

Enquiries - please ask for Chris Punnett - email: chris@conservancy.co.uk

12th June 2009

ACCOUNTS AND AUDIT COMMITTEE

A meeting of the Conservancy's Accounts and Audit Committee will be held at **4.00 pm*** on **Monday 22nd June 2009** at **County Hall, Chichester**.

* or at the conclusion of the Advisory Committee, whichever is later

JOHN DAVIS

Manager & Harbour Master

AGENDA

1. Apologies

2. Minutes

To approve the minutes of the meeting of the Committee (page).

3. Declaration of Interests

Members and officers are invited to make declarations of personal or prejudicial interests that they may have in relation to items on the agenda and are reminded to make declarations at any stage during the meeting if it then becomes apparent that this may be required when a particular item or issue is considered.

4. Final Accounts

To consider the report of the Manager & Harbour Master and the Treasurer (enclosed as a combined report to this Committee and the Conservancy, with separate recommendations to each).

5. Urgent Matters

Items not on the agenda which the Chairman of the meeting agrees should be considered as a matter of urgency due to special circumstances.

Members:

Chairman of the Conservancy:	Mrs Louise Goldsmith (Chairman)
Vice-Chairman of the Conservancy:	Mr Tim Knight
Chairman of the Advisory Committee:	Mr Peter Taylor

CHICHESTER HARBOUR CONSERVANCY

ACCOUNTS AND AUDIT COMMITTEE

Minutes of the meeting of the Accounts and Audit Committee held on 22nd September 2008 at County Hall, Chichester.

Present: Mrs Goldsmith (Chairman of the Conservancy), Mr Knight (Vice-Chairman of the Conservancy), and Mr Taylor (Chairman of the Advisory Committee)

APPOINTMENT OF CHAIRMAN

1. Mrs Goldsmith was appointed Chairman for the period to the 2009 Annual Meeting of the Conservancy.

DECLARATION OF INTERESTS

2. Mr Taylor declared a personal interest as a mooring holder paying harbour dues to the Conservancy.

MINUTES

3. **Resolved** that the minutes of the meeting of the Committee held on 30th June 2008 be approved as a correct record and signed by the Chairman.

AUDIT COMMISSION: ANNUAL GOVERNANCE REPORT

4. The Committee considered the Audit Commission's Annual Governance Report on its Audit of the Conservancy's accounts for the 2007/8 financial year (copy attached to the signed minutes).
5. Mr Graham Liddell from the Audit Commission presented the Report, and indicated that the District Auditor would shortly be issuing her Audit Letter giving an unqualified opinion on the Conservancy's 2007/8 accounts.
6. The Conservancy was asked to submit a representation letter to the District Auditor in the terms set out in Appendix 2, confirming the completeness and probity of the audited accounts, and to note that the Audit Letter, the issue of which was a statutory duty, would then be issued. This should be submitted to the Conservancy for noting by the end of November 2008.
7. The Committee welcomed the Report and the confidence it gave in the Conservancy's accounting procedures.
8. **Resolved:**
 - (i) That the matters raised in the District Auditor's Report be noted;
 - (ii) That the Treasurer be authorised to issue to the District Auditor on behalf of the Conservancy a representation letter as set out in Appendix 2;
 - (iii) That the District Auditor's Audit Letter be submitted to the 6th November 2008 meeting of the Conservancy.

The meeting started at 1.05pm and ended at 1.20pm.

Chairman

ACCOUNTS AND AUDIT COMMITTEE

22nd JUNE 2009 - Agenda item no. 4

CHICHESTER HARBOUR CONSERVANCY

2nd JULY 2009 - Agenda item no. 12

FINAL ACCOUNTS 2008/09

REPORT BY TREASURER AND MANAGER & HARBOUR MASTER

Introduction

1. The final accounts for 2008/09 show a net surplus of £128,249. This compares with a revised budget surplus, approved in November 2008, of £74,300. The overall position is summarised in the table below.

	Revised Budget	Final Outturn	Variation
	£	£	£
Expenditure	1,728,600	1,700,655	-27,945
Income	-1,720,000	-1,782,636	-62,636
Surplus on Income and Expenditure Account	8,600	-81,981	-90,581
Transfers to and from reserves	-12,000	27,674	39,674
Depreciation to capital financing	-70,900	-73,941	-3,041
Net Surplus	-74,300	-128,249	-53,949

2. Details of income and expenditure are shown in Appendix 1. The formal accounting statements, subject to audit, are shown in Appendix 2. The accounting statements do not currently include an Audit Report. This will be added when the audit has been completed. A reconciliation between the income and expenditure figures in appendices 1 and 2 is shown in Appendix 3.

Income and Expenditure 2008/09

3. Variations between the revised budget and the final outturn exceeding £4,000 are detailed below.

EXPENDITURE

Pay (£4,300). Spending on seasonal staff was higher than anticipated when the revised budget was set.

Building insurance (-£5,100). A reduction in premium was negotiated with Zurich, based on quotations received from alternative insurers.

Computer equipment (£14,400). The cost of the new server installed in September 2008 was £2,200 higher than anticipated. Additional technical support was required during its set up, costing approximately £1,700 more than normal use of these services would. Savings on other budget headings and favourable variances on income presented the opportunity to increase operational efficiency by bringing forward future planned expenditure on computer equipment. The Harbour's software licences were upgraded to Office 2007, at a cost of £3,700. New laptops, monitors and PCs were also purchased, at a cost of £5,300, and £1,500 was spent on upgrading the Harbour's income management system.

AONB and Environmental Management Projects (-£15,000). This variation relates to committed expenditure on projects that were delayed due to either poor weather or the need to secure additional permissions and to Phase II of the Valuing Chichester Harbour study, which has not yet been carried out. Delayed projects will be carried forward to 2009/10 as part of the overall environmental underspending.

INCOME

General Sales – Harbour (+£4,200). Sales of mooring tackle have exceeded expectations.

General Sales - Environment (+£4,400). This increase in income is due to continued high levels of sales of the Harbour Reference Guide and Walkers' Guide.

Harbour Dues (+£11,000). This variation resulted from additional income above that included in the revised budget. It includes dues collected by sailing clubs on behalf of the Conservancy, which are higher than usual.

Conservancy Moorings (+£12,300). This variation resulted from additional income above that included in the revised budget.

Solar Boat income (-£7,100). This variation reflects the poor summer weather of 2008. In contrast with 2007/08, private hire and charter trips were not high enough to compensate for this in 2008/09.

Boat Park (+£9,900). The boat park has been under new management since spring 2007. The new management has been steadily building up the business, resulting in increased income for the Conservancy.

General Grants (+£5,900). Additional project funding of £6,000 has been approved by Natural England in relation to the Dell Quay coastal footpath.

Countryside Stewardship scheme (+£4,400). This favourable variance reflects increased payments received from the Rural Payments Agency for land managed by the Conservancy. The increase is due to a change in the way payments are calculated under the Single Payment Scheme.

Investment Income (+£4,800). The revised estimate for interest income was increased with caution due to the prevailing economic climate. In the event, the Conservancy benefited from higher than expected interest rates on inter-bank lending and the impact of cash flow.

Other Income (+£7,600). This favourable variation includes sponsorship income for the Terror from the Friends of Chichester Harbour of £2,000, a partnership contribution of £1,900 from Hampshire County Council towards the costs of a publication on the Wade Way and £2,200 from the Hampshire and Isle of Wight Trust towards the cost of officer time spent on the Solent Seal Project.

TRANSFERS TO AND FROM RESERVES

Transfer to Earmarked Environmental Reserve (+£40,300). This represents the transfer of the underspending on the Environmental budget to the Earmarked Environmental Reserve, to be used in 2009/10. The underspending reflects the cumulative impact of variations highlighted above, including increased grant funding from Natural England, additional payments received under the Single Payment Scheme, additional income from sales of publications and the carrying forward of certain projects due to poor weather or permission delays. In part the underspending reflects caution in spending possible savings before they are confirmed. For example, additional income under the Single Payment Scheme was received towards the end of the year and final interest income calculations are made at year end. Part of the underspending will be used in 2009/10 to complete the projects carried over from 2008/09, which include footpath drainage improvements at Bosham, refencing of Fishbourne Meadows and wheelchair path resurfacing at North Common. The balance will be used to fund other projects, including tree planting and footpath maintenance and improvements.

