

**FALMOUTH HARBOUR COMMISSIONERS**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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# FALMOUTH HARBOUR COMMISSIONERS

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## **FALMOUTH HARBOUR COMMISSIONERS**

### **ORGANISATION INFORMATION**

Commissioners: M Carden  
C Gilmore  
M Chanter  
J Elliott  
G Tranter  
B Grigg  
A Davis  
A Williams  
G Pitts

Chief Executive  
Chair to 31.12.22  
Chair from 1.1.23  
Deputy Chair from 1.4.22  
Deputy Chair to 31.3.22 (Retired 31.12.22)  
from 1.10.22

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  
Foot Anstey 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 2022

The Commissioners present their strategic report for the year ended 31 December 2022.

#### 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 £(313,315) (2021 - £(75,267) before tax which is considered a satisfactory performance considering the trading difficulties caused in the years following the pandemic.

2022 saw a stabilisation of (revenue from 2021) Commercial Shipping volumes above expected levels, but Leisure income continued to grow, in part due to the positive effects of UK based post pandemic holidays and increased leisure yacht ownership.

Exceptional costs for pension scheme contributions totalled £319,693 (2021 - £296,571), with further net service cost and interest adjustments in respect of the defined benefit pension schemes of £3,000 (2021 - £46,000 for this financial year, indicating that trading activities made a surplus after tax of £3,378 (2021 - £175,304).

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

|  | 2022<br>£ | 2021<br>£ |
|--|-----------|-----------|
| Turnover   | 3,400,274 | 2,725,161 |
| Trading operating surplus                                      | 110,876   | 93,525    |
| Operating (deficit)  | (208,817) | (203,046) |
| Trading surplus after tax                                      | 3,378     | 175,304   |
| (Deficit) / surplus after tax                                  | (313,315) | (75,267)  |
| Net current ratio (including Investments)                      | 5         | 7         |
| Average number of employees                                    | 39        | 42        |
| <br>   |           |           |
| Operating Earnings Before Interest Tax & Depreciation (EBITDA) | 242,745   | 226,102   |
| Cash at bank & in hand   | 1,097,702 | 1,378,402 |
| Investment portfolio   | 930,154   | 1,077,928 |

#### Principal risks and uncertainties

##### Pilots National Pension Fund

A court ruling gave the Fund Trustee of the Pilots National Pension Fund (PNPF) 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 2022 indicates that this liability has changed to £1,501,000 (2021 - £2,192,000) 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. A triennial valuation is due in 2023. 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 2022**

#### **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 has showed a large improvement in the funding position, with the scheme in surplus, but this is unlikely to result in a change in deficit contributions. Falmouth Harbour Commissioners 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 in 2023. The FRS102 report as at 31 December 2022 indicates that this liability has changed to an asset of £245,000, (2021 – (£2,659,000)). This asset is not readily available by the commissioners and therefore the commissioners have decided not to recognise any surplus as an asset at this year end.

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

#### **Covid-19**

2022 saw ongoing impacts to the business due to the pandemic and offset financial impacts as a legacy from 2020 and 2021. Although direct costs such as increased cleaning and PPE costs has diminished other direct costs remain and have included the failure of leisure sector tenants. All services were maintained throughout through careful management. Cruise sector had a good recovery with over 30 visits. Positive post pandemic impacts continue to our leisure businesses, with additional market demand being stimulated due to the difficulties in taking foreign holidays that remain post COVID.

#### **Investments**

FHC maintain high level of cash reserves in order to provide a financial cushion 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, was completed in 2021, was carried out in the year and the placing of additional pontoons at Grove Place Boat Park are being progressed, to be completed in 2024. Further growth projects will be progressed to improve the customer offer and revenues with a marine masterplan being progressed in 2022.

