

Going forward our giving strategy includes making 1% of our yearly surplus profits available to our

community fund to support educational, environmental, maritime and community initiatives in and around Harwich, Dovercourt and Suffolk locations along the Rivers Stour and Orwell. The funds we have with the Essex Community Foundation and the Suffolk Community Foundation are a mix of flow through yearly funds and an Essex-based endowment fund.

"We are delighted to be working with Harwich Haven Authority to ensure vital funding reaches our many charities and community groups working tirelessly to tackle the hidden needs of Suffolk."

Judy Dow, Head of Philanthropy, Suffolk Community Foundation



Left to right. Judy Dow, Head of Philanthropy, Suffolk Community Foundation; Neil Glendinning, CEO, Harwich Haven Authority; Jo Macaulay, Head of Communications, Essex Community Foundation.

"Working with ECF in this way will enable Harwich Haven Authority to not only meet the needs of communities today, but provide a long-term financial resource to support the work of voluntary organisations tackling local issues in the future."

Caroline Taylor, Chief Executive of Essex Community Foundation

DURING 2018 WE WERE ABLE TO SUPPORT:

ESSEX

- Church of Our Lady, Queen of Heaven, Harwich
- Ark Family Resource Centre
- Cara Centre for Action on Rape and Abuse
- Parkeston Resident and Welfare Park Association
- Swim England
- Tendring Community Transport
- Harwich Community Volunteer Service

SUFFOLK

- Age UK
- East Anglian Sailing Trust
- Suffolk Refugee Support
- Volunteering Matters
- Whitton Youth Partnership
- Access Community Trust
- Ipswich and District Citizen Advice Bureau
- PHOEBE
- Suffolk Artlink
- Suffolk Lowland Search and Rescue
- Suffolk Mind
- Woolverstone Project
- YMCA Trinity Group

HISTORICALLY IMPORTANT BELL RINGS OUT ONCE AGAIN...

For over 100 years the bell of St. Paul's Church, Parkeston, Essex, rang out to acknowledge special events, including the end of the First World War in 1918. The bell could be heard as the SS Berlin sank in 1907 off the coast of Harwich with the loss of 148 people and was a familiar sound to seafarers using the port of Harwich. During the great flood of 1953, which devastated the town, the bell rang constantly to both warn and add reassurance to those enduring the dark night of the flood.

Fast forward to the 1980s, and with congregation numbers falling, the church fell into disrepair before being finally closed in the 1990s. Thanks to a local group who recognised its historical importance the St. Paul's bell

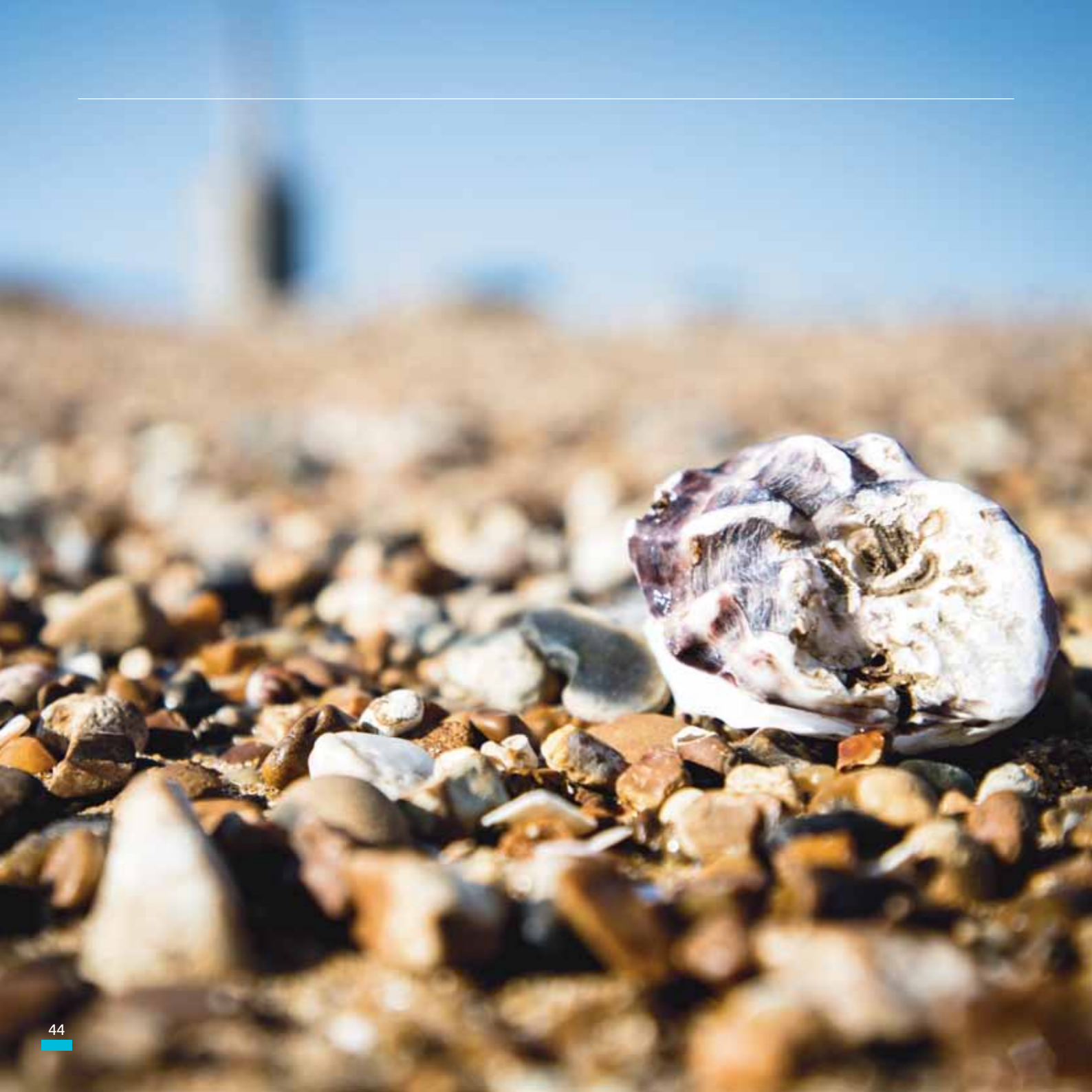
was rescued by the members of the Dovercourt Catholic Church of Our Lady Queen of Heaven. Fundraising then began in earnest to raise the money to restore and install the bell into the church.