Capital expenditure

4. Capital expenditure during the year included £132,330 on the new office at Dell Quay Education Centre, payments of £46,471 on completion of the new Bar Beacon and West Pole, the balance of £19,730 payable for the new Rib and £12,845 for a new van. The new Education office was funded from the Development Fund. Costs relating to the Bar Beacon, West Pole, new RIB and replacement van were met from the Repairs and Renewals Fund.

Balance sheet as at 31 March 2009

5. The balance sheet is included within the draft Financial Report and Accounts at Appendix 2. The main items of interest to Members are highlighted below.

Repairs and Renewals fund

6. The Repairs and Renewals Fund has a closing balance of £162,051. Movements on the Fund during the year can be seen in note 21c on page 19 of the Accounts.

East Head Defence Fund

7. The East Head Defence Fund is held to meet future maintenance liabilities at East Head. The Fund balance at 1 April, 2008 was £14,575. Expenditure during the year was £25,526 and income £28,711, including interest of £685 added during the year, giving a closing balance of £17,760.

Harbour Development Fund

8. The Harbour Development Fund is held to provide resources to meet the Conservancy's AONB objectives and investment for maritime purposes. The closing balance on the Development Fund is £1,780,910; an increase of £107,787 during the year. The Fund is described as the 'General Fund' in the Accounts and a summary of movements during the year can be found on page 9.

Revenue Balances

9. The closing Revenue Balance is £167,100. This provides working capital and a general contingency for the Conservancy's operations, and is based on 10% of the budgeted 2009/10 gross expenditure. A summary of movements can be found in Note 21c to the Accounts.

Treasury Management

10. It is confirmed that the borrowing and lending undertaken by the Treasurer during 2008/09 has been in accordance with the standards as apply in West Sussex County Council's Treasury Management Policy Statement.

Eastoke and West Winner Beacons

11. The Eastoke and West Winner beacons are due for replacement. Estimates have not yet been received for these works, but it is likely that the 2009/10 budget for Navigation Marks of £10,000 will not be sufficient. Earmarking the surplus generated in 2008/09, over and above the budgeted figure, for inclusion in the revised budget for 2009/10 would enable the works to start in this financial year. Depending on costings, it could also be sufficient to fund the proposed dredge at Sandhead, included in a separate report on this agenda. The surplus was £53,900 higher than anticipated. It is recommended that this sum be earmarked for the revised 2009/10 budget for Navigation Marks.

Recommendations

- (a) That the **Accounts and Audit Committee** approves the draft Financial Report and Accounts for the year ended 31 March 2009, shown in Appendix 2, for submission to the Audit Commission for audit.
- (b) That the **Conservancy** agrees the outturn position for the year ended 31 March 2009.
- (c) That the **Conservancy** agrees the transfer of the underspending on the Environment budget to the Earmarked Environmental Reserve.
- (d) That the **Conservancy** agrees to earmark up to £53,900 of the funds held in the Development Fund for the 2009/10 revised budget for Navigation Marks.

RICHARD HORNBY
Treasurer

JOHN DAVIS
Manager & Harbour Master

Contact: Chris Salt (01243) 777125; chris.salt@westssussex.gov.uk

CHICHESTER HARBOUR CONSERVANCY

DETAILED BUDGET AND OUTTURN 2008-09

ACTUALS		APPROVED	REVISED	FINAL	VARIATION	2 WAY SPLIT 2008-09				
2007-08		BUDGET	BUDGET	OUTTURN	ON REVISED	HARBOUR		ENVIRONMENT		TOTAL
£		2008-09	2008-09	2008-09	2008-09	%	£	%	£	£
	EXPENDITURE									
608,773	Pay	640,900	631,600	635,884	4,284	59%	376,017	41%	259,867	635,884
8,581	Dell Quay Teachers	11,400	11,400	9,427	-1,973	0%	0	100%	9,427	9,427
43,781	National Insurance	48,600	45,800	46,157	357	60%	27,699	40%	18,458	46,157
82,579	Pension Costs	83,300	95,200	95,448	248	57%	54,793	43%	40,655	95,448
2,453	Scheme of Financial Recognition	3,000	3,000	2,964	-36	71%	2,117	29%	847	2,964
8,403	Training	6,300	6,300	2,335	-3,965	88%	2,044	12%	291	2,335
12,211	Other Expenses	800	800	1,313	513	19%	243	81%	1,070	1,313
19,527	Added years and Compensation for Loss of Office	4,900	4,900	4,937	37	100%	4,937	0%	0	4,937
786,308		799,200	799,000	798,465	-535		467,850		330,615	798,465
5,837	Building Maintenance	4,600	19,600	21,199	1,599	95%	20,103	5%	1,097	21,199
476	Minor Improvements	2,100	2,100	1,250	-850	100%	1,250	0%	0	1,250
2,500	Bar Survey	2,400	2,400	0	-2,400		0		0	0
4,916	Quays, Jetties & Hards	6,200	6,200	4,977	-1,223	100%	4,977	0%	0	4,977
12,536	Cleaning	13,000	13,000	13,169	169	85%	11,194	15%	1,975	13,169
26,266		28,300	43,300	40,596	-2,704		37,524		3,072	40,596
4,537	Fuel (Gas and Electricity)	6,600	7,100	6,566	-534	78%	5,112	22%	1,455	6,566
10,298	Rent	14,600	14,100	13,897	-203	49%	6,821	51%	7,076	13,897
18,093	Rates	19,500	18,800	18,827	27	79%	14,921	21%	3,905	18,827
1,823	Water and sewerage	2,300	2,300	1,843	-457	83%	1,522	17%	320	1,843
2,489	Building Insurance	3,000	7,600	2,504	-5,096	67%	1,680	33%	824	2,504
206,205	Leases	210,900	211,600	211,976	376	100%	211,976	0%	0	211,976
243,445		256,900	261,500	255,613	-5,887		242,032		13,580	255,613
12,033	Vehicles	15,500	15,800	11,946	-3,854	67%	8,004	33%	3,942	11,946
9,329	Travel allowances	12,300	12,300	9,968	-2,332	18%	1,824	82%	8,144	9,968
36,746	Vessels	46,800	46,000	47,666	1,666	67%	31,916	33%	15,751	47,666
58,108		74,600	74,100	69,580	-4,520		41,744		27,836	69,580
1,085	Office equipment and furniture	2,800	2,800	1,668	-1,132	80%	1,338	20%	329	1,668
10,416	Computer equipment	10,500	15,500	29,866	14,366	75%	22,400	25%	7,467	29,866
4,511	Workshop tools	4,600	4,600	5,074	474	100%	5,074	0%	0	5,074
9,396	Navigation marks	9,700	9,700	7,544	-2,156	100%	7,544	0%	0	7,544
24,075	Moorings maintenance	25,800	25,800	25,566	-234	100%	25,566	0%	0	25,566
614	Radio	1,200	1,200	595	-605	100%	595	0%	0	595
4,181	Small equipment and craft	5,000	5,000	3,513	-1,487	88%	3,091	12%	422	3,513
54,277		59,600	64,600	73,825	9,225		65,607		8,217	73,825