#### **Going concern**

The balance sheet shows that Falmouth Harbour Commissioners (FHC) has a net gain / (deficit) on reserves of £2,711,518 (2021 £(322,167)). 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 £3,592,000 being incurred during 2022, compared to a gain of £411,000 being incurred during 2021. A Pension asset cap has been recognised reducing the actuarial gain reported in the Statement of Other Comprehensive Income by £245,000 in 2022.
- 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

**FALMOUTH HARBOUR COMMISSIONERS**

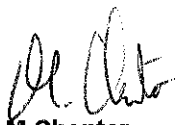
**STRATEGIC REPORT**

**Year Ended 31 December 2022**

assets and investments, which includes cash of £1,097,702 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 2023 are £341k for the Pilot's National Pension Fund rising by approximately 8% each year until the year ending 31 December 2028. This equates to £2,371k payable from 2023 through to 2028. Annual contributions to Cornwall Council Pension Fund are £163k in 2023.
- With respect to meeting pension scheme obligations, Falmouth Harbour Commissioners have dues raising powers and have increased leisure boating revenues 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 8 September 2023 and signed on its behalf by:



**M Chanter**  
**Chair**

## FALMOUTH HARBOUR COMMISSIONERS

### COMMISSIONERS' REPORT

Year Ended 31 December 2022

The Commissioners present their report and the financial statements for the year ended 31 December 2022.

#### Commissioners of the organisation

The following Commissioners held office during the year:

|            |  |
|------------|--|
| M Carden   | Chief Executive                            |
| C Gilmore  | Chair to 31.12.22                          |
| M Chanter  | Chair from 1.1.23                          |
| J Elliott  | Deputy Chair from 1.4.22                   |
| G Tranter  | Deputy Chair to 31.3.22 (Retired 31.12.22) |
| B Grigg    |  |
| A Davis    |  |
| A Williams |  |
| G Pitts    | from 1.10.22                               |

#### 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 ..... 2 September 2023 ..... and signed on its behalf by:

  
M Chanter  
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 2022, 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 2022 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.



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

Lowin House  
Tregolls Road  
Truro TR1 2NA

Date: 20 September 2023

**FALMOUTH HARBOUR COMMISSIONERS**  
**INCOME AND EXPENDITURE ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2022**

|   | Note | £                   | £                       | 2022<br>£               | £                     | £                       | 2021<br>£              |
|---|------|---------------------|-------------------------|-------------------------|-----------------------|-------------------------|------------------------|
|   |      | Operations          | Pensions<br>/ Other     | Total                   | Operations            | Pensions<br>/ Other     | Total                  |
| Turnover  |      | 3,400,274           |                         | 3,400,274               | 2,725,161             | -                       | 2,725,161              |
| Other operating income  |      | 2,213               | -                       | 2,213                   | 2,225                 | -                       | 2,225                  |
|   |      | <u>3,402,487</u>    | <u>-</u>                | <u>3,402,487</u>        | <u>2,727,386</u>      | <u>-</u>                | <u>2,727,386</u>       |
| Staff Costs & Pilots fees   | 3    | 1,704,270           | -                       | 1,704,270               | 1,517,737             | -                       | 1,517,737              |
| Amortisation & Depreciation   |      | 131,869             | -                       | 131,869                 | 132,577               | -                       | 132,577                |
| Pension fund deficit<br>contributions and other<br>professional pension costs                     |      | -                   | 319,693                 | 319,693                 | -                     | 296,571                 | 296,571                |
| Other operating expenses  |      | 1,455,472           | -                       | 1,455,472               | 983,547               | -                       | 983,547                |
|   |      | <u>3,291,611</u>    | <u>319,693</u>          | <u>3,611,304</u>        | <u>2,633,861</u>      | <u>296,571</u>          | <u>2,930,432</u>       |
| <b>Operating surplus/(deficit)</b>  | 2    | 110,876             | (319,693)               | (208,817)               | 93,525                | (296,571)               | (203,046)              |
| Net service cost and interest<br>adjustments in respect of the<br>defined benefit pension schemes |      | -                   | 3,000                   | 3,000                   | -                     | 46,000                  | 46,000                 |
| (Deficit) / surplus on disposal<br>of assets  |      | (4,659)             | -                       | (4,659)                 | 293                   | -                       | 293                    |
| Unrealised (loss) / gain<br>on investments  |      | (131,144)           | -                       | (131,144)               | 37,992                | -                       | 37,992                 |
| Other interest receivable and<br>similar income   |      | 28,305              | -                       | 28,305                  | 43,494                | -                       | 43,494                 |
|   |      | <u>(107,498)</u>    | <u>3,000</u>            | <u>(104,498)</u>        | <u>81,779</u>         | <u>46,000</u>           | <u>127,779</u>         |
| <b>Surplus/(deficit) for the year<br/>before Taxation</b>   |      | <u>3,378</u>        | <u>(316,693)</u>        | <u>(313,315)</u>        | <u>175,304</u>        | <u>(250,571)</u>        | <u>(75,267)</u>        |
| Taxation  | 4    | -                   | -                       | -                       | -                     | -                       | -                      |
| <b>Surplus/(deficit)<br/>for the financial year</b>   |      | <u><u>3,378</u></u> | <u><u>(316,693)</u></u> | <u><u>(313,315)</u></u> | <u><u>175,304</u></u> | <u><u>(250,571)</u></u> | <u><u>(75,267)</u></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 2022**