It was a project Harwich Haven Authority were very keen to support through our Community Fund. We are delighted that this historically important bell will once again ring out to the people of Harwich and Dovercourt.

"I cannot tell you how many times I have spoken about the positivity shown by Harwich Haven Authority towards this project. Their generous donation and interest in the bell has made us feel so emotional and we'll be eternally grateful."

Ann Duggan, Church of Our Lady Queen of Heaven, Dovercourt





STAKEHOLDER BENEFIT

Year ended 31 December 2018

	2018	2017
Community activity		
Charitable donations	£87,200	£22,005
Website / data	£30,000	£100,000
Landguard Partnership	£3,000	£3,500
Work experience	£2,016	£7,668
Yachting guide & tide tables publications	£15,000	£12,000
Public meeting	£4,000	£4,597
Ha'penny pier	£618,000	£212,720
Activities required for core responsibilities which generate wide stakeholder benefit		
Dredging	£5,690,000	£5,258,000
Trimley Marshes	£239,000	£239,000
Environmental monitoring	£38,000	£23,000
Beneficial placement	£204,000	£255,000
Business community benefit		
Business organisation subscriptions	£19,000	£34,159
Industry seminar	-	£4,937
Government benefit		
Taxation	£5,205,000	£3,943,000
Apprenticeship Levy	£16,523	£10,776
Business rates	£58,000	£57,000
Employee benefit		
Remuneration package	£7,112,000	£6,198,763
Social Club	£6,000	£1,798
Employee engagement activity	£5,000	£4,749
Total	£19,452,739	£16,392,672

INDEPENDENT AUDITOR'S REPORT

to the Board of Harwich Haven Authority

OPINION

We have audited the financial statements of Harwich Haven Authority for the year ended 31 December 2018 which comprise the Statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Harbours Act 1964.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing

(UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The board are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information, and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPECTIVE RESPONSIBILITIES OF BOARD MEMBERS

As explained more fully in the statement of the Board's responsibilities, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

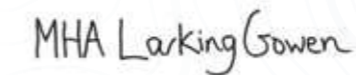
AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

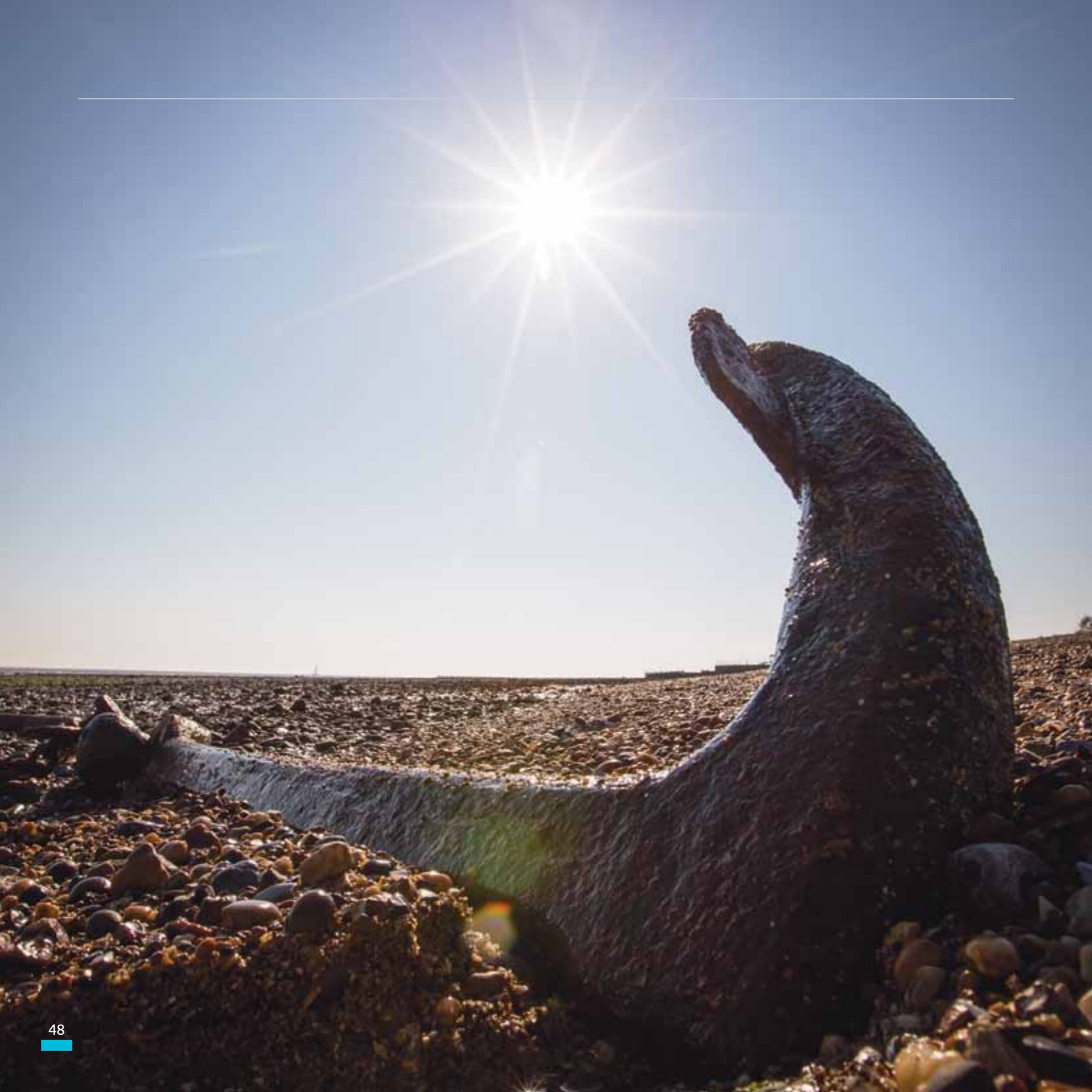
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