CHICHESTER HARBOUR CONSERVANCY

DETAILED BUDGET AND OUTTURN 2008-09

ACTUALS		APPROVED	REVISED	FINAL	VARIATION	2 WAY SPLIT 2008-09				
2007-08		BUDGET	BUDGET	OUTTURN	ON REVISED	HARBOUR		ENVIRONMENT		TOTAL
£		2008-09	2008-09	2008-09	2008-09	%	£	%	£	£
3,953	Clothing and laundry	6,800	4,900	5,548	648	87%	4,821	13%	727	5,548
211	Books & Materials	1,200	1,200	308	-892	67%	206	33%	103	308
21,440	Printing and stationery	26,000	26,000	24,044	-1,956	94%	22,605	6%	1,439	24,044
12,547	Postage	16,500	16,500	12,725	-3,775	98%	12,416	2%	308	12,725
6,925	Telephones	6,800	6,000	5,182	-818	85%	4,404	15%	777	5,182
45,077		57,300	54,600	47,807	-6,793		44,452		3,355	47,807
5,352	Travel and subsistence	7,600	7,600	6,862	-738	88%	6,038	12%	825	6,862
23,620	External insurance	31,900	19,600	17,098	-2,502	100%	17,098	0%	0	17,098
3,617	Subscriptions	3,800	4,800	8,022	3,222	89%	7,140	11%	882	8,022
6,408	Bank	6,500	8,500	8,822	322	91%	7,992	9%	830	8,822
11,457	Legal	10,000	10,000	8,491	-1,509	75%	6,368	25%	2,123	8,491
14,098	Audit	4,500	9,000	9,020	20	100%	9,020	0%	0	9,020
6,570	Consultancy (Property, Surveys & Website Maintenance)	9,500	9,500	9,753	253	62%	6,074	38%	3,679	9,753
3,141	Special contingency	10,000	10,000	6,101	-3,899	75%	4,576	25%	1,525	6,101
0	Contribution to CHIMET	0	0	0	0		0		0	0
2,699	Oil Spill Response	2,800	2,800	1,489	-1,311	100%	1,489	0%	0	1,489
76,961		86,600	81,800	75,658	-6,142		65,794		9,864	75,658
108,940	AONB & Environmental Management projects	72,200	173,100	158,105	-14,995	0%	0	100%	158,105	158,105
1,491	AONB Management Plan	8,800	2,000	1,126	-874	0%	0	100%	1,126	1,126
69,815	AONB Sustainable Development Fund projects	70,000	61,700	61,962	262	0%	0	100%	61,962	61,962
34,053	HLF Projects	0	0	0	0	0%	0	100%	0	0
0	Eames Farm project (revenue costs)	0	3,000	3,677	677	0%	0	100%	3,677	3,677
214,300		151,000	239,800	224,869	-14,931		0		224,869	224,869
2,000	Clerk	2,000	2,000	2,000	0	70%	1,400	30%	600	2,000
35,300	Treasurer	34,000	34,000	35,300	1,300	67%	23,672	33%	11,628	35,300
3,000	Personnel	3,000	3,000	3,000	0	83%	2,500	17%	500	3,000
40,300		39,000	39,000	40,300	1,300		27,572		12,728	40,300
55,627	Depreciation	72,500	70,900	73,941	3,041	100%	73,941	0%	0	73,941
55,627		72,500	70,900	73,941	3,041		73,941		0	73,941
1,600,669	TOTAL EXPENDITURE	1,625,000	1,728,600	1,700,655	-27,945		1,066,518		634,137	1,700,655

APPENDIX 1 (cont)

CHICHESTER HARBOUR CONSERVANCY

DETAILED BUDGET AND OUTTURN 2008-09

ACTUALS		APPROVED	REVISED	FINAL	VARIATION	2 WAY SPLIT 2008-09				
2007-08		BUDGET	BUDGET	OUTTURN	ON REVISED	HARBOUR		ENVIRONMENT		TOTAL
£		2008-09	2008-09	2008-09	2008-09	%	£	%	£	£
INCOME										
13,208	General sales - Harbour	3,100	11,100	15,306	4,206	100%	15,306	0%	0	15,306
7,065	General sales - Environment	1,600	6,200	10,586	4,386	0%	0	100%	10,586	10,586
127	General sales - Dell Quay	300	300	94	-206	0%	0	100%	94	94
786	Training Income - Environment	1,000	1,000	685	-316	0%	0	100%	685	685
13,743	Training Income - Dell Quay Education and Activity	11,800	12,400	15,322	2,922	0%	0	100%	15,322	15,322
308,242	Harbour dues	303,800	303,800	314,792	10,992	100%	314,792	0%	0	314,792
443,249	Conservancy moorings	438,600	446,500	458,761	12,261	100%	458,761	0%	0	458,761
138,808	Mooring site rentals	142,100	141,500	142,013	513	100%	142,013	0%	0	142,013
21,714	Moorings on private land	21,700	22,300	22,064	-236	100%	22,064	0%	0	22,064
19,890	Other harbour charges	18,400	22,400	24,903	2,503	93%	23,073	7%	1,830	24,903
31,016	Solar Boat Income	30,700	30,700	23,632	-7,068	0%	0	100%	23,632	23,632
2,740	Passenger dues	2,400	2,500	1,468	-1,032	100%	1,468	0%	0	1,468
18,581	Boat park	16,500	18,000	27,919	9,919	100%	27,919	0%	0	27,919
26,658	Harbour rents	28,300	33,300	32,570	-730	75%	24,305	25%	8,265	32,570
18,959	Rechargeable works	9,700	11,000	9,967	-1,033	100%	9,967	0%	0	9,967
400	Works licences	400	400	200	-200	100%	200	0%	0	200
1,125	Legal charges	500	500	800	300	100%	800	0%	0	800
231,770	General grants	187,200	188,900	194,816	5,916	0%	0	100%	194,816	194,816
20,677	Donations	0	32,900	35,698	2,798	0%	0	0%	35,698	35,698
9,739	Countryside Stewardship scheme	10,000	10,000	14,365	4,365	0%	0	100%	14,365	14,365
48,836	Investment income	33,600	44,000	48,825	4,825	75%	36,619	25%	12,206	48,825
290,900	Council contributions	304,800	304,800	304,800	0	0%	0	100%	304,800	304,800
55,700	Car parks contribution	57,400	57,400	57,400	0	88%	50,500	12%	6,900	57,400
16,413	Other income	17,300	18,100	25,650	7,550	74%	19,038	26%	6,612	25,650
1,740,345	TOTAL INCOME	1,641,200	1,720,000	1,782,636	62,636		1,146,825		635,811	1,782,636
-139,677	SURPLUS ON INCOME AND EXPENDITURE ACCOUNT	-16,200	8,600	-81,981	-90,581		-80,307		-1,674	-81,981

APPENDIX 1 (cont)

CHICHESTER HARBOUR CONSERVANCY

DETAILED BUDGET AND OUTTURN 2008-09

ACTUALS		APPROVED	REVISED	FINAL	VARIATION	2 WAY SPLIT 2008-09				
2007-08		BUDGET	BUDGET	OUTTURN	ON REVISED	HARBOUR		ENVIRONMENT		TOTAL
£		2008-09	2008-09	2008-09	2008-09	%	£	%	£	£
	Transfers to / from Reserves									
-46,615	Transfer from Earmarked Environmental Reserve (Underspending from previous financial year)		-42,500	-42,460	40	0%	0	0%	-42,460	-42,460
65,900	Contribution to Repairs and Renewal Fund	42,000	42,000	42,000	0	98%	41,000	2%	1,000	42,000
3,000	Contribution to Insurance Fund	0	0	0	0	100%	0	0%	0	0
15,000	Transfer to / from(-) Replacement Window provision	0	-15,000	-15,000	0	0%	-15,000	0%	0	-15,000
0	Eames Farm rental income transferred to a reserve	0	3,500	2,868	-632	0%	0	100%	2,868	2,868
42,459	Transfer to Earmarked Environmental Reserve (Underspending on Environment budget)	0	0	40,265	40,265	0%	0	100%	40,265	40,265
79,745		42,000	-12,000	27,674	39,674		26,000		1,674	27,674
-55,627	Depreciation to capital financing	-72,500	-70,900	-73,941	-3,041	100%	-73,941	0%	0	-73,941
-115,559	SURPLUS FOR YEAR	-46,700	-74,300	-128,249	-53,949		-128,249		0	-128,249

APPENDIX 1 (cont)

**CHICHESTER
HARBOUR
CONSERVANCY**

FINANCIAL REPORT &
ACCOUNTS 2008/2009



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Statement of Responsibilities and Member Approval	7
This section details the financial responsibilities of Chichester Harbour Conservancy and the Treasurer, and confirms the date when the Conservancy approved the Statement of Accounts.	
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This account is fundamental to the understanding of the Chichester Harbour Conservancy's activities as it brings together the income received and the expenditure during 2008/09.	
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This statement summarises the differences between the Surplus/Deficit on the Income and Expenditure Account and the General Fund.	
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Financial Report

This Statement of Accounts presents the overall financial position of Chichester Harbour Conservancy for the year ended 31st March 2009. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice.