|   | £            | £                   | 2022<br>£        | £              | £                   | 2021<br>£      |
|---|--------------|---------------------|------------------|----------------|---------------------|----------------|
|   | Operations   | Pensions<br>/ Other | Total            | Operations     | Pensions<br>/ Other | Total          |
| Surplus/(deficit) for the financial year          | 3,378        | (316,693)           | (313,315)        | 175,304        | (250,571)           | (75,267)       |
| Actuarial gain on defined Benefit pension schemes | -            | 3,347,000           | 3,347,000        | -              | 411,000             | 411,000        |
| <b>Total comprehensive income for the year</b>    | <b>3,378</b> | <b>3,030,307</b>    | <b>3,033,685</b> | <b>175,304</b> | <b>160,429</b>      | <b>335,733</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 2022**

|  | Note | £         | 2022<br>£        | £                | 2021<br>£        |
|--|------|-----------|------------------|------------------|------------------|
| <b>Fixed assets</b>  |      |           |                  |                  |                  |
| Intangible assets  | 5    |           | -                |                  | -                |
| Tangible assets  | 6    |           | 2,239,133        |                  | 2,093,522        |
|  |      |           | <u>2,239,133</u> |                  | <u>2,093,522</u> |
| <b>Investments</b>   | 7    |           | 930,154          |                  | 1,077,928        |
| <b>Current assets</b>                                      |      |           |                  |                  |                  |
| Stock  |      | 6,723     |                  | 11,070           |                  |
| Debtors  | 8    | 489,517   |                  | 345,392          |                  |
| Cash at bank and in hand                                   |      | 1,097,702 |                  | 1,378,402        |                  |
|  |      |           | <u>1,593,942</u> | <u>1,734,864</u> |                  |
| <b>Creditors: amounts due within one year</b>              | 9    | (550,711) |                  | (375,268)        |                  |
| <b>Net current assets</b>                                  |      |           | <u>1,043,231</u> |                  | <u>1,359,596</u> |
| <b>Total assets less current liabilities</b>               |      |           | <u>4,212,518</u> |                  | <u>4,531,046</u> |
| <b>Creditors: amounts due after more than one year</b>     | 9    |           | -                |                  | (2,213)          |
| <b>Net assets excluding pension liability</b>              |      |           | <u>4,212,518</u> |                  | <u>4,528,833</u> |
| <b>Pilots National Pension Fund Scheme (liability)</b>     | 10   |           | (1,501,000)      |                  | (2,192,000)      |
| <b>Cornwall Council Pension scheme asset / (liability)</b> | 10   |           | -                |                  | (2,659,000)      |
| <b>Net assets / (liabilities)</b>                          |      |           | <u>2,711,518</u> |                  | <u>(322,167)</u> |
| <b>Capital and Reserves</b>                                |      |           |                  |                  |                  |
| Revaluation reserve  | 11   |           | 48,208           |                  | 48,208           |
| Revaluation reserve – investments                          | 11   |           | -                |                  | 89,378           |
| Accumulated funds  | 11   |           | 2,663,310        |                  | (459,753)        |
| <b>Total equity</b>  |      |           | <u>2,711,518</u> |                  | <u>(322,167)</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: 9 September 2023 and signed on its behalf by:

  
M Chanter  
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 2022

#### 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 2022

#### 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    |
| Assets under construction          | Nil                                 |                       |

