

**FALMOUTH HARBOUR COMMISSIONERS**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



**Contents**

	<b>Page</b>
Organisation Information	1
Strategic Report	2 – 4
Commissioners' Report	5
Statement of Commissioners' Responsibilities	6
Independent Auditor's Report	7 – 9
Income and Expenditure Account	10
Statement of Comprehensive Income	11
Balance Sheet	12
Notes to the Financial Statements	13 – 25

## FALMOUTH HARBOUR COMMISSIONERS

### ORGANISATION INFORMATION

Commissioners:	M Carden C Gilmore G Tranter M Chanter B Grigg A Davis A Williams J Elliott M Sansom	Chief Executive (Appointed 15.1.2021) Chair Deputy Chair           (Retired 31.1.21)
Harbour Master:	Captain D Paul	
General Manager:	B Buist	
Finance Manager:	L Allan	
Falmouth Harbour Commissioners:	44 Arwenack Street Falmouth	
Bankers:	Barclays Bank plc Killigrew Street Falmouth TR11 3RD  Lloyds Bank plc Killigrew Street Falmouth TR11 3RA  Santander 31 Boscawen Street Truro TR1 2QH	
Solicitors:	Ashfords LLP Mills & Co Murrell Associates LLP Stephens Scown LLP	
Auditors:	PKF Francis Clark Statutory Auditor Lowin House Tregolls Road Truro TR1 2NA	
Accountants:	RRL LLP Peat House Newham Road Truro TR1 2DP	

# FALMOUTH HARBOUR COMMISSIONERS

## STRATEGIC REPORT

Year Ended 31 December 2021

The Commissioners present their strategic report for the year ended 31 December 2021.

### Principal activities

The principal activities of the Harbour Commissioners are the administration of the affairs of Falmouth Harbour and the administration of pilotage services as a competent harbour authority under the Pilotage Act 1987.

### Fair review of the business

These financial statements record a deficit, after payment of pension liability contributions, of £(75,267) (2020 - £57,555) before tax which is considered a satisfactory performance considering the trading difficulties caused by the pandemic.

2021 saw a further decrease in Commercial Shipping, but Leisure income continued to grow, in part due to the positive effects of UK based pandemic holidays and increased leisure yacht ownership.

Exceptional costs for pension scheme contributions totalled £296,571 (2020 - £299,340), with further net service cost and interest adjustments in respect of the defined benefit pension schemes of £46,000 (2020 - £(71,000)) for this financial year, indicating that trading activities made a surplus after tax of £175,304 (2020 - £292,380).

The organisation's key financial and other performance indicators during the year were as follows:

	2021 £	2020 £
Turnover	2,725,161	2,573,011
Trading operating surplus	93,525	248,388
Operating (deficit)	(203,046)	(50,952)
Trading surplus after tax	175,304	292,380
(Deficit) / surplus after tax	(75,267)	64,040
Net current ratio (including Investments)	7	8
Average number of employees	42	39
Operating Earnings Before Interest Tax & Depreciation (EBITDA)	226,102	379,023
Cash at bank & in hand	1,378,402	1,545,961
Investment portfolio	1,077,928	1,036,125

### Principal risks and uncertainties

#### Pilots Pension Fund

A court ruling gave the Fund Trustee wide powers to seek deficit contributions from Competent Harbour Authorities (CHA) engaged or having been previously engaged in employing or authorising pilots and Falmouth Harbour Commissioners has a liability on this basis. The liability share has been allocated by the Trustee to CHAs as a percentage of the deficit and the Falmouth Harbour Commissioners share has been estimated at £3,148,000 based on a valuation undertaken in 2013. The FRS102 report as at 31 December 2021 indicates that this liability has changed to £2,192,000 (2020 - £2,653,000) and it is this figure that is reported in the accounts. A plan for repaying this liability over a suitable term was agreed with the Trustee following the publication of the results of the triennial valuation from 2019. Agreement has been reached with the Trustee to remove the risk of crystallised liability occurring in response to a cessation event occurring.

## FALMOUTH HARBOUR COMMISSIONERS

### STRATEGIC REPORT

Year Ended 31 December 2021

#### Cornwall Council Pension Fund

Falmouth Harbour Commissioners also have a pension liability in the Local Government Pension Scheme (LGPS); however, due to the fact that the majority of their employees are active members of the scheme, the risk of the liability becoming immediately due is considered negligible. The most recent valuation of the scheme showed a deterioration in the funding position, but this did not result in an increase in the requested deficit contributions. Falmouth Harbour Commissioners has made an exceptional lump sum contribution to the Scheme in 2019 which has achieved a deficit repayment holiday from April 2020 until the next triennial valuation takes place.

The details relating to the pension scheme liabilities are shown on pages 19 – 22.

#### Covid-19

2021 saw ongoing impacts to the business due to the pandemic and offset financial impacts as a legacy from 2020 and increased cleaning and PPE costs. All services were maintained throughout through careful health management. Cruise sector had a good recovery with over 30 visits, with a UK COVID staycation boost. Impacts were positive to our leisure businesses, with additional market demand being stimulated due to the difficulties in taking foreign holidays during COVID.