Actual spending

The Conservancy's gross expenditure for 2008/09 was £1,781,328 and its gross income was £1,554,075. This is shown in the Income and Expenditure Account on page 8.

The Statement of Movement on the General Fund on page 9 shows the full impact on the General Fund of all sources of income and expenditure, including investment and precept income, and of movements to and from reserves. The General Fund increased by £107,787 during 2008/09.

An underspending of £40,265 on environmental activities was carried forward to 2009/10 and will be spent on agreed commitments. The carry forward forms part of the transfers to earmarked reserves in the Accounts.

Funding from Natural England for Sustainable Development Fund (SDF) projects was lower than in previous years, reducing the Conservancy's ability to fund eligible projects.

Balances and reserves

The Conservancy's Harbour Development Fund is held to provide resources to meet the Conservancy's AONB objectives and investment for maritime purposes. It is referred to in the body of these Accounts as the General Fund, in accordance with CIPFA requirements. The balance on the Fund at the end of the year was £1,780,910; an increase of £107,787 during 2008/09.

The Conservancy's other funds are earmarked reserves, held for specific purposes. Details of movements on these are shown in note 21c, on page 19.

Pensions Liability

Under FRS17 requirements the Conservancy's accounts show the total future costs of pension liabilities in the Balance Sheet on page 10. It is important to note that, as the liability is "matched" by a reserve, the figures do not have any impact on the Conservancy's overall financial position. On 31st March 2009 the liability was £676,000, compared to £228,000 in the previous year. The majority of this increase results from changes in actuarial assumptions between the two valuations.

Capital spending and finance

During the year the Repairs and Renewals Fund financed completion of the new Bar Beacon and West Pole (£46,471), a new van (£11,345) and final payments on the purchase of a new RIB (£11,980). Sales of the old RIB and van raised £9,251 towards the cost of their replacements. The new classroom at Dell Quay was completed within schedule during 2008/09. The costs incurred on this project during 2008/09 (£132,330) were financed from the Development Fund.

Looking ahead

As a leisure provider, the Conservancy is exposed to the national economic situation. Although levels of demand from Harbour users currently remain high, there is a risk that this position may change, particularly if the recession is long lasting or if recovery is slow. Should this happen, there would undoubtedly be an impact upon the Conservancy, but since the underlying state of its finances is sound, this should allow it to manage any implications successfully.

On the other hand, reducing funding from Natural England continues to be a cause for concern. If an additional £6,000 project contribution in 2008/09 is excluded, funding in 2009/10 is at the same level as in 2008/09, £188,900, representing a reduction in real terms. Given the outlook for Government spending, it is difficult to see a more favourable settlement being provided in the short to medium term. As a result the Environment budget is likely to pose an increasing challenge.

The Chichester Harbour Trust is now well established and will continue to provide a source of funding to purchase land, sites and buildings within the Chichester Harbour Area of Outstanding Natural Beauty.

Accounting changes

2008/09 did not see any major changes to the preparation of the accounts as a result of guidance from CIPFA, the regulatory body for local authority accounts in England and Wales.

Since 2006/07 the Income and Expenditure Account has excluded appropriations from reserves, with the intention of that statement accurately reflecting the year's financial performance without distortion. This approach has the disadvantage that the Income and Expenditure Account does not fully explain the year's financial position without reference to the supporting "Statement of Movement on the General Fund". This brings into account those items, such as appropriations to and from reserves, which are excluded from the Income and Expenditure Account. For example, the surplus on the Income and Expenditure Account does not reflect funds set aside for future capital purchases.

Statement of Accounting Policies

1. General Principles

The accounts have been prepared in accordance with the current Code of Practice on Local Authority Accounting in the United Kingdom issued in 2000, by the Chartered Institute of Public Finance and Accountancy, the CIPFA/LASAAC Statement of Recommended Practice on "The Application of Accounting Standards (SSAP's) to local authorities in Great Britain" and FRS18.

The accounting policies and estimation techniques applied have been selected and exercised having regard to the accounting principles and concepts set out in FRS18. In particular

- the qualitative characteristics of financial information:
 - relevance
 - reliability
 - comparability
 - understandability
- materiality
- pervasive accounting concepts
 - accruals
 - going concern
 - primacy of legislative requirements

2. Fixed Assets

The system of accounting for fixed assets was introduced fully by Chichester Harbour Conservancy from 1st April 1995. Fixed assets are shown in the balance sheet at the value certified by Henry Adams and Partners estate agency, for all buildings, at cost for land, and at a written down historic cost for infrastructure and vehicles and equipment.

A de-minimis level for capital expenditure of £10,000 has been applied generally, except for vehicles, so as to exclude individual assets or works below this figure from the asset registers.

The balance sheet shows assets at their initial valuation plus additions for capital expenditure in the year and revaluations, less disposals and depreciation. The value is shown for the purposes of capital accounting requirements and does not purport to represent the market value of assets owned by the Conservancy. The total value of fixed assets is offset in the balance sheet by the amounts shown in the Revaluation Reserve, the Capital Adjustment Account and the Government Grants Deferred Account.

Infrastructure costs, including Jetties and Pontoons, are based on an estimated assessment of current costs and in the case of the Itchenor and Dell Quay Pontoons actual cost.

3. Intangible Fixed Assets

From April 2004 intangible fixed assets in the balance sheet would represent any software licenses or internally developed software where there is a readily ascertainable market value. In 2008/09 the Conservancy had none.

4. Basis of Depreciation Charge

Depreciation is charged on buildings, infrastructure and equipment over the individual estimated life.

5. Debtors and Creditors

The Income and Expenditure account is maintained on an accruals basis in accordance with the Code of Practice. As such the accounts are prepared on the basis of income becoming due and expenditure becoming payable in the financial year to 31st March 2009.

Payments in advance and receipts in advance are shown separately in the balance sheet.

An examination of debtors outstanding at 31st March 2009 has been made and in the light of past experience it is not considered necessary to make specific provision for bad debts.

6. Stocks and Work in Progress

From 2000/2001 all expenditure on stocks and stores has been charged to the revenue account in the year of purchase.

7. Reserves

The Conservancy maintains a reserve for financing capital expenditure, (the Repairs and Renewals Fund), and a working balance based on 10% of budgeted gross expenditure, to meet day to day requirements on the revenue account, (the Revenue Balance Reserve). The Conservancy also maintains a number of other reserves for specific purposes. These are shown as earmarked reserves in the Statement of Accounts. Details of these reserves can be found in the disclosure note 21c.

Any surplus of income over expenditure, after provision of the working balance, is transferred to the Harbour Development Fund. The Development Fund is referred to in these Accounts as the General Fund.

8. Pensions

The Conservancy participates in the local government pension scheme administered by West Sussex County Council, which provides members with defined benefits related to pay and service.

Employees, subject to certain qualifying criteria, are eligible to join this scheme. The pension costs that are charged to the Conservancy's accounts in respect of these employees are paid to the funded pension scheme. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The pension costs included in the accounts in respect of this scheme have been determined in accordance with relevant government regulations. As far as FRS 17 requirements are concerned the information regarding this is set out in note 2 of the Notes to the Financial Statements. Changes to FRS 17, requiring asset values at 31 March 2008 to be stated at bid value, have been effected by means of a prior period adjustment to reflect the resulting change in asset values.