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 2022**

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

|   |                             |                             |
|---|-----------------------------|-----------------------------|
| Arrived at after charging:                    | <b>2022</b>                 | <b>2021</b>                 |
|   | £                           | £                           |
| Auditors' remuneration                        | 7,343                       | 7,792                       |
| Auditors' remuneration – non audit work       | 3,193                       | 3,373                       |
| Commissioners' fees                           | 43,597                      | 41,815                      |
| Operating lease rentals – Plant and Machinery | 21,554                      | 18,630                      |
| Depreciation expense                          | 131,869                     | 132,577                     |
| Amortisation expense                          | -                           | -                           |
|   | <u>                    </u> | <u>                    </u> |

**3. Staff costs & pilot fees**

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

|                       |                             |                             |
|-----------------------|-----------------------------|-----------------------------|
|                       | <b>2022</b>                 | <b>2021</b>                 |
|                       | £                           | £                           |
| Wages and salaries    | 1,109,701                   | 991,708                     |
| Social security costs | 107,458                     | 87,981                      |
| Other pension costs   | 164,385                     | 150,440                     |
| Pilots' fees          | 322,726                     | 287,608                     |
|                       | <u>                    </u> | <u>                    </u> |
|                       | <u>1,704,270</u>            | <u>1,517,737</u>            |

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

|                                     |                             |                             |
|-------------------------------------|-----------------------------|-----------------------------|
|                                     | <b>2022</b>                 | <b>2021</b>                 |
|                                     | No                          | No                          |
| FHC staff (including commissioners) | 15                          | 16                          |
| Falmouth Pilot Services             | 12                          | 14                          |
| Falmouth Haven                      | 12                          | 12                          |
|                                     | <u>                    </u> | <u>                    </u> |
|                                     | <u>39</u>                   | <u>42</u>                   |

**4. Taxation**

Tax (credited) in the Income and Expenditure account

|   |                             |                             |
|---|-----------------------------|-----------------------------|
|   | <b>2022</b>                 | <b>2021</b>                 |
|   | £                           | £                           |
| <b>Current taxation</b>                           |                             |                             |
| UK Corporation Tax adjustment to prior periods    | -                           | -                           |
|   | <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 (2021 – 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 2022**

**The differences are reconciled below:**

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| (Deficit) / Surplus before tax   | (313,315)   | (75,267)    |
| Corporation tax at standard rate   | (59,530)    | (14,301)    |
| Effect of revenues exempt from taxation (pilot boat)                         | 13,805      | 16,916      |
| Effect of change in market value of investment portfolio                     | 24,917      | (7,218)     |
| Effect of expense not deductible in determining tax loss                     | (6,793)     | (12,209)    |
| Effect of tax losses   | 37,462      | 28,806      |
| Tax (decrease) / increase from effect of capital allowances and depreciation | (9,861)     | (11,994)    |
| Total tax charge   | -           | -           |

**Deferred Tax**

Deferred tax assets and liabilities

|  | <b>Asset</b> | <b>Liability</b> |
|--|--------------|------------------|
|  | <b>£</b>     | <b>£</b>         |
| <b>2022</b>                                  |              |                  |
| Capital allowances in excess of depreciation | -            | -                |
| Pension scheme tax asset                     | -            | -                |
| <b>2021</b>                                  |              |                  |
| Capital allowances in excess of depreciation | -            | -                |
| Pension scheme tax asset                     | -            | -                |

**5. Intangible assets**

|                           | <b>Software</b> | <b>Total</b> |
|---------------------------|-----------------|--------------|
|                           | <b>£</b>        | <b>£</b>     |
| <b>Cost or valuation</b>  |                 |              |
| At 1 January 2022         | 42,575          | 42,575       |
| Disposal                  | -               | -            |
| At 31 December 2022       | 42,575          | 42,575       |
| <b>Amortisation</b>       |                 |              |
| At 1 January 2022         | 42,575          | 42,575       |
| On disposal               | -               | -            |
| Amortisation charge       | -               | -            |
| At 31 December 2022       | 42,575          | 42,575       |
| <b>Written Down Value</b> |                 |              |
| At 31 December 2022       | -               | -            |
| At 31 December 2021       | -               | -            |