This report is made solely to the Authority's board members, as a body, in accordance with the Harbours Act 1964. Our audit work has been undertaken so that we might state to the board members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the board members as a body, for our audit work, for this report, or for the opinions we have formed.



**For and on behalf of
Larking Gowen LLP**
Chartered Accountants
Statutory Auditors
Ipswich
16 May 2019



STATEMENT OF TOTAL COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	£	2018 £	£	2017 £
Operating revenue	3		25,502,010		26,579,778
Expenditure	4		(20,555,118)		(18,775,494)
Operating surplus	6		4,946,892		7,804,284
Finance income	8		102,284		34,859
Finance costs	9		(380,215)		(577,500)
Other finance costs	10		(279,000)		(342,000)
Surplus before taxation			4,389,961		6,919,643
Taxation	11		(478,983)		(70,689)
Surplus for the financial year before other comprehensive income			3,910,978		6,848,954
Other comprehensive income					
Actuarial gain on pension scheme	20	5,041,000		456,000	
Movement on deferred tax relating to pension scheme	19	(1,000,000)		(137,000)	
			4,041,000		319,000
Total comprehensive gain relating to the year			7,951,978		7,167,954

Amounts transferred from the revenue fund to the following designated funds in the year:

Planned 2019 capital expenditure	25	(2,485,667)	(1,016,882)
Additional contributions to the Pension Scheme in respect of the deficit funding	25	(1,800,000)	(1,242,493)
Funds for future capital dredging	25	(409,987)	(900,820)
Loan repayments	25	(2,527,531)	(2,354,720)
			(7,223,185)
Gain relating to the year after transfers to designated funds			728,793
			1,653,039

Continuing operations

All amounts relate to continuing operations.

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2018

	Notes	2018 £	2017 £
Fixed assets			
Property, plant and equipment	12	42,401,652	43,293,727
Current assets			
Inventories	13	163,331	149,629
Debtors due after more than one year	14	1,021,278	2,109,311
Debtors due within one year	14	2,097,108	2,703,865
Short term investments		10,695,885	8,964,945
Cash at bank and in hand	15	4,594,840	4,668,425
		18,572,442	18,596,175
Creditors: amounts falling due within one year	16	(3,713,193)	(4,174,448)
Net current assets		14,859,249	14,421,727
Total assets less current liabilities		57,260,901	57,715,454
Creditors: amounts falling due after more than one year	17	-	(2,527,531)
Provisions for liabilities and charges			
Pension scheme liability	20	(6,942,000)	(12,821,000)
		50,318,901	42,366,923
Reserves	25	50,318,901	42,366,923

The reserves can be further analysed as follows:

Designated	10,144,381	7,795,583
Revenue	300,399	(3,840,136)
Fixed assets and loans	39,874,121	38,411,476
	50,318,901	42,366,923

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

J. Keohane

J Keohane, Chair
16 May 2019

K Winstanley

K Winstanley, Deputy Chair
16 May 2019

The notes on pages 48 to 68 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

Year ended 31 December 2018

	Reserves £
At 1 January 2017	35,198,969
Surplus for the year	6,848,954
Other comprehensive gain	319,000
At 31 December 2017	42,366,923
Surplus for the year	3,910,978
Other comprehensive gain	4,041,000
At 31 December 2018	50,318,901

The allocation of the reserves at 31 December 2018 is disclosed in detail in notes 25 and 26 of the financial statements.



STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Operating surplus	4,946,892	7,804,284
Adjustments for:		
Depreciation of property, plant and equipment	2,297,493	2,152,975
Loss on disposal of property, plant and equipment	3,916	83,201
(Increase)/decrease in inventories	(13,702)	25,486
Decrease in debtors excluding deferred taxation	606,757	225,484
(Decrease)/increase in creditors	(1,025,016)	1,038,693
Difference between current service cost and cash contributions less running costs of pension	(1,117,000)	(692,000)
Net cash generated from operating activities	5,699,340	10,638,123
Cash flows from investing activities		
Interest received	102,284	34,859
Purchases of property, plant and equipment	(1,409,667)	(811,182)
Proceeds from sale of property, plant and equipment	333	10,000
Net cash outflows from investing activities	(1,307,050)	(766,323)
Cash flows from financing activities		
Repayment of borrowings	(2,354,720)	(2,193,724)
Finance costs	(380,215)	(577,500)
Net cash from financing activities	(2,734,935)	(2,771,224)
Net increase in cash and cash equivalents	1,657,355	7,100,576
Cash and cash equivalents at beginning of year	13,633,370	6,532,794
Cash and cash equivalents at end of year	15,290,725	13,633,370

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, specifically Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), and with the Companies Act 2006. In accordance with FRS 102 the Authority is deemed to be a Public Benefit Entity. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£) and rounded to the nearest £.