These accounting policies represent a change to those applied prior to 2003/04. Policy prior to that year was to recognise liabilities in relation to retirement benefits only when employers contributions become payable to the pension fund or payments fell due to the pensioners for which the Conservancy was directly responsible. The new policies better reflect the commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

9. Investments

It is confirmed that the lending undertaken by the Treasurer during 2008/09 has been in accordance with the standards as apply in West Sussex County Council's Treasury Management Policy Statement.

10. Grants

Grant income is brought into the revenue account on the basis of the relevant percentage of eligible expenditure for the year together with any adjustments relating to previous years' accounts.

11. Precept Income

Precept income for the year is included at the figure precepted on Hampshire County Council and West Sussex County Council and is not subject to revision.

Statement of Responsibilities and Member Approval

The Conservancy's responsibilities

The Conservancy is required under the terms of the 1999 Local Government Finance Act:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer to the Conservancy;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer to the Conservancy's responsibilities

West Sussex County Council's Finance Director, as Treasurer to the Conservancy, is responsible for the preparation of the Conservancy's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("A Statement of Recommended Practice"), is required to present fairly the financial position of the Conservancy at the accounting date and its income and expenditure for the year ended 31st March 2009.

In preparing this statement of accounts, the Treasurer to the Conservancy has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Statement of Recommended Practice.

The Treasurer to the Conservancy has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Richard Hornby
Treasurer

Certificate of approval by Chichester Harbour Conservancy

I confirm that these accounts were approved by the Accounts and Audit Committee of Chichester Harbour Conservancy on 22 June 2009.

Louise Goldsmith
Chairman of Chichester Harbour Conservancy

**Income and Expenditure Account
for the year ended 31st March 2009**

2007/08 Net Expenditure		2008/09 Gross Expenditure	2008/09 Gross Income	2008/09 Net Expenditure
£		£	£	£
269,936	Net Cost of Harbour Operations	1,781,328	1,554,075	227,253
	Other Operating Expenditure			
0	Gain (-) / Loss on sale of Fixed Assets			-9,251
-165,846	Investment Income			-160,583
-27,000	Pensions Financing			10,000
-192,846				-159,834
77,090	Net Operating Expenditure			67,419
	This was financed by -			
-290,900	Precepts contributions			-304,800
-213,810	Surplus (-) or Deficit for the Year			-237,381

Statement of Movement on the General Fund

The Income and Expenditure Account shows the Conservancy's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Conservancy, as a public sector body, accounts for its financing on a different accounting basis, the main differences being:

- a. Capital investment is accounted for as it is financed rather than when the fixed assets are consumed.
- b. Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Conservancy has over or under spent against the income that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund (Development Fund) Balance.

2007/08		2008/09
£		£
-213,810	Surplus (-)/deficit from the Income and Expenditure Account	-237,381
-127,547	Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	129,594
-341,357	Increase (-)/Decrease in General Fund Balance for the year	-107,787
-1,331,766	Balance brought forward	-1,673,123
-1,673,123	Balance carried forward	-1,780,910

Statement of Total Recognised Gains and Losses (STRGL)

2007/08		2008/09
£		£
213,810	Surplus/ (deficit) for the year on the Income and Expenditure Account	237,381
0	Surplus/ (deficit) arising on the revaluation of fixed assets	0
78,000	Actuarial gains/(losses) on pension fund assets*	-435,000
291,810	Total recognised gains for the year	-197,619

* A prior period adjustment has been made to the figure for 2007/08, to reflect the restatement of asset values in the pension fund as at 31 March 2008 at bid value, as required under FRS17.

Cash Flow Statement

2007/2008		Item	2008/2009	
£	£		£	£
Conservancy Activities				
<i>Cash outflows</i>				
719,160		Cash paid to or on behalf of employees	797,102	
<u>974,623</u>	1,693,783	Other operating cash payments	<u>899,608</u>	1,696,710
<i>Cash inflows</i>				
-290,900		Council Contributions	-304,800	
-499,118		Grants and Donations	-231,753	
-1,210,855		Cash received for goods and services	-1,326,610	
<u>-23,342</u>	-2,024,215	Other operating cash receipts	<u></u>	-1,863,163
	-330,432	Net cash flow		-166,453
Returns on Investments and Servicing of Finance				
<i>Cash outflows</i>				
0		Interest paid	0	
<u>-117,440</u>		<i>Cash inflows</i>		
<u>-117,440</u>		Interest received	<u>-165,846</u>	
			<u>-165,846</u>	
Capital Activities				
<i>Cash outflows</i>				
62,394		Purchase of fixed assets	261,177	
<u>0</u>		Other capital cash payments	<u>0</u>	
<u>62,394</u>			<u>261,177</u>	
<i>Cash inflows</i>				
0		Sale of fixed assets	-9,251	
<u>0</u>		Capital grants & contributions received	<u>0</u>	
<u>0</u>			<u>0</u>	
	-55,046			86,080
	-385,479	Net cash inflow(-)/outflow before financing		-80,373
Management of Liquid Resources				
	385,479	Net increase/decrease (-) in deposits		80,373
Financing				
	0	Cash Outflows		0
	0	Cash Inflows		0
	0	Net (increase)/decrease in cash		0

Notes to the Financial Statements

1. Expenditure on Publicity

Expenditure on publicity, which is required to be disclosed by Section 5, Local Government Act 1986, is included in the Income and Expenditure Account within respective service totals. A memorandum account is maintained of publicity expenditure, which is set out below:

2007/08		2008/09	
£		£	
2,360	Recruitment advertising	1,228	
0	Other advertising	0	
566	Other publicity	602	
<u>2,926</u>		<u>1,830</u>	

2. Pension Schemes

Local Government Pension Scheme: The Conservancy paid an employer's contribution of £95,448 in to the pension fund, representing 16.1% of pensionable pay. The contribution rate is determined by the fund's actuary, based on triennial actuarial valuations, the review covering 2008/09 being at 31 March 2004. Under pension fund regulations, contribution rates were set to meet 100% of the overall liabilities of the fund and to recover deficits relating to previous years, when 75% funding applied. The deficiency has been spread over the average future working lifetime of the active members.

In addition, the Conservancy is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases.

In accordance with Financial Reporting Standard No. 17 - "Retirement Benefits" (FRS 17) Chichester Harbour Conservancy is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

As part of the terms and conditions of employment of its officers and other employees, the Chichester Harbour Conservancy offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Conservancy has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Conservancy participates in the Local Government Pension Scheme for civilian employees, administered by West Sussex County Council - this is a funded scheme, meaning that the Conservancy and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits is recognised below in the illustrative impact to the Conservancy's revenue account over the financial year when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which is required to be made is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the revenue account.

2007/08		2008/09	
£'000		£'000	
-83	Pension Contributions	-95	
-5	Unfunded Discretionary Benefits	-5	
106	Current service costs	79	
38	Past service costs	24	
10	Impact of settlements & curtailments	0	
146	Interest Cost	180	
-173	Return on assets	-170	
-39	Credit from Pension Reserve	-13	
<u>0</u>		<u>0</u>	

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Assets in the County Council Pension Fund consist of the following categories, by proportion of the total assets held by the Fund:

	31st March 2008	31st March 2009
	%	%
Equities	71	70
Bonds	17	19
Property	8	8
Other	4	3
Total	100	100

The underlying assets and liabilities for retirement benefits attributable to Chichester Harbour Conservancy, measured in accordance with the requirements of FRS 17, at 31 March 2009 are as follows:

	31st March 2008	31st March 2009
	£'000	£'000
Estimated assets in scheme*	2,346	1,922
Estimated liabilities in scheme	-2,574	-2,598
Net asset / (liability)	-228	- 676

* A prior period adjustment has been made to the figure for 2007/08, to reflect the restatement of asset values in the pension fund as at 31 March 2008 at bid value, as required under FRS17.