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**6. Tangible assets**

|                           | <b>Freehold Property</b> | <b>Office Furniture<br/>And Computer<br/>Equipment</b> | <b>Craft</b>     | <b>Pontoons and<br/>Fuel Barge</b> | <b>Equipment</b> | <b>Assets Under<br/>Construction</b> | <b>Total</b>     |
|---------------------------|--------------------------|--|------------------|------------------------------------|------------------|--------------------------------------|------------------|
|                           | £                        | £  | £                | £                                  | £                | £                                    | £                |
| <b>Cost or valuation</b>  |                          |  |                  |                                    |                  |                                      |                  |
| At 1 January 2022         | 955,565                  | 119,045  | 1,651,267        | 1,305,016                          | 118,122          | -                                    | 4,149,015        |
| Additions                 | -                        | -  | 43,570           | 73,547                             | 7,100            | 160,117                              | 284,334          |
| Disposals                 | -                        | -  | (17,376)         | (17,464)                           | -                | -                                    | (34,840)         |
| At 31 December 2022       | <u>955,565</u>           | <u>119,045</u>   | <u>1,677,461</u> | <u>1,361,099</u>                   | <u>125,222</u>   | <u>160,117</u>                       | <u>4,398,509</u> |
| <b>Depreciation</b>       |                          |  |                  |                                    |                  |                                      |                  |
| At 1 January 2022         | 103,688                  | 106,777  | 941,549          | 839,605                            | 63,874           | -                                    | 2,055,493        |
| Charge for the year       | -                        | 4,593  | 51,507           | 72,706                             | 3,063            | -                                    | 131,869          |
| Eliminated on disposal    | -                        | -  | (11,623)         | (16,363)                           | -                | -                                    | (27,986)         |
| At 31 December 2022       | <u>103,688</u>           | <u>111,370</u>   | <u>981,433</u>   | <u>895,948</u>                     | <u>66,937</u>    | <u>-</u>                             | <u>2,159,376</u> |
| <b>Written down value</b> |                          |  |                  |                                    |                  |                                      |                  |
| At 31 December 2022       | <u>851,877</u>           | <u>7,675</u>   | <u>696,028</u>   | <u>465,151</u>                     | <u>58,285</u>    | <u>160,117</u>                       | <u>2,239,133</u> |
| 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>-</u>                             | <u>2,093,522</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 (2021 - £1,346).

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**7. Investments - Investec**

|                             | <b>Other investments</b> | <b>2021</b>      |
|-----------------------------|--------------------------|------------------|
|                             | <b>£</b>                 | <b>£</b>         |
| Valuation at 1 January 2022 | 1,070,533                | 1,027,374        |
| Additions                   | 68,194                   | 148,396          |
| Fair value adjustments      | (130,370)                | 38,250           |
| Disposals                   | (86,740)                 | (143,487)        |
|                             | <u>921,617</u>           | <u>1,070,533</u> |
|                             | <b>2022</b>              | <b>2021</b>      |
|                             | <b>£</b>                 | <b>£</b>         |
| UK Fixed Interest           | 146,407                  | 191,084          |
| Overseas Fixed Interest     | 179,437                  | 191,231          |
| UK Equities                 | 164,698                  | 190,556          |
| Overseas Equities           | 158,376                  | 190,256          |
| UK Property                 | 65,960                   | 95,804           |
| International Property      | 7,552                    | 12,788           |
| Alternative Assets          | 199,187                  | 198,814          |
|                             | <u>921,617</u>           | <u>1,070,533</u> |
|                             | <u>8,537</u>             | <u>7,395</u>     |
| Cash Account                | 8,537                    | 7,395            |
| Dividend Account            | -                        | -                |
| Capital Account             | -                        | -                |
|                             | <u>930,154</u>           | <u>1,077,928</u> |

**8. Debtors**

|               | <b>2022</b>    | <b>2021</b>    |
|---------------|----------------|----------------|
|               | <b>£</b>       | <b>£</b>       |
| Trade debtors | 318,594        | 262,315        |
| Other debtors | 54,783         | 15,290         |
| Prepayments   | 116,140        | 67,787         |
|               | <u>489,517</u> | <u>345,392</u> |