2 PRINCIPAL ACCOUNTING POLICIES

OPERATING REVENUE

Operating revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Operating revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Operating revenue from a contract to provide services is recognised in the period in which the services are provided when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably; and
- it is probable that the Authority will receive the consideration due under the contract.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

Freehold buildings	25 years
Leasehold property	Over the remaining period of the lease
Capital dredging	50 years
Jetties	25 and 10 years
Launches, navigation and other equipment	3 to 20 years

The original cost of dredging shipping channels is capitalised. Costs incurred in maintaining the channels - “maintenance dredging” - are charged to revenue in the year in which they are incurred.

INVENTORIES

Inventories, which consists of spare parts and consumable items, are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost is based on the cost of purchase on a first in, first out basis.

LEASES

Leases in which a significant part of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. No provision is made for deferred taxation on capital dredging fixed assets under FRS 102 as no balancing charge would arise on disposal under UK tax law.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities, which are undiscounted, are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

RESEARCH AND DEVELOPMENT

Research expenditure is written off to the income statement in the year in which it is incurred.

CAPITAL GRANTS RECEIVED

Capital grants received are released to the income statement when the performance related criteria have been satisfied.

REVENUE GRANTS RECEIVED

Revenue grants received are released to the income statement in the period that the corresponding expenditure is incurred and recognised.

SURCHARGES

The Authority makes a surcharge on certain users of the Haven to cover the costs of capital dredging exercises. The money raised is held in a dedicated holding account and applied to service costs associated with past exercises including loan repayments, loan guarantee costs and environmental protection costs. Any surplus is set aside for future capital dredging of the harbour approaches which the Authority could make available as a contribution subject to a satisfactory business case being submitted and approved.

INTEREST INCOME

Interest income is recognised as interest accrues using the effective interest method.

DEBTORS

Debtors are measured at transition price, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

SHORT TERM INVESTMENTS

Short term investments consist of deposits with financial institutions which are considered readily convertible in to cash.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known

amounts of cash with insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and from an integral part of the Authority's cash management.

FINANCIAL INSTRUMENTS

The Authority only enters into basic financial transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Debt instruments that are payable or receivable within one year, typically trade creditors or trade debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between as asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

FOREIGN CURRENCY TRANSLATION

Functional currency and presentation currency

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position are presented in Sterling (£).

Transactions and balances

Transactions in currencies other than the functional currency are recognised at the spot rate on the dates of the transaction or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items

denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise.

PENSION COSTS

Defined benefit pension scheme - Harwich Haven Authority Pension Fund

The Authority operates a defined benefit scheme. The amounts charged to operating surplus are the current service costs, and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or income in the income statement. Actuarial gains and losses, together with any associated movement in deferred taxation are recognised immediately in the statement of comprehensive income.

The scheme is funded with the assets of the scheme which are held separately from the assets of the Authority, in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using projected unit method and a discount rate equivalent

to the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. Full actuarial valuations are obtained at least triennially and are updated at each statement of financial position date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the statement of financial position.

Money purchase pension plan

The company operates a money purchase pension plan for its employees. A money purchase plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Multi-employer defined benefit pension scheme

The Authority had a debt certified under section 75 of the Pensions Act 1995 on 20 February 2014. This liability has previously been recognised in the financial statements, and settled in full. However under Rule 15(2) additional sums may be claimed from time to time. These additional sums are undefinable and therefore not provided for within these financial statements.

FUND ACCOUNTING

Designated funds are unrestricted funds earmarked by the Board for particular purposes.

JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the Authority's key sources of estimation uncertainty:

USEFUL ECONOMIC LIVES OF TANGIBLE ASSETS

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

DEFINED BENEFIT PENSION SCHEME

The Authority has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset

valuations and the discount rate on corporate bonds. Management instruct a qualified actuary to estimate these factors and determine the net pension obligation at the statement of financial position date. The assumptions reflect historical experience and current trends.

3 OPERATING REVENUE

	2018 £	2017 £
Dues on ships	17,638,378	18,815,784
Pilotage services	5,914,553	6,019,244
Pilotage exemption certificates	21,746	13,969
Boarding and landing charges	1,343,198	1,161,084
Other operating activities	584,135	569,697
	25,502,010	26,579,778

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. All turnover is attributable to the principle activities of the Authority and arose in the United Kingdom.

4 EXPENDITURE

	2018 £	2017 £
Harbour operating expenditure	12,765,259	11,580,508
Pilotage service costs	7,789,859	7,194,986
	20,555,118	18,775,494

5 PILOTAGE - OPERATING SURPLUS

	2018 £	2017 £
Revenue from services		
Pilotage service costs	5,914,553	6,019,244
Pilotage exemption certificates	21,746	13,969
Other operating activities	584,135	569,697
	6,520,434	6,602,910
Pilotage service costs	(7,789,859)	(7,194,986)
Pilotage operating deficit	(1,269,425)	(592,076)

6 OPERATING SURPLUS

The operating surplus on ordinary activities is stated after charging the following:-

	2018 £	2017 £
Depreciation	2,297,493	2,152,975
Auditors' remuneration	20,600	20,000
- in respect of audit services		
- in respect of taxation services	3,200	3,100
- in respect of other services provided	18,725	3,700
Loss on sale of fixed assets	3,916	83,201
Operating lease rentals	265,962	237,774
Research and development expenditure	150,347	123,106

Contributions to a defined benefit pension scheme were made on behalf of one Board member (2017: one).