#### Investments

FHC maintain high level of cash reserves in order to insulate against the volatile nature of commercial shipping activities. FHC have also invested a lump sum in a stocks and shares portfolio with Investec with the aim of generating income. The value of this investment fluctuates with the market movements.

#### Investment powers, policy and performance

Falmouth Harbour Commissioners have the power to make any investment that they consider appropriate and investment performance is reviewed regularly throughout the year.

#### Plans to develop marina facilities

FHC consider making investments in their business on a case by case basis with the aim of achieving business growth. The expansion of Falmouth Haven Marina, proposed in 2020, was carried out in the year and the placing of additional pontoons at Grove Place Boat Park are being progressed, to be completed in 2022. Further growth projects will be progressed to improve the customer offer and revenues.

#### Going concern

The balance sheet shows that Falmouth Harbour Commissioners (FHC) has a net deficit on reserves of £(322,167) (2020 £(657,900)). In preparing and approving these financial statements the commissioners have given due consideration to going concern risks including the impact of the COVID-19 pandemic. The pandemic has led to some impact on the operations of the organisation, but these are being effectively managed due to the robust systems in place.

The Commissioners consider that it is appropriate for the accounts to continue to be prepared on a going concern basis for the reasons set out below:

- The net liability position on the balance sheet has arisen primarily as a result of the valuations of liabilities of the pension schemes. Such valuations are volatile, with an actuarial gain of £411,000 being incurred during 2021, compared to a (deficit) of £(7,000) being incurred during 2020.
- The Board are committed to ensuring that annual income covers liabilities, and to this end have acted to ensure that their facilities are operated commercially and costs are mitigated. Whilst the organisation has been impacted by the coronavirus pandemic, Falmouth Harbour Commissioners hold substantial current assets and investments, which includes cash of £1,378,402 at the balance sheet date, which cover the potential losses due to the pandemic as well as the repayment liabilities relating to the pension deficits for at least the next 12 months from the date of approval of the financial statements.
- Annual contributions payable in 2022 are £317k for the Pilot's National Pension Fund rising by approximately 8% each year until the year ending 31 December 2028. This equates to £2,712k payable from 2022 through to 2028. Annual contributions to Cornwall Pension Fund are £154k in 2022.

**FALMOUTH HARBOUR COMMISSIONERS**

**STRATEGIC REPORT**

**Year Ended 31 December 2021**

- With respect to meeting pension scheme obligations, Falmouth Harbour Commissioners have dues raising powers and expect to be able to trade with sufficient reserves to cover the necessary repayments on an annual basis going forward.

Approved by the Board on 02.09.2022 and signed on its behalf by:



**C Gilmore**  
**Chair**

**FALMOUTH HARBOUR COMMISSIONERS**

**COMMISSIONERS' REPORT**

**Year Ended 31 December 2021**

The Commissioners present their report and the financial statements for the year ended 31 December 2021.

**Commissioners of the organisation**

The following Commissioners held office during the year:

M Carden	Chief Executive (Appointed 15.1.2021)
C Gilmore	Chair
G Tranter	Deputy Chair
M Chanter	
B Grigg	
A Davis	
A Williams	
J Elliott	
M Sansom	(Retired 31.1.2021)

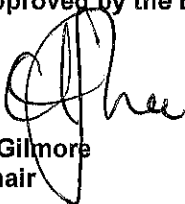
**Future developments**

A long term investment strategy is in development by the Commissioners. The Commissioners will look at opportunities to improving the customer offer, marina expansion and provision of additional berths for small vessels, and that will further drive revenue and returns business growth.

**Disclosure of information to the auditors**

Each Commissioner has taken steps that they ought to have taken as a Commissioner in order to make themselves aware of any relevant audit information and to establish that the organisation's auditors are aware of that information. The Commissioners confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 09.09.2022 and signed on its behalf by:

  
C Gilmore  
Chair

## **FALMOUTH HARBOUR COMMISSIONERS**

### **STATEMENT OF COMMISSIONERS' RESPONSIBILITIES**

The Commissioners are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Relevant law requires the Commissioners to prepare financial statements for each financial year. Under that law the Commissioners have elected to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the relevant law the Commissioners 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 organisation and of the income and expenditure of the organisation for that period. In preparing these financial statements, the Commissioners are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in business.

The Commissioners are responsible for keeping adequate accounting records that are sufficient to show and explain the organisation's transactions and disclose with reasonable accuracy at any time the financial position of the organisation and to enable them to ensure that the financial statements comply with the Statutory Harbour Undertakings (Accounts etc) Regulations 1983, the Falmouth Harbour Orders 1870-1991 and the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988. They are also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## FALMOUTH HARBOUR COMMISSIONERS

### INDEPENDENT AUDITOR'S REPORT TO THE COMMISSIONERS

#### Opinion

We have audited the financial statements of Falmouth Harbour Commissioners for the year ended 31 December 2021, which comprise the Income and Expenditure Account, Statement of Comprehensive Income, Balance Sheet, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the organisation's affairs as at 31 December 2021 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Harbours Act 1964, as amended by the Transport Act 1981 and subsequent legislation.