The liabilities show the underlying commitments that the Conservancy has in the long run to pay retirement benefits. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis which involves an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations have been as follows:

	31st March 2008	31st March 2009
Discount rate	6.9%	6.9%
Rate of increase in salaries	5.1%	4.6%
Rate of increase in pensions in payments	3.6%	3.6%
Rate of inflation	3.6%	3.1%
Rate of return on Equities	7.7%	7.0%
Rate of return on Bonds	5.7%	5.4%
Rate of return on Property	5.7%	4.9%
Rate of return on Other assets	4.8%	4.0%

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarized below:

Mortality	Males	Females
Current Pensioners	21.5 years	24.4 years
Future Pensioners	22.6 years	25.5 years

Historic mortality assumptions are shown in the following table:

Year Ended	Prospective Pensioners	Pensioners
31 March 2009	Calendar year 2033	Calendar year 2017
31 March 2008	Calendar year 2033	Calendar year 2017
31 March 2007	Calendar year 2017	Calendar year 2009
31 March 2006	Calendar year 2017	Calendar year 2009
31 March 2005	Calendar year 2017	Calendar year 2009

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Age ratings are applied to the above tables based on membership profile. A commutation allowance is included for 50% of future retirements to take additional tax-free cash up to HMRC limits.

The movement in the net pension liability for the year to 31 March 2009 is as follows:

	Year to 31st March 2008 £'000	Year to 31st March 2009 £'000
Beginning of Year Deficit	-277	-228
Employer contributions	83	95
Contributions in respect of unfunded benefits	5	5
Current service cost	-106	-79
Past service costs	-38	-24
Impact of settlements and curtailments	-10	0
Net return on assets	27	-10
Interest on pension scheme liabilities	0	0
Actuarial loss/gain	88	-435
Other income/expenditure	0	0
End of Year Deficit	-228	- 676

An analysis of the projected amount to be charged to operating profit for pensions for the year to 31 March 2010 is shown below:

Year ended 31 March 2010:	£(000)	% of pay
Projected Current Service Cost	65	11.2%
Interest on Obligation	179	30.9%
Expected Return on Plan Assets	(124)	(21.4%)
Past Service Cost	-	-
Losses/(Gains) on Curtailments & Settlements	-	-
Total	120	20.7%

Employer's contributions for the year to 31 March 2010 will be approximately £93,000.

3. Members' allowances

Members' allowances were introduced in November 2001. No allowances were paid during 2008/09 for work performed on behalf of the Conservancy.

4. Officers' emoluments

Under the Accounts and Audit Regulations 2003 the Conservancy is required to disclose the number of employees whose emoluments exceed £50,000 per annum in bands of £10,000. Emoluments include salary and taxable benefits such as cars but exclude direct reimbursement of costs incurred.

The number in each band is as follows:

2007/08	2008/09
1	1

5. Related Parties

The Conservancy is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Conservancy or to be controlled or influenced by the Conservancy. Disclosure of these transactions allows readers to assess the extent to which the Conservancy might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Conservancy. The following bodies made contributions to the Conservancy during 2008/09

		£
Precepts	West Sussex County Council	152,400
	Hampshire County Council	152,400
Grants	Natural England	194,816

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Two members of the Conservancy are involved with the Chichester Harbour Trust. One member of the Conservancy is also a member of Fishbourne Parish Council.

6. Trading Operations

During 2008/09 the Conservancy did not operate any trading operations.

7. External Audit Costs

The Audit Commission is the external auditor for the Conservancy. For 2008/09 the following fees relating to external audit and statutory inspection were incurred:

2007/08 £'000	2008/09 £'000
8.5 Fees payable to the Audit Commission	9.5

8. Prior Period Adjustments

A prior period adjustment has been made to the Pensions Reserve and Pensions Liability figures in the Balance Sheet for 2007/08, to reflect the restatement of asset values in the pension fund as at 31 March 2008 at bid value, as required under FRS17. This has also been reflected in the Statement of Total Recognised Gains and Losses on page 9.

9. Trust Funds

No contributions were made by the Conservancy to Chichester Harbour Conservancy Trust during 2008/09.

10. Reconciliation of other movements in the General Fund Balance not transferred from Income and Expenditure Account

2007/08 £		2008/09 £
	Amounts included in the Income and Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the year	
0	Amortisation of intangible fixed assets	0
-55,627	Depreciation and impairment of fixed assets	-73,941
14,238	Government Grants Deferred amortisation	14,238
0	Write downs of deferred charges to be financed from capital resources	0
0	Net gain / loss (-) on sale of fixed assets	9,251
-39,000	Net charges made for retirements benefits in accordance with FRS17	-13,000
	Amounts not included in the Income and Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the year	
4,015	Capital expenditure charged in year to the General Fund Balance	132,330
0	Transfers to or from the General Fund Balance that are required to be taken into account	0
0	Voluntary revenue provision for capital financing	0
58,379	Net transfer to or from (-) Capital Reserve	69,796
-109,552	Net transfer to or from (-) Revenue Earmarked Reserves	-9,080
-127,547	Net additional amount required to be debited/ credited (-) to the General Fund Balance for the year	129,594

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11. Fixed Assets

The movements in the Conservancy's fixed assets during the financial year were as follows:-

	Assets under construction	Land and Buildings	Amenity Land	Vehicles and equipment	Infra-structure	Total
	£	£	£	£	£	£
Certified valuation at 31 March 2008	62,394	619,000	157,275	698,408	162,726	1,699,803
Accumulated depreciation		-32,520	0	-258,389	-56,292	-347,201
Net book value of assets at 31 March 2008	62,394	586,480	157,275	440,019	106,434	1,352,602
Additions	0	132,330	0	32,576	46,471	211,377
Revaluations	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Transfers	-62,394	4,016	0	8,378	50,000	0
Depreciation	0	-13,567	0	-45,404	-14,970	-73,941
Net Book Value of Assets at 31st March 2009	0	709,259	157,275	435,569	187,935	1,490,038

The following statement is a summary of how the Conservancy's assets have been valued. Details of the basis of these valuations are given below.

	Assets under construction	Land and Buildings	Amenity Land	Vehicles and equipment	Infra-structure	Total
	£	£	£	£	£	£
Valued at historical cost	62,394		157,275	515,408	162,726	897,803
Valued at current value 2004/05		619,000				619,000
2006/07				183,000		183,000
Total	62,394	619,000	157,275	698,408	162,726	1,699,803

Operational land and buildings: valued at March 2005. These assets are valued at open market value. The valuations have been made by Henry Adams who is an external valuer. Both FRS11 and FRS15 on accounting for fixed assets have been applied to the accounts. The Statement of Recommended Practice by the Chartered Institute of Public Finance and Accountancy states that buildings must be revalued every five years. A revaluation of the Conservancy's buildings was carried out during 2004/05. FRS11 requires an annual assessment of impairment, however this is not considered significant, and no adjustment has therefore been made.

Amenity land: these assets are recorded at their original cost of purchase.

Infrastructure (Jetties and pontoons): valued at 31st March 2003 on estimated depreciated historic cost except the new pontoons at Itchenor and Dell Quay which are valued at actual depreciated historic cost.

Vessels, plant and vehicles: valued at depreciated historic cost apart from the Moorings Barge which was revalued at £183,000 during 2006/07. This has been recognised in the accounts

Officers have reviewed fixed assets held at historic cost and consider that any difference between historic cost and market value would not lead to a material misstatement in the financial statements.

12. Leasing

No assets were acquired during the year through finance or operating leases.

13. Capital Receipts

The Conservancy received £9,251 in capital receipts during the year ended 31st March 2009, all of which were applied to finance capital expenditure within the year. No capital receipts unapplied were brought forward from 2007/08.

14. Financing of Fixed Asset Expenditure

	£
Total capital expenditure	211,177
Financed by:	
Revenue	132,330
Capital Receipts	9,251
Repairs and Renewals Fund	<u>69,796</u>
	<u>211,377</u>

15. Details of Assets held by the Conservancy

Descriptions of the Conservancy's physical assets are shown below.