7 BOARD MEMBERS AND EMPLOYEES

	2018 £	2017 £
Wages and salaries	6,211,045	6,004,779
Social security costs	717,810	674,807
Other pension costs	2,439,857	1,865,211
	<u>9,368,712</u>	<u>8,544,797</u>
Average number of employees excluding non-executive members of the Board	<u>111</u>	<u>106</u>

Pension contributions paid are detailed in note 20.

Board members' remuneration

	2018 £	2017 £
Emoluments	<u>399,077</u>	<u>399,927</u>

The aggregate emoluments of the highest paid Board member totalled £155,542 (2017: £155,218). At 31 December 2018 the highest paid Board member had accrued benefits under the Authority's defined benefit scheme of £55,793 (2017: £51,670), being retirement benefits.

During the year retirement benefits were accruing to 1 Board member (2017 - 1) in respect of defined benefit pensions schemes.

8 FINANCE INCOME

	2018 £	2017 £
Interest from short term investments	<u>102,284</u>	<u>34,859</u>
	<u>102,284</u>	<u>34,859</u>

9 FINANCE COSTS

	2018 £	2017 £
Loan interest	310,275	471,270
Guarantee fee	69,940	106,230
	<u>380,215</u>	<u>577,500</u>

10 OTHER FINANCE COSTS

	2018 £	2017 £
Defined benefit pension scheme interest expense	279,000	342,000
	<u>279,000</u>	<u>342,000</u>

11 TAXATION

	2018 £	2017 £
Current tax charge	390,950	-
Deferred tax charge	88,033	70,689
Charged to income statement	<u>478,983</u>	<u>70,689</u>

Factors affecting the tax charge for the year

Surplus on ordinary activities before taxation	<u>4,389,961</u>	<u>6,919,643</u>
Surplus on ordinary activities before taxation multiplied by the standard rate of UK Corporation Tax of 19% (2017: 19.25%)	<u>834,093</u>	<u>1,331,794</u>

Effects of:

Actuarial losses on pension scheme	(159,220)	(67,363)
Pension cost relief in excess of pension cost charge	-	(728,280)
Permanent differences	8	-
Origination and reversal of timing differences	(271,164)	(62,709)
Losses brought forward	(169,994)	(473,442)
Accelerated capital allowances	88,033	70,689
	<u>(355,110)</u>	<u>(1,261,105)</u>

Current tax

	<u>478,983</u>	<u>70,689</u>
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12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Long leasehold property	Capital dredging	Jetties	Launches, navigation & other equipment	Total
Cost	£	£	£	£	£	£
At 1 January 2018	1,904,072	2,134,032	68,556,725	2,287,344	11,547,732	86,429,905
Additions	16,017	21,671	-	581,983	789,996	1,409,667
Disposals	(208,240)	-	-	(1,585,753)	(3,018,658)	(4,812,651)
At 31 December 2018	1,711,849	2,155,703	68,556,725	1,283,574	9,319,070	83,026,921
Depreciation						
At 1 January 2018	1,479,072	703,713	31,268,127	1,619,896	8,065,370	43,136,178
Charge	44,099	37,999	1,135,466	94,263	985,666	2,297,493
Eliminated on disposal	(208,240)	-	-	(1,585,753)	(3,014,409)	(4,808,402)
At 31 December 2018	1,314,931	741,712	32,403,593	128,406	6,036,627	40,625,269
Net book values						
At 31 December 2018	396,918	1,413,991	36,153,132	1,155,168	3,282,443	42,401,652
At 31 December 2017	425,000	1,430,319	37,288,598	667,448	3,482,362	43,293,727

Included within disposals are £4,805,651 of fully depreciated assets that on detailed examination of the Fixed Asset Register were found to have either been superseded, redundant or no longer exist.

13 INVENTORIES

	2018	2017
	£	£
Consumable stores	163,331	149,629

Inventories recognised as an expense during the year was £603,980 (2017: £546,411).

14 DEBTORS

	2018	2017
	£	£
Due after more than one year		
Deferred tax asset (note 19)	1,021,278	2,109,311
Due within one year		
Trade debtors	1,438,919	2,292,101
Other debtors	5,404	1,337
VAT	282,864	121,190
Prepayments and accrued income	369,921	289,237
	2,097,108	2,703,865
	3,118,386	4,813,176

15 CASH AT BANK AND IN HAND

Included in cash at bank and in hand is the sum of £1,503,033 (2017: £1,500,655) which constitutes the secured surcharge revenue account, restricted as to its use under the terms of a loan.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade creditors	329,796	320,776
Corporation Tax	390,950	-
Accruals, deferred income and other creditors	464,916	1,498,952
Loan (note 17)	2,527,531	2,354,720
	3,713,193	4,174,448

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Secured loans	2,527,531	4,882,251
Less: amounts due within one year (note 16)	(2,527,531)	(2,354,720)
	-	2,527,531

	2018	2017
	£	£
Amounts repayable by instalments		
In one year or less	2,527,531	2,354,720
In one to two years	-	2,527,531
	2,257,531	4,882,251

The loan total shown above includes £2,527,531 (2017: £4,882,251) bearing interest at 7.209% per annum repayable over a twenty year period commencing 3 June 2000. This loan is secured by a first fixed charge on present and future surcharge revenues. The surcharge revenues can only be used for certain purposes, the principal ones being the repayment of the capital and interest on the loan. At 31 December 2018, the surcharge revenues set aside for this purpose, in cash, amounted to £1,503,033 (2017: £1,499,828). The obligations of the Authority under the terms of the loan are guaranteed by The Port of Felixstowe Limited and associated companies.