#### Basis of 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 organisation 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

In auditing the financial statements, we have concluded that the Commissioners' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the organisation's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Commissioners with respect to going concern are described in the relevant sections of this report.

#### Other information

The Commissioners are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's 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 have 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.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Commissioners' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Commissioners' Report has been prepared in accordance with applicable legal requirements.

## FALMOUTH HARBOUR COMMISSIONERS

### INDEPENDENT AUDITOR'S REPORT TO THE COMMISSIONERS

#### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the organisation and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Commissioners' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 or Harbours Act 1964 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the organisation, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Commissioners' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Respective responsibilities of the commissioners**

As explained more fully in the Statement of Commissioners' Responsibilities (set out on page 6), the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioners are responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Commissioners either intend to liquidate the organisation or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's 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 auditor's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of our audit planning, through discussions with management, we obtained an understanding of the legal and regulatory framework that is applicable to the organisation and the sector in which it operates to identify the key laws and regulations affecting the organisation.

The key laws and regulations we identified were health and safety, port authority laws and regulations and licensing regulations. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, primarily the Companies Act 2006, relevant tax compliance regulations in the UK, and the reporting framework (FRS 102).

We discussed with management how the compliance with these laws and regulations is monitored and we discussed the policies and procedures in place. We also identified the individuals who have responsibility for ensuring that the organisation complies with laws and regulations and deals with reporting any issues if they arise. As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the organisation's ability to continue trading and the risk of material misstatement to the accounts.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- enquiries of management and those charged with governance regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements;

## FALMOUTH HARBOUR COMMISSIONERS

### INDEPENDENT AUDITOR'S REPORT TO THE COMMISSIONERS

- reviewed legal and professional costs to identify any possible non compliance or legal costs in respect of non compliance; and
- reviewed Board Minutes

As part of our enquiries we discussed with management whether there have been any known instances, allegations or suspicions of fraud, of which there were none.

We also evaluated the risk of fraud through management override including that arising from management's incentives. The key risks we identified were misappropriation of cash and meeting organisation targets.

In response to the identified risk, as part of our audit work we:

- Used data analytics to test journal entries throughout the year, for appropriateness;
- Evaluated the business rationale of significant transactions outside the normal course of business;
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates; and
- Walked through the system for recording cash sales.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Commissioners, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Commissioners 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 organisation and its Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

*KSkea*

Katie Skea ACA (Senior Statutory Auditor)  
PKF Francis Clark, Statutory Auditor

Lowin House  
Tregolls Road  
Truro TR1 2NA

Date: 13/09/2022

FALMOUTH HARBOUR COMMISSIONERS

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 DECEMBER 2021

	Note	£	£	2021 £	£	£	2020 £
		Operations	Pensions / Other	Total	Operations	Pensions / Other	Total
Turnover		2,725,161	-	2,725,161	2,573,011	-	2,573,011
Other operating income		2,225	-	2,225	2,225	-	2,225
		<u>2,727,386</u>	<u>-</u>	<u>2,727,386</u>	<u>2,575,236</u>	<u>-</u>	<u>2,575,236</u>
Staff Costs & Pilots fees	3	1,517,737	-	1,517,737	1,483,697	-	1,483,697
Amortisation & Depreciation		132,577	-	132,577	130,635	-	130,635
Pension fund deficit contributions and other professional pension costs		-	296,571	296,571	-	299,340	299,340
Other operating expenses		983,547	-	983,547	712,516	-	712,516
		<u>2,633,861</u>	<u>296,571</u>	<u>2,930,432</u>	<u>2,326,848</u>	<u>299,340</u>	<u>2,626,188</u>
<b>Operating surplus/(deficit)</b>	2	93,525	(296,571)	(203,046)	248,388	(299,340)	(50,952)
Net service cost and interest adjustments in respect of the defined benefit pension schemes		-	46,000	46,000	-	71,000	71,000
Surplus / (deficit) on disposal of assets		293	-	293	(10,683)	-	(10,683)
Unrealised gain on investments		37,992	-	37,992	16,052	-	16,052
Other interest receivable and similar income		43,494	-	43,494	32,138	-	32,138
		<u>81,779</u>	<u>46,000</u>	<u>127,779</u>	<u>37,507</u>	<u>71,000</u>	<u>108,507</u>
<b>Surplus/(deficit) for the year before Taxation</b>		<u>175,304</u>	<u>(250,571)</u>	<u>(75,267)</u>	<u>285,895</u>	<u>(228,340)</u>	<u>57,555</u>
Taxation	4	-	-	-	6,485	-	6,485
<b>Surplus/(deficit) for the financial year</b>		<u>175,304</u>	<u>(250,571)</u>	<u>(75,267)</u>	<u>292,380</u>	<u>(228,340)</u>	<u>64,040</u>

The above results were derived from continuing operations.