Harbour office	1
Dell Quay	1
Westlands Estate	1
Mooring barge	1
Vessels-Large and small	9
Jetties	3
Solar Powered Boat	1
Jetty Piles	3
Pontoons	3
Pontoon Piles	2
Vehicles	4
Bar beacon	1
West Pole	1
JCB	1

They have been depreciated over the following periods:

	Years
Operational land and buildings	50
Jetties and Pontoons	15
Jetty and Pontoon Piles	40
Bar beacon	15
West Pole	20
Vehicles	5
Vessels	
-RIB	5
-Mooring Barge	30
-Solar Powered Boat	10
-Terror	30

16. Investments

The Conservancy held no long-term investments at 31st March 2009. Short-term investments of surplus funds at 31st March 2009 amounted to £3,137,711 and were held in an HSBC bank account. Balances on this account are managed by West Sussex County Council, who invest the funds and credit the Conservancy with the accrued interest accordingly. The Conservancy had no temporary borrowing as at 31st March 2009.

17. Long-term Borrowing

The Conservancy had no long term borrowings at 31st March 2009.

18. Post Balance Sheet Events

There are no post balance sheet events.

19. Trust Funds

The Conservancy does not hold any trust funds

20. Contingent Liabilities

There were no contingent liabilities at 31st March 2009.

21. Reserves

The Conservancy keeps a number of reserves on the Balance Sheet. Details of all reserves held are given below:

Reserve	Balance 1 st April 2008 £	Net Movement in year £	Balance 31 st March 2009 £	Purpose of reserve	Further details of movements
Revaluation Reserve	0	0	0	Reflects changes in the value of assets compared to their historical cost.	See note 21a below
Capital Adjustment Account	1,199,442	151,674	1,351,116	Accumulates capital financing set aside to fund past capital expenditure.	See note 21b below
Usable capital receipts	0	0	0	Proceeds of fixed assets sales available to meet future capital expenditure	
Pension Reserve	-228,000	-448,000	-676,000	Balancing Account to allow inclusion of Pensions Liability in the Balance sheet	
Earmarked Revenue Reserves	789,997	-9,080	780,917	Reserves set aside for specific purposes	See note 21c below
General Fund	<u>1,673,123</u> <u>3,434,562</u>	107,787	<u>1,780,910</u> <u>3,236,943</u>	Resources available to meet future running costs	See note 21c below
Change in net worth		-197,619			

FINANCIAL REPORT AND ACCOUNTS 2008/2009

21a	Capital Adjustment Account
	£
Capital receipts applied in 2008/09:	9,251
Assets financed by Deferred Government Grant	14,238
Assets funded in year by charge to General Fund	132,330
Depreciation charge for the year	-73,941
Assets funded by capital reserve (R&R Fund)	69,796
Total movement on account in 2008/09	151,674
Balance brought forward at 1st April 2008	1,199,442
Balance carried forward at 31st March 2009	1,351,116

21b Usable capital receipts

The Conservancy applies all proceeds from the sale of capital assets in the year of receipt to finance capital expenditure.

21c Earmarked Reserves	Balance at 1st April 2008	Revenue Approp- riations	Actuarial Gains/ Losses	Balance at 31st March 2009
	£	£	£	£
Repairs & Renewals Fund	180,729	-18,678	0	162,051
Window Replacement Fund	15,000	-15,000	0	0
Self Insurance Fund	51,586	2,630	0	54,216
East Head Defence Fund	14,575	3,185	0	17,760
Weather Station Fund	4,583	135	0	4,718
Revenue Balance Reserve	162,500	4,600	0	167,100
Chidham Bund Fund	318,564	16,243	0	334,807
Environmental Reserve	42,460	-2,195	0	40,265
Pensions Deficit Reserve	0		0	0
Earmarked Revenue Reserves as per Balance Sheet	789,997	-9,080	0	780,917
Pension Reserve	-228,000	-13,000	-435,000	-676,000
General Fund Balance	1,673,123	107,787	0	1,780,910
Total Revenue Reserves	2,235,120			1,885,827

- Repairs and Renewals Fund:** This fund holds resources set aside to finance future capital purchases. In 2008/09 capital expenditure of £69,796 was financed by the fund. A contribution of £42,000 was made to the fund during the year. The fund was also credited with notional interest of £9,118.
- Window Replacement Fund:** £15,000 was set aside from the 2007/08 surplus to pay for replacement windows for the Harbour Office. This was used during 2008/09 when the windows were replaced.
- Self Insurance Fund:** This fund was established to enable the Conservancy to provide for risks of damage to aids to navigation and the cost of the removal of wrecks from its own resources. The Conservancy agreed to make annual contributions of £3,000 to the fund until it reached £50,000. The fund reached this level in 2007/08, so no contribution was made in 2008/09. The transfer to the fund in 2008/09 represented notional interest attributed to the fund of £2,630.

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- **East Head Defence Fund:** The net appropriation to the fund for 2008/09 reflects a transfer to the fund of £28,711, which includes contributions from external bodies of £23,026 and £685 notional interest and an appropriation from the fund, to fund the first stages of work to protect East Head, of £25,526.
- **Weather Station:** The appropriation to this fund for 2008/09 represents contributions of £2,250, including £1,250 from external bodies, and expenditure on the weather station of £2,115.
- **Revenue Balance Reserve:** An appropriation of £4,600 was made to this fund in 2008/09 to make the balance equivalent to 10% of budgeted gross expenditure for 2009/10, which amounts to £167,100.
- **Chidham Bund Fund:** This fund was credited with notional interest of £16,243.
- **Earmarked Environmental Reserve:** This fund is credited each year with any under spend on the Environment budget and an amount equivalent to the under spend brought forward from the previous year is transferred out of the fund. This ensures that funds earmarked to be spent on the Environment are used appropriately. For 2008/09, the surplus carried forward from 2007/08 was £42,460 and the surplus for 2008/09 was £40,265.

22. Leasing Commitments

The Conservancy has entered into leasing agreements of more than 5 years with the Manor of Bosham and with Crown Estates in relation to areas of Chichester Harbour owned by them.

23. Capital Commitments

The Conservancy had no capital commitments as at 31 March 2009.

24. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	As at 31 March 2009 £'000	As at 31 March 2008 £'000	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Financial liabilities at amortised cost	-	-	-126	-143
Loans and receivables	-	-	3,364	3,249
Financial assets at fair value through profit and loss	-	-	-	-
Total financial Instruments			3,238	3,106

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Financial instruments gains/losses

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Assets measured at fair value through profit and loss	
	£'000	£'000	£'000	
Interest expense	-	-	-	-
Interest payable and similar charges	-	-	-	-
Interest income	-	-161	-	-161
Capital gains/losses	-	-	-	-
Interest and investment income	-	-161	-	-161

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Interest rates at 31 March 2009 were 2.74%

No early repayment or impairment is recognised

Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2009		31 March 2008	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities	-126	-126	-143	-143
Loans and receivables	3,364	3,364	3,249	3,249

Disclosure of nature and extent of risks arising from financial instruments

The Conservancy's activities expose it to a variety of financial risks:

Credit risk – the possibility that other parties might fail to pay amounts due to the conservancy

Liquidity risk – the possibility that the conservancy might not have the funds available to meet its commitments to make payments

Market risk – the possibility that the conservancy might suffer a financial loss as a result of changes in such measures as interest rates and stock market movements.

The Conservancy's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The West Sussex County Council treasury team make short

term investments on behalf of the conservancy, under policies approved by the Conservancy. West Sussex County Council has written principles for overall risk management, together with written policies covering specific areas, such as credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from the lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the conservancy's customers. It is the policy of the conservancy, via the WSCC treasury, to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure and to restrict lending to a prudent maximum amount for each institution.

Liquidity risk

As the conservancy is debt-free and has a substantial level of investments, there is no significant risk that it will be unable to meet its commitments under financial instruments.

Market risk

Interest rate risk

The conservancy is exposed to risk in terms of its exposure to interest rate movements on its investments. A rise in interest rates would have the following effects:

Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

Investments at fixed rates – the fair value of the assets will fall.

During 2008/09, interest of £160,584 was receivable – an average interest rate of 5.13%. If the average rate had been 1% less (i.e. 4.13%) then the conservancy would have received £31,303 less income.