18 FINANCIAL INSTRUMENTS

	2018 £	2017 £
Financial assets at amortised cost	16,729,644	15,925,471
Financial liabilities at amortised cost	(3,713,193)	(6,701,979)
	13,016,451	9,223,492

Financial assets measured at amortised cost comprise cash at bank and in hand, short term investments and debtors due within one year, excluding prepayments and VAT receivable.

Financial liabilities measured at amortised cost comprise creditors due within one year and after one year.

19 DEFERRED TAXATION

The movement in deferred taxation during the year is as follows:-

	2018 £	2017 £
At 1 January 2018	(2,109,311)	(2,317,000)
Movement in provision		
Income statement	88,033	70,689
Statement of total comprehensive income	1,000,000	137,000
At 31 December 2018	(1,021,278)	(2,109,311)

Deferred taxation provided in the financial statements and the potential amounts including the amounts for which provision has been made are as follows:-

	Provision		Potential	
	2018 £	2017 £	2018 £	2017 £
Accelerated capital allowances	158,722	221,939	158,722	221,939
Available tax losses	-	(151,250)	-	(151,250)
Net liability	158,722	70,689	158,722	70,689
Deferred tax asset on pension liability deducted from pension liability	(1,180,000)	(2,180,000)	(1,180,000)	(2,180,000)
Total provision for deferred tax	(1,021,278)	(2,109,311)	(1,021,278)	(2,109,311)

No provision is made for deferred taxation on capital dredging fixed assets under FRS 102 as no balancing charge would arise on disposal under UK tax law.

20 PENSION SCHEME

DEFINED BENEFIT SCHEME

For some employees, the Authority operates a funded pension plan providing benefits based on their completed pensionable service and their final pensionable pay. The assets of the Fund are held in a separate trustee administered fund.

The funding plan is for the Fund to hold assets equal to the value of the benefits earned by employees, based on projected salaries and a set of assumptions used for funding the Fund. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against this funding plan, then the Authority and trustees agree on deficit contributions to meet this deficit over a period. As part of the formal actuarial valuation with an effective date of 31 December 2017 the following contributions were agreed:

- 24% pa of pensionable salaries in respect of ongoing benefit accrual, with effect from 1 April 2019; and
- £1.8m pa in respect of the deficit, with effect from 1 January 2019.

At the year end the discount rate has increased to 2.9% p.a from the prior year rate of 2.4% p.a. This is the major factor in a significant decrease in the pension scheme liability of £5,041,000 as shown in the Statement of Comprehensive Income. Following the year end comparable discount rates decreased to approximately 2.5% p.a. This movement alone, based on the sensitivity analysis prepared by the actuaries, indicates that the pension scheme liability has increased by approximately £4.48m since the Statement of Financial Position date of 31 December 2018.

The results of the formal actuarial valuation as at 31 December 2017 were updated to the accounting date by an independent qualified actuary in accordance with FRS 102, allowing for benefit payments made, and changes in market conditions. The results, based on assumptions used for FRS 102, are as follows:

STATEMENT OF FINANCIAL POSITION

	2018 £000	2017 £000
Present value of defined benefit obligation	(64,851)	(71,144)
Fair value of Fund assets	57,909	58,323
Deficit reflected in provisions for liabilities and charges	(6,942)	(12,821)
Related deferred tax asset reflected in debtors	1,180	2,180
Net liability recognised in the statement of financial position	(5,762)	(10,641)

MOVEMENT IN NET DEFINED BENEFIT LIABILITY	2018	2017
	£000	£000
Opening net defined benefit liability	12,821	13,627
Expense recognised in the surplus before comprehensive income	1,400	1,362
Employer contributions	(2,238)	(1,712)
Amount recognised in other comprehensive income	(5,041)	(456)
Closing net defined benefit liability	6,942	12,821
EXPENSE RECOGNISED IN STATEMENT OF TOTAL COMPREHENSIVE INCOME	2018	2017
	£000	£000
Employer's part of current service cost	1,101	1,020
Past service cost and settlements	-	-
Running costs	20	-
Interest expense	279	342
Total expense recognised in statement of total comprehensive income	1,400	1,362
MOVEMENT IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION	2018	2017
	£000	£000
Opening defined benefit obligation	71,144	69,971
Employer's part of current service cost	1,101	1,020
Past service cost and settlements	-	-
Interest on obligation	1,687	1,796
Contributions from Fund members	146	159
Actuarial (gains)	(7,550)	(17)
Benefits paid	(1,677)	(1,785)
Closing defined benefit obligation	64,851	71,144
MOVEMENT IN FAIR VALUE OF PLAN ASSETS	2018	2017
	£000	£000
Opening fair value of the Fund assets	58,323	56,344
Interest on Fund assets	1,408	1,454
Actual return less interest on Fund assets	(2,509)	439
Contributions by the Authority	2,238	1,712
Contributions by Fund members	146	159
Running costs	(20)	-
Benefits paid	(1,677)	(1,785)
Closing fair value of Fund assets	57,909	58,323

The total return on the assets over the year was £1,893,000.