**9. Creditors**

|                                    | <b>2022</b>    | <b>2021</b>    |
|------------------------------------|----------------|----------------|
|                                    | <b>£</b>       | <b>£</b>       |
| <b>Due within one year</b>         |                |                |
| Trade creditors                    | 248,297        | 137,709        |
| Other creditors                    | 71,325         | 58,855         |
| Other taxation and social security | 28,931         | 29,829         |
| Accruals and deferred income       | 202,158        | 148,875        |
| Corporation tax                    | -              | -              |
|                                    | <u>550,711</u> | <u>375,268</u> |

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

|                           | <b>2022</b>       | <b>2021</b>       |
|---------------------------|-------------------|-------------------|
|                           | <b>£</b>          | <b>£</b>          |
| <b>Due after one year</b> |                   |                   |
| Deferred income           | -                 | 2,213             |
|                           | <u>          </u> | <u>          </u> |

**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 £162,144 (2021 – £148,212).

**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 2022 for the purposes of FRS102 by a qualified independent actuary. These figures have therefore been incorporated into the financial statements.

The total cost adjustment relating to the defined benefit scheme for the year recognised in the Income and Expenditure account as a cost was £277,000 (2021 – £238,000). Outstanding pension contributions included in other creditors as at the year-end total £16,179 (2021 – £16,969).

The total income relating to the defined benefit scheme for the year included in the income / (cost) of an asset was £2,936,000 (2021 – £234,000). This includes a pension asset cap of (£245,000) (2021 – £0). This is required, this year, because while the valuation shows a surplus of assets over liabilities on the chosen bases, this is not readily realisable by the organisation. The commissioners have therefore decided not to recognise any surplus as an asset at this year end.

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

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

|  | <b>2022</b>       | <b>2021</b>       |
|--|-------------------|-------------------|
|  | <b>£</b>          | <b>£</b>          |
| Fair value of scheme assets                        | 5,115,000         | 5,347,000         |
| Present value of defined benefit obligation        | (4,870,000)       | (8,006,000)       |
| Pension Asset cap adjustment                       | (245,000)         | -                 |
|  | <u>          </u> | <u>          </u> |
| Defined benefit pension scheme surplus / (deficit) | -                 | (2,659,000)       |
|  | <u>          </u> | <u>          </u> |

**Defined benefit obligation**

Changes in the defined benefit obligation are as follows:

|                                      | <b>2022</b>       | <b>2021</b>       |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>£</b>          | <b>£</b>          |
| Present value at start of year       | 8,006,000         | 7,830,000         |
| Current service cost                 | 383,000           | 348,000           |
| Interest cost                        | 155,000           | 111,000           |
| Actuarial Gains / losses             | (3,529,000)       | 117,000           |
| Benefits paid                        | (201,000)         | (453,000)         |
| Contributions by scheme participants | 56,000            | 53,000            |
| Administration expense               | -                 | -                 |
|                                      | <u>          </u> | <u>          </u> |
| Present value at end of year         | 4,870,000         | 8,006,000         |
|                                      | <u>          </u> | <u>          </u> |

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**Fair value of scheme assets**

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

|                                      | <b>2022</b>      | <b>2021</b>      |
|--------------------------------------|------------------|------------------|
|                                      | £                | £                |
| Fair value at start of year          | 5,347,000        | 5,175,000        |
| Interest income                      | 104,000          | 73,000           |
| Actuarial (losses) / gains           | (348,000)        | 351,000          |
| Employer contributions               | 159,000          | 150,000          |
| Contributions by scheme participants | 56,000           | 53,000           |
| Benefits paid                        | (201,000)        | (453,000)        |
| Administration expense               | (2,000)          | (2,000)          |
|                                      | <u>5,115,000</u> | <u>5,347,000</u> |

**Analysis of assets**

The major categories of scheme assets are as follows:

|   | <b>2022</b>      | <b>2021</b>      |
|---|------------------|------------------|
|   | £                | £                |
| Cash and cash equivalents               | 67,518           | 106,405          |
| Equities                                | 2,276,174        | 2,444,648        |
| Property                                | 309,458          | 375,359          |
| Other (eg Liability Driven Investments) | -                | -                |
| Other bonds (eg corp bonds)             | 2,461,850        | 2,420,588        |
|   | <u>5,115,000</u> | <u>5,347,000</u> |

