

FALMOUTH HARBOUR COMMISSIONERS
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

FALMOUTH HARBOUR COMMISSIONERS

ORGANISATION INFORMATION

Commissioners	Mr M Carden Mr M Chanter Mr J Elliott Mr B Grigg Mr A Davis Mr A Williams Mr G Pitts Mrs C Gilmore Mrs N Collings-Costello	Chief Executive Chair Deputy Chair (Resigned - end of term 31/12/23) (Appointed January 2024)
Harbour Master	Mr M Featherstone Mr I Pedley	(Resigned August 2024) (Appointed August 2024)
General Commercial Manager	Ms H Manvell Mr T Rowe	(Resigned July 2024) (Appointed August 2024)
Finance Manager	Ms E Gooch Ms L Allan	 (Resigned 31/05/23)
Business address	44 Arwenack Street Falmouth Cornwall TR11 3JQ	
Bankers	Barclays Bank plc Killigrew Street Falmouth Cornwall TR11 3RD Lloyds Bank plc Killigrew Street Falmouth Cornwall TR11 3RA Santander 31 Boscawen Street Truro Cornwall TR1 2QH	
Solicitors	Ashfords LLP Stephens Scown LLP	
Auditors & Accountants	Phillips Frith LLP 9 Tregame Terrace St Austell Cornwall PL25 4DD	

FALMOUTH HARBOUR COMMISSIONERS

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FALMOUTH HARBOUR COMMISSIONERS

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Commissioners present the strategic report for the year ended 31 December 2023

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 surplus of £207,213 (2022: deficit £(522,731)) before tax which is considered a satisfactory performance considering the trading difficulties caused in the years following the pandemic.

2023 saw a further stabilisation of revenue from 2022. Commercial Shipping volumes were at expected levels and Leisure income continued to grow well, 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 £190,620 (2022: £408,109), with further net service cost and interest adjustments in respect of the defined benefit pension schemes of £44,000 (2022: (£277,000)) for this financial year. The Pilots National Pension Fund (PNPF) pension contributions were reclassified in 2022 as detailed in note 11 and are no longer recognised in the income and expenditure account.

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

	2023 £	2022 £
Turnover	3,577,243	3,400,274
Trading operating surplus	290,326	269,876
Operating surplus/ (deficit)	99,706	(138,233)
Trading surplus after tax	163,213	162,378
Surplus/ (deficit) after tax	207,213	(522,731)
Average number of employees	40	39
Operating Earnings Before Interest Tax & Depreciation (EBITDA)	448,117	242,745
Cash at bank & in hand	693,909	1,097,702
Investment portfolio	932,952	930,154

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. A plan for repaying this liability over a suitable term was agreed with the Trustee.

The details relating to other pension scheme liabilities are shown in note 15.

FALMOUTH HARBOUR COMMISSIONERS

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Development and performance

Investments

Falmouth Harbour Commissioners maintain a high level of cash reserves in order to provide a financial cushion against the volatile nature of commercial shipping activities. Falmouth Harbour Commissioners 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

Falmouth Harbour Commissioners consider making investments in their business on a case by case basis with the aim of achieving business growth.

Going concern

The balance sheet shows that Falmouth Harbour Commissioners has a net gain on reserves of £1,796,315 (2022: £1,768,894). In preparing and approving these financial statements the Commissioners have given due consideration to going concern risks.

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 as a result of the valuations of the agreed Pilots National Pension Fund liability of the pension scheme.
- 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 £693,909 at the balance sheet date.
- As discussed the liability of the Pilots National Pension Fund was agreed and annual contributions payable in 2024 are £364k rising by approximately 8% each year until the year ending 31 December 2028. This equates to £2.054 million payable from 2024 through to 2028.
- With respect to meeting pension scheme obligations, Falmouth Harbour Commissioners have dues raising powers and have increased commercial and leisure boating revenues. They therefore expect to be able to trade with sufficient reserves to cover the necessary repayments on an annual basis going forward.