The notes on pages 13 to 25 form an integral part of these financial statements.

**FALMOUTH HARBOUR COMMISSIONERS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	£	£	2021 £	£	£	2020 £
	Operations	Pensions / Other	Total	Operations	Pensions / Other	Total
Surplus/(deficit) for the financial year	175,304	(250,571)	(75,267)	292,380	(228,340)	64,040
Actuarial (loss) on defined Benefit pension schemes	-	411,000	411,000	-	(7,000)	(7,000)
<b>Total comprehensive Income / (expense) for the year</b>	<b>175,304</b>	<b>160,429</b>	<b>335,733</b>	<b>292,380</b>	<b>(235,340)</b>	<b>57,040</b>

The notes on pages 13 to 25 form an integral part of these financial statements.

**FALMOUTH HARBOUR COMMISSIONERS**

**BALANCE SHEET**

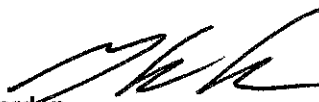
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	£	2021 £	£	2020 £
<b>Fixed assets</b>					
Intangible assets	5		-		-
Tangible assets	6		2,093,522		2,100,510
			<u>2,093,522</u>		<u>2,100,510</u>
<b>Investments</b>	7		1,077,928		1,036,125
<b>Current assets</b>					
Stock		11,070		11,858	
Debtors	8	345,392		317,808	
Cash at bank and in hand		1,378,402		1,545,961	
		<u>1,734,864</u>		<u>1,875,627</u>	
<b>Creditors: amounts due within one year</b>	9	(375,268)		(357,724)	
<b>Net current assets</b>			<u>1,359,596</u>		<u>1,517,903</u>
<b>Total assets less current liabilities</b>			<u>4,531,046</u>		<u>4,654,538</u>
<b>Creditors: amounts due after more than one year</b>	9		(2,213)		(4,438)
<b>Net assets excluding pension liability</b>			<u>4,528,833</u>		<u>4,650,100</u>
<b>Pilots National Pension Fund Scheme liability</b>	10		(2,192,000)		(2,653,000)
<b>Cornwall Council Pension scheme liability</b>	10		(2,659,000)		(2,655,000)
<b>Net (liabilities)</b>			<u>(322,167)</u>		<u>(657,900)</u>
<b>Capital and Reserves</b>					
Revaluation reserve	11		48,208		48,208
Revaluation reserve – investments	11		89,378		51,386
Accumulated funds	11		(459,753)		(757,494)
<b>Total equity</b>			<u>(322,167)</u>		<u>(657,900)</u>

These accounts have been prepared in accordance with the provision applicable to organisations subject to the small companies regime.

Approved and authorised by the Board on: 02.09.2022 and signed on its behalf by:

  
C Gilmore  
Chair

  
M Carden  
Chief Executive

The notes on pages 13 to 25 form an integral part of these financial statements.

## FALMOUTH HARBOUR COMMISSIONERS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1. ACCOUNTING POLICIES

##### **General information**

Falmouth Harbour Commissioners is an unincorporated organisation set up for the administration of the affairs of Falmouth Harbour and the administration of the pilotage services as a Competent Harbour Authority under the Pilotage Act 1987.

The address of its primary office is:  
44 Arwenack Street  
Falmouth

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention, except that as disclosed in the accounting policies certain items are shown at fair value.

The functional currency is considered to be pounds sterling because that is the currency of the primary economic environment in which the organisation operates.

The organisation's financial statements have been prepared in accordance with FRS102 – the Financial Reporting Standard applicable to UK and Republic of Ireland.

##### **Turnover recognition**

Turnover represents the amount derived from the provision of goods and services falling within the organisation's activities after deduction of value added tax.

Income is calculated so as to spread the income over the period that it covers. Any deferred income is included within creditors and released in the period to which it relates.

##### **Finance income and costs policy**

Turnover is recognised as interest accrues using the effective interest method.

##### **Tax**

Tax is recognised in the Income and Expenditure Account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the United Kingdom.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the assets to be recovered.

##### **Tangible assets**

Tangible assets are stated in the Balance Sheet at cost, less accumulated depreciation and accumulated impairment losses. It is the policy of Falmouth Harbour Commissioners not to capitalise items under £5,000 or have an expected useful life of less than 18 months. Such cost includes costs directly attributable to making the asset capable of operating as intended.

## FALMOUTH HARBOUR COMMISSIONERS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### Rounding

Monetary amounts in these accounts are rounded to the nearest £1

#### Depreciation

Depreciation is charged on all tangible fixed assets, other than freehold land, so as to write off the cost of assets over their estimated useful lives, as follows:

<b>Asset Class</b>	<b>Depreciation method and rate</b>	
Freehold property (excluding land)	0%	
Office equipment	10%	wdv p.a
Harbour Master's Craft and Buoys	6.7%, 10%, 20%,	p.a. reducing balance
Pilot Boats	5%	p.a. reducing balance
Computers	20%	p.a. straight line
Equipment	4%, 20%	p.a. straight line
Fuel Barge	4%, 10%	p.a. straight line
Yacht Haven	4%, 5%, 6.66% or 10%	p.a. straight line

Freehold property is not depreciated as the Commissioners consider that the residual value of the freehold property is not less than the book value. As a result any depreciation charge would be immaterial. No depreciation is charged on freehold land.