Price risk

The conservancy has no investments in equity shares and thus has no exposure to loss arising from movements in the price of shares.

Foreign exchange risk

The conservancy has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

25. Reconciliation of revenue cash flow

	2007/08	2008/09
	£	£
Surplus(-)/Deficit for the Year	-213,810	-237,381
Non-cash transactions		
Pension financing and other FRS17 charges	-39,000	-13,000
Net transfer to (from) Earmarked Revenue Reserves	0	0
Depreciation and impairment of fixed assets	-55,627	-73,941
Capital expenditure charged in year to the General Fund Balance	0	0
Government grant deferred amortization	14,238	14,238
Loss(-) /Gain on sale of fixed assets	0	9,251
Items on an accruals basis		
Increase/Decrease(-)in Creditors and Debtors	-202,079	-26,203
Servicing of Finance	165,846	160,583
Revenue Activities Net Cash Flow	-330,432	-166,453

26. Movement in other current assets and liabilities

Analysis of Net Debt

	Balance as at 31 st March 2008	Movement in year	Balance as at 31 st March 2009
	£	£	£
Debtors	-322,443	-110,819	-433,262
Creditors	917,721	92,484	1,010,205
	595,278	-18,335	576,943

Annual Governance Statement

Scope of responsibility

Chichester Harbour Conservancy is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Conservancy is also responsible for putting in place proper arrangements for the governance of its affairs which facilitate the effective exercise of the Conservancy's functions and which include arrangements for the management of risk.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Conservancy is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Conservancy to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Conservancy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Conservancy for the year ended 31 March 2009 and up to the date of approval of the Financial Report and Accounts.

The Governance Framework

Establishing and monitoring the achievement of the Conservancy's objectives

Establishing and monitoring the achievement of the Conservancy's objectives is rooted in the development and approval of the Management Plan and budgeting process.

The Management Plan is the keystone of the Conservancy's governance framework and is the benchmark of management of the AONB emanating from the Countryside and Rights of Way Act 2000.

The process which culminates in the production of the Management Plan is increasingly informed by the Conservancy's work with Local Authorities, English Nature and those who live or work within Chichester Harbour.

Each Management Plan is five years in duration and is reviewed and updated in its final year to review progress and to provide a starting point for the development of the next five year plan.

Roles and responsibilities

The Conservancy is the ultimate decision making body, and comprises 15 members. Eight represent the two County Councils, four represent the two District and Borough Councils, and three are appointed by the statutory Advisory Committee. The Advisory Committee considers all reports prior to consideration by the Conservancy itself. The Conservancy delegates responsibilities to its Planning Committee and the Accounts and Audit Committee. Chairman's Advisory groups are established from time to time to deal with specific projects, and report to the Conservancy.

The scheme of delegation is contained within Standing Orders and Financial Regulations.

Ensuring compliance with relevant laws, regulations and policies

The Conservancy is required under its Act of Parliament to appoint such officers as is necessary for the efficient discharge of their functions. The Manager and Harbour Master, has the prime responsibility for ensuring that decisions are properly made. The role of the Clerk is to act as the Monitoring Officer to the Conservancy as though the Conservancy were a local authority and is consulted by the Manager and Harbour Master on draft reports, minutes and agendas, other than purely routine matters, to enable the discharge of this responsibility.

The West Sussex County Council Finance Director is the nominated Treasurer and the Chief Internal Auditor of the Council has direct access to the Treasurer and to the Manager and Harbour Master.

Chichester Harbour Conservancy has approved Financial Regulations and Standing Orders that govern financial procedures and how it conducts its meetings and decision making. They require Members and the Manager and Harbour Master to ensure that all decisions are compliant with policies, procedures, laws and regulations.

Processes have been developed that will facilitate the identification and monitoring of controls within the Conservancy and will include compliance with established policies, procedures, laws and regulations.

These include:

- Clear statements of objectives and goals for the organisation as a whole, these being used as the cornerstone for managing performance and therefore performance related risk.
- Clear statements of the responsibilities of members and officers.
- Formal risk identification, analysis, ownership and review procedures for all major project work and related programmes, evidence of these being available from project plans etc.
- A requirement for material decision risks to be formally identified in all decision reports.
- A variety of risk management practices produced under the Port Marine Safety Code at operational level reflecting best practice in the various areas of work which the Conservancy gets involved with in providing services/meeting statutory and consumer led obligations.

The Conservancy believes these to be effective and conducts annual reviews of risk assessments. While believing its risk management arrangements to be effective, the Conservancy is working to improve them further. This is reflected in the Conservancy's Port Marine Safety Code, which is subject to independent audit.

The Port Marine Safety Code, Harbour Office Standing Instructions, Financial Regulations and Standing Orders govern how the Conservancy should hold itself accountable for the discharge of its duties and powers to a set standard. This ensures that risk management awareness is embedded deep into the organisation. This is seen as key to successful risk management.

Maintenance and review of the effectiveness of governance arrangements

The Conservancy has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control. This is informed by the work of Internal Audit and the Manager and Harbour Master who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the Conservancy's external auditors and other review agencies and inspectorates.

Responsible officers review internal controls routinely as an integral part of the risk management process.

Internal Audit provides an independent appraisal of all major financial systems on a cyclical basis and undertakes annual compliance testing. This includes adherence to established policies, procedures, laws and regulations. An annual audit is carried out each year and during 2008/09 this was conducted in December 2008. No significant weaknesses have been reported.

Significant Governance Issues

No significant control issues were found by Internal Audit during their annual audit of the Conservancy's activities.

John Davis
Manager & Harbour Master
September 2009

Louise Goldsmith
Chairman of the Conservancy
September 2009

Audit Report

Independent auditor's report to the Members of Chichester Harbour Conservancy

Glossary of Financial Terms

Accounting Policies	Rules and Practices set by the Accounting Standards Board that have been adopted by the Conservancy and dictate how transactions and events are presented in the financial statements.
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Actuary	An independent professional who advises on the position of the pension fund.
Actuarial Valuation	The Actuary reviews the assets and liabilities of the pension fund every three years.
Appropriation	The assignment of revenue for a specific purpose.
Balance Sheet	A statement of recorded assets and liabilities as at the end of an accounting period.
Capital Expenditure	Expenditure on the acquisition or construction of new assets, or the enhancement existing assets, that have a long-term value to the Conservancy e.g. vessels and jetties.
Capital Receipts	Income from the sale of assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets financed from loan.
Creditors	Amounts owed by the Conservancy for goods and services received where payment has not been made as at the Balance Sheet date.
Debtors	Amounts owed to the Conservancy for goods and services provided but are unpaid as at the Balance Sheet date.
Depreciation	A reduction of value of a fixed asset due to age, wear and tear, deterioration or obsolescence.
Gross Expenditure	Total expenditure before deducting income.
Income and Expenditure Account	A statement of net cost for the year of all the Conservancy's services, together with how this cost is financed.
Outturn	The actual level of income and expenditure for the financial year.
Reserves	Reserves are set up to meet expenditure occurring in future years. They include working balances and reserves for financing capital spending.
Revenue Expenditure	Regular expenditure incurred in providing services e.g. employee costs,
Statement of Recommended Practice (SORP)	Recommendations on accounting practices issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Reconciliation between figures for Gross Income and Expenditure per the
Management Report (Appendix 1) and the formal accounting statements (Appendix 2)

	EXPENDITURE £	INCOME £
FIGURES PER MANAGEMENT REPORT	1,700,655	1,782,636
Technical adjustments not included in management report:		
FRS17	3,000	
Writing down deferred grant	-14,238	
Items charged directly to reserves, not shown in mgt. report:	91,811	182,364
Eames Farm revenue costs shown net of tenant's contribution	100	100
Items not directly resulting from operations:		
Interest income*		-48,825
Car parks contribution		-57,400
Precept income		-304,800
FIGURES PER INCOME & EXPENDITURE ACCOUNT	<u>1,781,328</u>	<u>1,554,075</u>

* Total interest income shown in the Income and Expenditure Account includes interest that has been allocated to reserves