**Return on scheme assets**

|                         | <b>2022</b>      | <b>2021</b>    |
|-------------------------|------------------|----------------|
|                         | £                | £              |
| Return on scheme assets | <u>(244,000)</u> | <u>424,000</u> |

**Principal actuarial assumptions:**

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

|                           | <b>2022</b> | <b>2021</b> |
|---------------------------|-------------|-------------|
|                           | %           | %           |
| Discount rate             | 4.80        | 1.95        |
| Future salary increases   | 2.70        | 2.90        |
| Future pension increases  | 2.70        | 2.90        |
| CARE benefits revaluation | 2.70        | 2.90        |

**Post retirement mortality assumptions**

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | Years       | Years       |
| Current UK pensioners at retirement age – male   | 21.6        | 21.5        |
| Current UK pensioners at retirement age – female | 23.8        | 23.7        |
| Future UK pensioners at retirement age – male    | 22.6        | 22.5        |
| Future UK pensioners at retirement age – female  | <u>25.3</u> | <u>25.3</u> |

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

***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 2022 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 £(280,000) (2021 – £(284,000)).

The total income relating to the defined benefit scheme for the year included in the cost of an asset was £411,000 (2021 – £177,000).

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

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

|   | <b>2022</b>        | <b>2021</b>        |
|---|--------------------|--------------------|
|   | <b>£</b>           | <b>£</b>           |
| Fair value of scheme assets                 | 3,521,000          | 4,962,000          |
| Present value of defined benefit obligation | (5,022,000)        | (7,154,000)        |
| Defined benefit pension scheme deficit      | <u>(1,501,000)</u> | <u>(2,192,000)</u> |

**Defined benefit obligation**

Changes in the defined benefit obligation are as follows:

|                                | <b>2022</b>      | <b>2021</b>      |
|--------------------------------|------------------|------------------|
|                                | <b>£</b>         | <b>£</b>         |
| Present value at start of year | 7,154,000        | 7,574,000        |
| Current service cost           | -                | -                |
| Interest cost                  | 125,000          | 96,000           |
| Actuarial (gains)              | (1,816,000)      | (86,000)         |
| Benefits paid                  | (441,000)        | (430,000)        |
| Past service costs             | -                | -                |
| Administration expense         | -                | -                |
| Present value at end of year   | <u>5,022,000</u> | <u>7,154,000</u> |

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**Fair value of scheme assets**

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

|                                      | <b>2022</b><br>£ | <b>2021</b><br>£ |
|--------------------------------------|------------------|------------------|
| Fair value at start of year          | 4,962,000        | 4,921,000        |
| Interest income                      | 88,000           | 63,000           |
| Actuarial (losses) / gains           | (1,405,000)      | 91,000           |
| Employer contributions               | 317,000          | 317,000          |
| Contributions by scheme participants | -                | -                |
| Benefits paid                        | (441,000)        | (430,000)        |
|                                      | <u>3,521,000</u> | <u>4,962,000</u> |

**Analysis of assets**

The major categories of scheme assets are as follows:

|  | <b>2022</b><br>£ | <b>2021</b><br>£ |
|--|------------------|------------------|
| Cash and cash equivalents                      | 530,967          | 620,250          |
| Equities                                       | 1,347,135        | 2,049,306        |
| Other bonds (eg corp bonds)                    | -                | -                |
| Other (Hedge Funds & Diversified Growth Funds) | 38,730           | -                |
| Government bonds                               | 1,604,168        | 2,292,444        |
|  | <u>3,521,000</u> | <u>4,962,000</u> |

**Return on scheme assets**

|                         | <b>2022</b><br>£ | <b>2021</b><br>£ |
|-------------------------|------------------|------------------|
| Return on scheme assets | (1,317,000)      | 154,000          |

**Principal actuarial assumptions:**

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

|   | <b>2022</b><br>% | <b>2021</b><br>% |
|---|------------------|------------------|
| Discount rate                             | 4.80             | 1.80             |
| Future salary increases                   | n/a              | n/a              |
| Future pension increases (max 5%)         | 3.05             | 3.45             |
| Future pension increases (min 3%, max 5%) | 3.60             | 3.80             |
| Rate of deferred pension increases        | 2.60             | 3.00             |