For the freehold property re-valued prior to the implementation of FRS102, the transitional provisions are being followed and the valuation has not been updated since. For the property that was re-valued prior to the implementation of FRS102, the excess over the carrying value of the asset was taken to the revaluation reserve.

#### Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost less any estimated residual value, over their useful life as follows:

<b>Asset Class</b>	<b>Amortisation method and rate</b>	
Software	3 years	p.a. straight line

#### Investments

Fixed asset investments are stated at fair value.

#### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

#### Leases

Leases in which substantially all 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 and Expenditure account on a straight-line basis over the period of the lease.

#### Defined Contribution Pension Obligation

The assets of the defined contribution scheme are held separately from those of the organisation in an independently administered fund. The amount charged against the surplus represents the contributions payable to the scheme in respect of the accounting period.

#### Defined Benefit Pension Obligation

Full details of the defined benefit pension schemes are given in note 10.

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Operating surplus / (deficit)**

Arrived at after charging:	<b>2021</b>	<b>2020</b>
	£	£
Auditors' remuneration	7,792	5,034
Auditors' remuneration – non audit work	3,373	3,072
Commissioners' fees	41,815	39,148
Operating lease rentals – Plant and Machinery	18,630	17,769
Depreciation expense	132,577	130,635
Amortisation expense	-	-
	<u>                    </u>	<u>                    </u>

**3. Staff costs & pilot fees**

The aggregate payroll costs (including Commissioners' remuneration) were as follows:

	<b>2021</b>	<b>2020</b>
	£	£
Wages and salaries	991,708	930,468
Social security costs	87,981	83,480
Other pension costs	150,440	147,799
Pilots' fees	287,608	321,950
	<u>                    </u>	<u>                    </u>
	<u>1,517,737</u>	<u>1,483,697</u>

The average number of persons employed by the organisation (including Commissioners) during the year, analysed by category was as follows:

	<b>2021</b>	<b>2020</b>
	No	No
FHC staff (including commissioners)	16	15
Falmouth Pilot Services	14	13
Falmouth Haven	12	11
	<u>                    </u>	<u>                    </u>
	<u>42</u>	<u>39</u>

**4. Taxation**

Tax (credited) in the Income and Expenditure account

	<b>2021</b>	<b>2020</b>
	£	£
<b>Current taxation</b>		
UK Corporation Tax adjustment to prior periods	-	(6,485)
	<u>                    </u>	<u>                    </u>
<b>Current taxation</b>		
UK Corporation Tax (refund) / charge for the year	-	-
	<u>                    </u>	<u>                    </u>

The tax on the surplus before tax for the year is less than the standard rate of corporation tax in the UK (2020 – less than the standard rate of corporation tax in the UK) of 19%.

A deferred tax asset has arisen on the pension scheme liability. Due to the magnitude of this and the expected time taken to utilise the losses, the amount has not been recognised.

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**The differences are reconciled below:**

	2021 £	2020 £
(Deficit) / Surplus before tax	(75,267)	57,555
Corporation tax at standard rate	(14,301)	10,935
Effect of revenues exempt from taxation (pilot boat)	16,916	(2,542)
Effect of change in market value of investment portfolio	(7,218)	(3,050)
Effect of expense not deductible in determining tax loss	(12,209)	(18,764)
Effect of tax losses	28,806	16,230
Tax (decrease) / increase from effect of capital allowances and depreciation	(11,994)	(2,809)
Overprovision in prior year	-	(6,485)
Total tax charge	-	(6,485)

**Deferred Tax**

Deferred tax assets and liabilities

	Asset £	Liability £
<b>2021</b>		
Capital allowances in excess of depreciation	-	-
Pension scheme tax asset	-	-
<b>2020</b>		
Capital allowances in excess of depreciation	-	-
Pension scheme tax asset	-	-

**5. Intangible assets**

	Software £	Total £
<b>Cost or valuation</b>		
At 1 January 2021	42,575	42,575
Disposal	-	-
At 31 December 2021	42,575	42,575
<b>Amortisation</b>		
At 1 January 2021	42,575	42,575
On disposal	-	-
Amortisation charge	-	-
At 31 December 2021	42,575	42,575
<b>Written Down Value</b>		
At 31 December 2021	-	-
At 31 December 2020	-	-