The major categories of plan assets at the balance sheet date are as follows:

	2018	2017
	£000	£000
Bonds	9.4%	9.4%
Gilts	16.5%	20.9%
Total return fund	68.0%	69.1%
Cash	6.1%	0.6%
	100.0%	100.0%

The Fund does not invest directly in property occupied by the Authority or in financial securities issued by the Authority.

The following table sets out the significant assumptions used for the Fund:

ACTUARIAL ASSUMPTIONS	2018	2017	2016
Retail Prices Index inflation	3.2% p.a	3.2% p.a	3.2% p.a
Consumer Prices Index inflation	2.2% p.a	2.2% p.a	2.2% p.a
Discount rate	2.9% p.a	2.4% p.a	2.6% p.a
Pension increases in payment (5% LPI)	3.1% p.a	3.1% p.a	3.1% p.a
Pension increases in payment (2.5% LPI)	2.1% p.a	2.1% p.a	2.1% p.a
Salary increases	3.7% p.a	3.7% p.a	3.7% p.a
Life expectancy of male/female aged 65 at balance sheet date	24.1 years	24.3 years	24.8 years
Life expectancy of male/female aged 65 in 20 years' time	26.0 years	26.1 years	27.1 years

As part of the actuarial valuation with an effective date of 31 December 2017 the following contributions from the authority were agreed:

- 24% pa of pensionable salaries in respect of ongoing benefit accrual; and
- £1.8 m pa in respect of deficit funding

At the year end the discount rate has increased to 2.9% p.a from the prior year rate of 2.4% p.a. This is the major factor in a significant decrease in the pension scheme liability of £5,041,000 as shown in the Statement of Comprehensive Income. Following the year end comparable discount rates decreased to approximately 2.5% p.a. This movement alone, based on the sensitivity analysis prepared by the actuaries, indicates that the pension scheme liability has increased by approximately £4.48m since the Statement of Financial Position date of 31 December 2018.

On 7 December 2018 the Authority announced a decision, following consultation with the Union of Unite and employees to launch a new enhanced defined contribution pension scheme as from 1 April 2019. This new pension arrangement replaces the Authority's defined benefit pension scheme that will close to future accrual on 1 July 2020. As at that date the Authority Active members will cease to accrue benefits in the pension scheme and the Authority will cease to make pension contributions, however, the Authority will continue to pay £1.8m pa in respect of deficit funding.

21 CAPITAL COMMITMENTS

At the year end the Board had contracted to further capital expenditure which is not provided in these financial statements of £482,374 (2017: £324,650).

22 OPERATING LEASE COMMITMENTS

At 31 December 2018 the Authority had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
EXPIRY DATE:		
Within 1 year	278,712	257,100
Between 2 to 5 years	1,031,648	1,028,400
After more than 5 years	11,209,850	11,408,710
	12,520,210	12,694,210

Included within the commitment is £11,469,600 (2017: £11,708,550) relating to the lease for the Managed Retreat in Trimley which expires in 2067.

23 CONTINGENT LIABILITIES

The Pilots National Pension Fund is a UK defined benefit pension scheme for marine pilots. It includes self-employed as well as employed members, and is funded by multiple employers, including harbour authorities that only authorised self-employed pilots and had never previously been required to contribute to the scheme.

The Authority had its debt certified under section 75 of the Pensions Act 1995 on 20 February 2014 and this has been recognised in the financial statements for the year ended 31 December 2013. However under Rule 15(2) additional sums may be claimed from time to time. These additional sums are undefinable and therefore not provided for within these financial statements.

24 RELATED PARTY TRANSACTIONS

Key management personnel

The Board and Management team as listed on the members, management and advisors page are considered to have authority and responsibility for planning, directing and controlling the activities of the Authority and are therefore considered to be key management personnel. Total remuneration in respect of these individuals is £835,118 (2017: £767,901).

25 RESERVES

	Brought forward £	Income £	Expenditure £	Designated Expenditure Transfers £	Transfers £	Gains/ (losses) £	Total movement £	Carried forward £
Designated								
Capital expenditure	2,219,000	-	-	(1,409,667)	2,485,667	-	1,076,000	3,295,000
Pension contributions	1,110,000	-	-	(1,110,000)	1,800,000	-	690,000	1,800,000
Capital dredging	2,111,863	-	-	-	409,987	-	409,987	2,521,850
Loan repayments	2,354,720	-	-	(2,354,720)	2,527,531	-	172,811	2,527,531
	7,795,583	-	-	(4,874,387)	7,223,185	-	2,348,798	10,144,381
Revenue								
General	8,980,864	25,604,294	(19,119,574)	-	(7,223,185)	(1,000,000)	(1,738,465)	7,242,399
Pension scheme	(12,821,000)	-	(272,000)	1,110,000	-	5,041,000	5,879,000	(6,942,000)
	(3,840,136)	25,604,294	(19,391,574)	1,110,000	(7,223,185)	4,041,000	4,140,535	300,399
Fixed assets and loans								
Fixed assets	43,293,727	-	(2,301,742)	1,409,667	-	-	(892,075)	42,401,652
Loans	(4,882,251)	-	-	2,354,720	-	-	2,354,720	(2,527,531)
	38,411,476	-	(2,301,742)	3,764,387	-	-	1,462,645	39,874,121
Revenue, fixed assets and loans	34,571,340	25,604,294	(21,693,316)	4,874,387	(7,223,185)	4,041,000	5,603,180	40,174,520
Total	42,366,923	25,604,294	(21,693,316)	-	-	4,041,000	7,951,978	50,318,901

The column headed Expenditure is the net total of actual expenditure, depreciation and identified future liabilities.

Below are descriptions to the various headings above.