**Post retirement mortality assumptions**

|  | <b>2022</b><br>Years | <b>2021</b><br>Years |
|--|----------------------|----------------------|
| Current UK pensioners at retirement age – male   | 22.40                | 22.40                |
| Current UK pensioners at retirement age – female | 24.70                | 24.60                |
| Future UK pensioners at retirement age – male    | 23.80                | 23.70                |
| Future UK pensioners at retirement age – female  | 26.10                | 26.10                |

## FALMOUTH HARBOUR COMMISSIONERS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 11. Reserves

|                                   | At 1<br>January<br>2022<br>£ | Surplus /<br>Deficit for<br>the year<br>£ | Gains /<br>(Losses)<br>£ | Transfers<br>£  | At 31<br>December<br>2022<br>£ |
|-----------------------------------|------------------------------|---|--------------------------|-----------------|--------------------------------|
| Revaluation Reserve               | 48,208                       | -   | -                        |                 | 48,208                         |
| Revaluation Reserve – investments | 89,378                       | -   | (131,144)                | 41,766          | -                              |
| <b>Accumulated funds</b>          |                              |   |                          |                 |                                |
| Operations                        | 6,848,883                    | 134,522                                   | -                        | (41,766)        | 6,941,639                      |
| Pensions                          | (7,308,636)                  | 3,030,307                                 | -                        |                 | (4,278,329)                    |
| Total accumulated funds           | <u>(459,753)</u>             | <u>3,164,829</u>                          | <u>-</u>                 | <u>(41,766)</u> | <u>2,663,310</u>               |
| Total reserves                    | <u>(322,167)</u>             | <u>3,164,829</u>                          | <u>(131,144)</u>         | <u>-</u>        | <u>2,711,518</u>               |

#### 12. Commitments

##### Capital commitments

On 15 November 2022 the organisation entered into an agreement with Holyhead Marine Services Limited for the build and delivery of a new pilot boat for May 2024, costing £1,601,165. At the date of these financial statements the organisation has paid a deposit of £160,116 representing 10% of the consideration.

A payment schedule has been drawn up and agreed by the organisation, £560,408 is due to be paid in 2023, £760,553 in 2024 on delivery and the retention balance of £120,088 is due in 2025.

##### Other financial commitments

The total amount of other financial commitments not provided in the financial statements was £54,356 (2021 – £69,390).

##### Pilots Pension Fund

A court ruling gave the Fund Trustee of the Pilots National Pension Fund (PNPF) 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 2022 indicates that this liability has changed to £1,501,000 (2021 - £2,192,000) 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. A triennial valuation is due in 2023. 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 has showed a large improvement in the funding position, with the scheme in surplus, but this is unlikely to result in a change in deficit contributions. Falmouth Harbour Commissioners 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 in 2023. The FRS102 report as at 31 December 2022 indicates that this liability has changed to an asset of £245,000, (2021 – (£2,659,000)) and it is this figure that is reported in the accounts. This asset is

## FALMOUTH HARBOUR COMMISSIONERS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

not readily available by the commissioners and therefore the commissioners have decided not to recognise any surplus as an asset at this year end.

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

#### 13. Related Party Transactions

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

The Commissioners' Remuneration for the year amounted to £43,597 (2021 – £41,895).

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 gain / (deficit) on reserves of £2,711,518 (2021 £(322,167)). 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 £3,592,000 being incurred during 2022, compared to a gain of £411,000 being incurred during 2021. A Pension asset cap has been recognised reducing the actuarial gain reported in the Statement of Other Comprehensive Income by £245,000 in 2022.
- 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 £1,097,702 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 2023 are £341k for the Pilot's National Pension Fund rising by approximately 8% each year until the year ending 31 December 2028. This equates to £2,371k payable from 2023 through to 2028. Annual contributions to Cornwall Council Pension Fund are £163k in 2023.
- With respect to meeting pension scheme obligations, Falmouth Harbour Commissioners have dues raising powers and have increased leisure boating revenues and expect to be able to trade with sufficient reserves to cover the necessary repayments on an annual basis going forward.

**FALMOUTH HARBOUR COMMISSIONERS**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**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 £1,846,999 and are expected to be used on replacement pilot boats.

The following pages are for the Commissioners only