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**6. Tangible assets**

	Freehold Property £	Office Furniture and Computer Equipment £	Craft £	Pontoons and Fuel Barge £	Equipment £	Total £
<b>Cost or valuation</b>						
At 1 January 2021	955,565	119,045	1,651,267	1,179,427	118,122	4,023,426
Additions	-	-	-	125,589	-	125,589
Disposals	-	-	-	-	-	-
At 31 December 2021	<u>955,565</u>	<u>119,045</u>	<u>1,651,267</u>	<u>1,305,016</u>	<u>118,122</u>	<u>4,149,015</u>
<b>Depreciation</b>						
At 1 January 2021	103,688	101,842	887,735	768,781	60,870	1,922,916
Charge for the year	-	4,935	53,814	70,824	3,004	132,577
Eliminated on disposal	-	-	-	-	-	-
At 31 December 2021	<u>103,688</u>	<u>106,777</u>	<u>941,549</u>	<u>839,605</u>	<u>63,874</u>	<u>2,055,493</u>
<b>Written down value</b>						
At 31 December 2021	<u>851,877</u>	<u>12,268</u>	<u>709,718</u>	<u>465,411</u>	<u>54,248</u>	<u>2,093,522</u>
At 31 December 2020	<u>851,877</u>	<u>17,203</u>	<u>763,532</u>	<u>410,646</u>	<u>57,252</u>	<u>2,100,510</u>

The freehold property at 44 Arwenack Street, Falmouth was revalued on an open market basis on 18 March 1997 by Stratton Creber Chartered Surveyors. The historical cost of the freehold land and buildings included above at the revaluation of £125,000 was £2,692 and the aggregate depreciation thereon would have been £1,346 (2020 - £1,346).

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7. Investments - Investec

	Other investments £	2020 £
Valuation at 1 January 2021	1,027,374	1,015,961
Additions	148,396	199,878
Fair value adjustments	38,250	16,107
Disposals	(143,487)	(204,572)
Valuation at 31 December 2021	<u>1,070,533</u>	<u>1,027,374</u>
	<b>2021</b>	<b>2020</b>
	£	£
UK Fixed Interest	191,084	196,478
Overseas Fixed Interest	191,231	193,186
UK Equities	190,556	177,068
Overseas Equities	190,256	184,661
UK Property	95,804	73,439
International Property	12,788	9,504
Alternative Assets	198,814	193,038
	<u>1,070,533</u>	<u>1,027,374</u>
Cash Account	7,395	8,751
Dividend Account	-	-
Capital Account	-	-
	<u>1,077,928</u>	<u>1,036,125</u>

8. Debtors

	2021 £	2020 £
Trade debtors	262,315	247,216
Other debtors	15,290	9,673
Prepayments	67,787	60,919
	<u>345,392</u>	<u>317,808</u>

9. Creditors

	2021 £	2020 £
<b>Due within one year</b>		
Trade creditors	137,709	108,838
Other creditors	58,855	68,094
Other taxation and social security	29,829	59,092
Accruals and deferred income	148,875	121,700
Corporation tax	-	-
	<u>375,268</u>	<u>357,724</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
<b>Due after one year</b>		
Deferred income	2,213	4,438

**10. Pension and other Schemes**

**Defined contribution pensions scheme**

The organisation operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the organisation to the scheme and amounted to £148,212 (2020 – £145,266).

**Defined benefit pension schemes**

***Cornwall Council Defined Benefit Scheme***

The organisation operates a defined benefit scheme through Cornwall Council. An actuarial valuation was carried out on 31 December 2021 for the purposes of FRS102 by a qualified independent actuary. These figures have therefore been incorporated into the financial statements.

The total (income) adjustment relating to the defined benefit scheme for the year recognised in the Income and Expenditure account as a cost was £238,000 (2020 – £166,000). Outstanding pension contributions included in other creditors as at the year-end total £16,969 (2020 - £16,460).

The total income / (cost) relating to the defined benefit scheme for the year included in the income / (cost) of an asset was £234,000 (2020 – £(128,000)).

**Reconciliation of scheme assets and liabilities to assets and liabilities recognised**

The amounts recognised in the statement of financial position were as follows:

	2021 £	2020 £
Fair value of scheme assets	5,347,000	5,175,000
Present value of defined benefit obligation	(8,006,000)	(7,830,000)
Defined benefit pension scheme deficit	(2,659,000)	(2,655,000)

**Defined benefit obligation**

Changes in the defined benefit obligation are as follows:

	2021 £	2020 £
Present value at start of year	7,830,000	7,066,000
Current service cost	348,000	287,000
Interest cost	111,000	145,000
Actuarial losses	117,000	315,000
Benefits paid	(453,000)	(33,000)
Contributions by scheme participants	53,000	50,000
Administration expense	-	-
Present value at end of year	8,006,000	7,830,000

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**Fair value of scheme assets**

Changes in the fair value of scheme assets are as follows:

	2021 £	2020 £
Fair value at start of year	5,175,000	4,705,000
Interest income	73,000	102,000
Actuarial gains	351,000	187,000
Employer contributions	150,000	166,000
Contributions by scheme participants	53,000	50,000
Benefits paid	(453,000)	(33,000)
Administration expense	(2,000)	(2,000)
	<u>5,347,000</u>	<u>5,175,000</u>