DESIGNATED

Capital expenditure

Includes amounts designated by the Authority towards capital expenditure in future financial years.

Pension contributions

Includes amounts designated by the Authority towards additional contributions to the Pension Scheme in respect of the deficit funding in the next financial year.

Funds for future capital dredging

Includes surplus from Conservancy Surcharge receipts that the Authority could make available as a contribution towards future deepening of the harbour approaches. Such deepening would make the Haven more accessible for the new generation of container ships. No business case has been submitted or approved.

Loan repayments

Includes amounts designated by the Authority towards future loan repayments falling due in the next financial year.

REVENUE

General

Includes all other current and prior period surpluses and deficits.

Pension scheme

Includes the obligation to the members of the Harwich Haven Authority Pension Fund (HHAPF) prior to any reductions for amounts held within designated funds.

FIXED ASSETS AND LOANS

Fixed assets

Includes current and prior period income and expenditure relating to fixed assets held by the Authority.

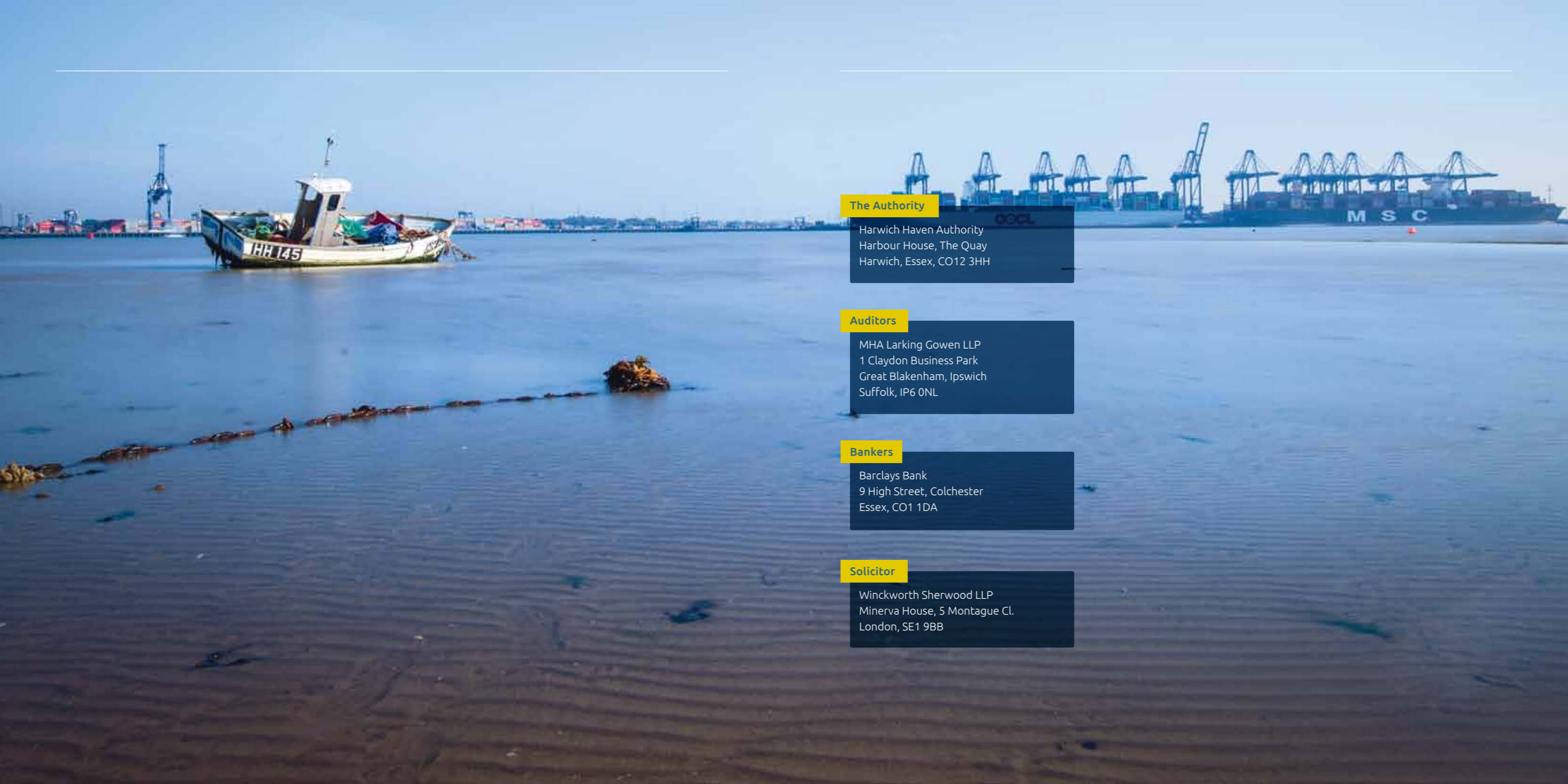
Loans

Includes current and prior period advances, repayments and interest relating to loans held by the Authority prior to any reductions for amounts held within designated funds.

26 Analysis of net assets between funds

	Designated	Revenue	Fixed	Total funds	Total funds
	£	£	assets	2018	2017
			£	£	£
Fixed assets	-	-	42,401,652	42,401,652	43,293,727
Current Assets	10,144,381	8,428,061	-	18,572,442	18,596,175
Liabilities	-	(1,185,662)	(2,527,531)	(3,713,193)	(6,701,979)
Pension scheme	-	(6,942,000)	-	(6,942,000)	(12,821,000)
Total	10,144,381	300,399	39,874,121	50,318,901	42,366,923





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