**Analysis of assets**

The major categories of scheme assets are as follows:

	2021 £	2020 £
Cash and cash equivalents	106,405	57,960
Equities	2,444,648	1,764,675
Property	375,359	326,543
Other (eg Liability Driven Investments)	-	-
Other bonds (eg corp bonds)	2,420,588	3,025,822
	<u>5,347,000</u>	<u>5,175,000</u>

**Return on scheme assets**

	2021 £	2020 £
Return on scheme assets	<u>424,000</u>	<u>289,000</u>

**Principal actuarial assumptions:**

The principal actuarial assumptions at the statement of financial position date are as follows:

	2021 %	2020 %
Discount rate	1.95	1.45
Future salary increases	2.90	2.30
Future pension increases	2.90	2.30
CARE benefits revaluation	2.90	2.30

**Post retirement mortality assumptions**

	2021 Years	2020 Years
Current UK pensioners at retirement age – male	21.5	21.4
Current UK pensioners at retirement age – female	23.7	23.7
Future UK pensioners at retirement age – male	22.5	22.4
Future UK pensioners at retirement age – female	<u>25.3</u>	<u>25.2</u>

## FALMOUTH HARBOUR COMMISSIONERS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### **Pilots National Pension Fund (PNPF) Defined Benefit Scheme**

The PNPF is a centralised multi-employer defined benefit scheme for non-associated employers. It provides benefits for employed and self-employed maritime pilots. The trustee of the PNPF has sought the guidance of the court on a number of issues relating to the trustee's powers under the rules of the PNPF, including who is liable to contribute (as set out in note 10).

Until the legal status of the PNPF had been clarified, the Commissioners were unable to determine their share of the liabilities of the PNPF. However, following the court's determination and further information being made available on the extent of the PNPF's liabilities, the Commissioners are now able to do so.

The date of the most recent comprehensive actuarial valuation was 31 December 2016. The results of these calculations have been updated to 31 December 2021 by a qualified actuary and incorporated into the financial statements.

The total (income) relating to the defined benefit scheme for the year recognised in the Income and Expenditure account as (income) was £(284,000) (2020 – £(237,000)).

The total income relating to the defined benefit scheme for the year included in the cost of an asset was £177,000 (2020 – £121,000).

#### **Reconciliation of scheme assets and liabilities to assets and liabilities recognised**

The amounts recognised in the statement of financial position were as follows:

	2021 £	2020 £
Fair value of scheme assets	4,962,000	4,921,000
Present value of defined benefit obligation	(7,154,000)	(7,574,000)
Defined benefit pension scheme deficit	<u>(2,192,000)</u>	<u>(2,653,000)</u>

#### **Defined benefit obligation**

Changes in the defined benefit obligation are as follows:

	2021 £	2020 £
Present value at start of year	7,574,000	8,126,000
Current service cost	-	-
Interest cost	96,000	150,000
Actuarial (gains) / losses	(86,000)	(186,000)
Benefits paid	(430,000)	(518,000)
Past service costs	-	2,000
Administration expense	-	-
Present value at end of year	<u>7,154,000</u>	<u>7,574,000</u>

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**Fair value of scheme assets**

Changes in the fair value of scheme assets are as follows:

	2021 £	2020 £
Fair value at start of year	4,921,000	5,115,000
Interest income	63,000	95,000
Actuarial (losses) / gains	91,000	(65,000)
Employer contributions	317,000	294,000
Contributions by scheme participants	-	-
Benefits paid	(430,000)	(518,000)
	<u>4,962,000</u>	<u>4,921,000</u>

**Analysis of assets**

The major categories of scheme assets are as follows:

	2021 £	2020 £
Cash and cash equivalents	620,250	649,572
Equities	2,049,306	1,933,953
Other bonds (eg corp bonds)	-	-
Other (Hedge Funds & Diversified Growth Funds)	-	-
Government bonds	2,292,444	2,337,475
	<u>4,962,000</u>	<u>4,921,000</u>

**Return on scheme assets**

	2021 £	2020 £
Return on scheme assets	<u>154,000</u>	<u>30,000</u>

**Principal actuarial assumptions:**

The principal actuarial assumptions at the statement of financial position date are as follows:

	2021 %	2020 %
Discount rate	1.80	1.30
Future salary increases	n/a	n/a
Future pension increases (max 5%)	3.45	2.90
Future pension increases (min 3%, max 5%)	3.80	3.50
Rate of deferred pension increases	<u>3.00</u>	<u>2.20</u>

**Post retirement mortality assumptions**

	2021 Years	2020 Years
Current UK pensioners at retirement age – male	22.40	22.30
Current UK pensioners at retirement age – female	24.60	24.60
Future UK pensioners at retirement age – male	23.70	23.60
Future UK pensioners at retirement age – female	<u>26.10</u>	<u>26.00</u>

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**11. Reserves**

	At 1 January 2021 £	Surplus / Deficit for the year £	Gains / (Losses) £	At 31 December 2021 £
Revaluation Reserve	48,208	-	-	48,208
Revaluation Reserve – investments	51,386	-	37,992	89,378
<b>Accumulated funds</b>				
Operations	6,711,571	137,312	-	6,848,883
Pensions	(7,469,065)	160,429	-	(7,308,636)
Total accumulated funds	<u>(757,494)</u>	<u>297,741</u>	<u>-</u>	<u>(459,753)</u>
Total reserves	<u>(657,900)</u>	<u>297,741</u>	<u>37,992</u>	<u>(322,167)</u>

**12. Commitments**

**Capital commitments**

There were no capital commitments at the year end.

**Other financial commitments**

The total amount of other financial commitments not provided in the financial statements was £69,310 (2020 – £62,345).

**Pilots Pension Fund**

A court ruling gave the Fund Trustee wide powers to seek deficit contributions from Competent Harbour Authorities (CHA) engaged or having been previously engaged in employing or authorising pilots and Falmouth Harbour Commissioners has a liability on this basis. The liability share has been allocated by the Trustee to CHAs as a percentage of the deficit and the Falmouth Harbour Commissioners share has been estimated at £3,148,000 based on a valuation undertaken in 2013. The FRS102 report as at 31 December 2021 indicates that this liability has changed to £2,192,000 (2020 - £2,653,000) and it is this figure that is reported in the accounts. A plan for repaying this liability over a suitable term was agreed with the Trustee following the publication of the results of the triennial valuation from 2020. Agreement has been reached with the Trustee to remove the risk of crystallised liability occurring in response to a cessation event occurring.

**Cornwall Council Pension Fund**

Falmouth Harbour Commissioners also have a pension liability in the Local Government Pension Scheme (LGPS); however, due to the fact that the majority of their employees are active members of the scheme, the risk of the liability becoming immediately due is considered negligible. The most recent valuation of the scheme showed an improvement in the funding position but this did not result in an increase in the requested deficit contributions. Falmouth Harbour Commissioners has made an exceptional lump sum contribution to the Scheme in 2019 with a view to achieving a deficit repayment holiday until the next triennial valuation takes place.

The details relating to the pension scheme liabilities are shown on pages 19 – 22.

## FALMOUTH HARBOUR COMMISSIONERS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 13. Related Party Transactions

##### Summary of transactions with persons with significant interest

The Commissioners' Remuneration for the year amounted to £41,815 (2020 – £39,148).

The Commissioners are committed to ensuring that the Board remains balanced and fit for purpose. The skills identified as being of particular relevance to the management of the Harbour have been identified and are listed in the Falmouth Harbour Revision Order 2004. When vacancies occur, the Board will decide which special skills are most appropriate for the new Commissioner and a job description and person specification will be drawn up. Vacancies are advertised regionally as well as locally and the recruitment process is open to all. Appropriate remuneration is paid to Commissioners and the levels kept under review to help ensure that Board membership remains attractive.

The Chairman of the Board has a specific responsibility to ensure continuity and Commissioner development; appraisals are undertaken to ensure there are suitable candidates to take over as Chair and Deputy Chair when the time comes.

#### 14. Going concern

The balance sheet shows that Falmouth Harbour Commissioners (FHC) has a net deficit on reserves of £(322,167) (2020 £(657,900)). In preparing and approving these financial statements the commissioners have given due consideration to going concern risks including the impact of the COVID-19 pandemic. The pandemic has led to some impact on the operations of the organisation, but these are being effectively managed due to the robust systems in place.

The Commissioners consider that it is appropriate for the accounts to continue to be prepared on a going concern basis for the reasons set out below:

- The net liability position on the balance sheet has arisen primarily as a result of the valuations of liabilities of the pension schemes. Such valuations are volatile, with an actuarial gain of £411,000 being incurred during 2021, compared to a (deficit) of £(7,000) being incurred during 2020.
- The Board are committed to ensuring that annual income covers liabilities, and to this end have acted to ensure that their facilities are operated commercially and costs are mitigated. Whilst the organisation has been impacted by the coronavirus pandemic, Falmouth Harbour Commissioners hold substantial current assets and investments, which includes cash of £1,378,402 at the balance sheet date, which cover the potential losses due to the pandemic as well as the repayment liabilities relating to the pension deficits for at least the next 12 months from the date of approval of the financial statements.
- Annual contributions payable from 2022 are £317k for the Pilot's National Pension Fund rising by approximately 8% each year until the year ending 31 December 2028. This equates to £2,712k payable from 2022 through to 2028. Annual contributions to Cornwall Pension Fund are £154k in 2021
- With respect to meeting pension scheme obligations, Falmouth Harbour Commissioners have dues raising powers and expect to be able to trade with sufficient reserves to cover the necessary repayments on an annual basis going forward.

#### 15. Pilot Boat Funds

The Commissioners monitor funds accumulated from the surplus of the pilot boat operations and interest received upon these funds. The funds relating to the pilot boat operations total £2,074,263 and are expected to be used on replacement pilot boats.

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The following pages are for the Commissioners only

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100