On behalf of the board


Mark Chanter (FOI ct.11.2.024 09 40 GM T+1)

Mr M Chanter

Chair

10/11/2024

Date:

FALMOUTH HARBOUR COMMISSIONERS

COMMISSIONERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Commissioners present their annual report and financial statements for the year ended 31 December 2023.

Commissioners

The Commissioners who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Carden	Chief Executive
Mr M Chanter	Chair
Mr J Elliott	Deputy Chair
Mr B Grigg	(Resigned - end of term 31/12/23)
Mr A Davis	
Mr A Williams	
Mr G Pitts	
Mrs C Gilmore	
Mrs N Collings-Costello	(Appointed January 2024)

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.

Statement of directors' 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under 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 profit or loss 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;
- 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 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 Safety 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.

Strategic report

The commissioners have to set out further information in the strategic report - see pages 1 to 2.

FALMOUTH HARBOUR COMMISSIONERS

COMMISSIONERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Statement of disclosure to auditor

So far as each person who was a Commissioner at the date of approving this report is aware, there is no relevant audit information of which the organisation's auditor is unaware. Additionally, the Commissioners individually have taken all the necessary steps that they ought to have taken as Commissioners in order to make themselves aware of all relevant audit information and to establish that the organisation's auditor is aware of that information.

On behalf of the board


.....
Mark Chanter (Oct 11, 2024 09:00 GMT+1)
.....

Mr M Chanter

Chair

Date: **10/11/202**
.....

FALMOUTH HARBOUR COMMISSIONERS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FALMOUTH HARBOUR COMMISSIONERS

Opinion

We have audited the financial statements of Falmouth Harbour Commissioners for the year ended 31 December 2023, 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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Harbours Act 1964, 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 have been prepared in accordance with applicable legal requirements.

FALMOUTH HARBOUR COMMISSIONERS

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF FALMOUTH HARBOUR COMMISSIONERS

Matters on which we are required to report by exception

In the light of the 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

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.

FALMOUTH HARBOUR COMMISSIONERS

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF FALMOUTH HARBOUR COMMISSIONERS

Auditor's responsibilities for the audit of the financial statements (continued)

Base 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 charges with governance regarding their knowledge of any non compliance with laws and regulations that could affect the financial statements;
- 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.

Auditor's responsibilities for the audit of the financial statements (continued)

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:

- Tested a sample of 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
- Carried out a review of legal fee invoices for any indication of contentious issues.

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 is available on the Financial Reporting Council's website at: <https://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 organisation's members, 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 organisation's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the organisation and the organisation's members as a body, for our audit work, for this report, or for the opinions we have formed.



Amy Sole (Oct 14, 2024 10:39 GMT+1)

Amy Sole
Senior Statutory Auditor
For and on behalf of Phillips Frith LLP

10/14/2024
Date:

Chartered Accountants
Statutory Auditor

9 Tregarne Terrace
St Austell
Cornwall
PL25 4DD

FALMOUTH HARBOUR COMMISSIONERS

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023			2022		
		Operations	Pensions	Total	Operations	As restated Pensions	Total
Turnover		3,577,243	-	3,577,243	3,400,274	-	3,400,274
Other operating income		-	-	-	2,213	-	2,213
		<u>3,577,243</u>	<u>-</u>	<u>3,577,243</u>	<u>3,402,487</u>	<u>-</u>	<u>3,402,487</u>
Staff costs and Pilots' fees	3	(1,651,955)	-	(1,651,955)	(1,545,270)	-	(1,545,270)
Amortisation and depreciation		(157,791)	-	(157,791)	(131,869)	-	(131,869)
Pension fund deficit contributions and other professional pension costs		-	(190,620)	(190,620)	-	(408,109)	(408,109)
Other operating expenses		(1,477,171)	-	(1,477,171)	(1,455,472)	-	(1,455,472)
		<u>(3,286,917)</u>	<u>(190,620)</u>	<u>(3,477,537)</u>	<u>(3,132,611)</u>	<u>(408,109)</u>	<u>(3,540,720)</u>
Operating surplus/ (deficit)	2	290,326	(190,620)	99,706	269,876	(408,109)	(138,233)
Net service cost and interest adjustments in respect of the defined benefit pension schemes		-	44,000	44,000	-	(277,000)	(277,000)
(Deficit) on disposal of assets		-	-	-	(4,659)	-	(4,659)
Unrealised gain / (loss) on investments		13,813	-	13,813	(131,144)	-	(131,144)
Other interest receivable and similar income		49,694	-	49,694	28,305	-	28,305
		<u>63,507</u>	<u>44,000</u>	<u>107,507</u>	<u>(107,498)</u>	<u>(277,000)</u>	<u>(384,498)</u>
Surplus/ (deficit) for the year before taxation		353,833	(146,620)	207,213	162,378	(685,109)	(522,731)
Taxation	4	-	-	-	-	-	-
Surplus/ (deficit) for the financial year		<u>353,833</u>	<u>(146,620)</u>	<u>207,213</u>	<u>162,378</u>	<u>(685,109)</u>	<u>(522,731)</u>

The above results have been prepared on the basis that all operations are continuing operations.

FALMOUTH HARBOUR COMMISSIONERS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023			2022		
	Operations	Pension	Total	Operations	As restated Pension	Total
Surplus / (deficit) for the financial year	353,833	(146,620)	207,213	162,378	(685,109)	(522,731)
Other comprehensive income						
Actuarial (loss)/gain on defined benefit pension schemes	-	(228,000)	(228,000)	-	2,662,000	2,662,000
Total comprehensive income for the year	<u>353,833</u>	<u>(374,620)</u>	<u>(20,787)</u>	<u>162,378</u>	<u>1,976,891</u>	<u>2,139,269</u>

FALMOUTH HARBOUR COMMISSIONERS


BALANCE SHEET

AS AT 31 DECEMBER 2023

		2023		2022 As restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	5		-		-
Tangible assets	6		2,846,511		2,239,133
Investments	7		932,952		930,154
			<u>3,779,463</u>		<u>3,169,287</u>
Current assets					
Stocks		6,727		6,723	
Debtors	8	429,063		489,517	
Cash at bank and in hand		693,909		1,097,702	
		<u>1,129,699</u>		<u>1,593,942</u>	
Creditors: amounts falling due within one year	9	(1,237,987)		(891,247)	
Net current (liabilities)/assets			<u>(108,288)</u>		<u>702,695</u>
Total assets less current liabilities			3,671,175		3,871,982
Creditors: amounts falling due after more than one year	10		(1,690,860)		(2,054,880)
Provisions for liabilities					
Cornwall Council Pension Scheme	15	184,000		-	
		<u>(184,000)</u>		<u>-</u>	
Net assets			<u>1,796,315</u>		<u>1,817,102</u>
Capital and reserves					
Revaluation reserve	12		48,208		48,208
Revaluation reserve - investments	12		-		-
Accumulated funds	12		1,748,107		1,768,894
Total equity			<u>1,796,315</u>		<u>1,817,102</u>

10/02/2024

The financial statements were approved by the board on.....and are signed on its behalf by:


Mark Chanter (Oct 11, 2024 09:40 GMT+1)
Mr M Chanter
Chair


Mr M Carden (Oct 2, 2024 12:11 GMT+1)
Mr M Carden
Chief Executive

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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, Cornwall, TR11 3JQ.

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.

1.1 Accounting convention

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 financial statements are prepared in sterling, which is the functional currency of the organisation. Monetary amounts in these financial statements are rounded to the nearest £.

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

1.2 Going concern

The balance sheet shows that Falmouth Harbour Commissioners has a net gain on reserves of £1,796,315 (2022: £1,768,894). In preparing and approving these financial statements the Commissioners have given due consideration to going concern risks.

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 as a result of the valuations of the agreed Pilots National Pension Fund liability of the pension scheme.

- 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 £693,909 at the balance sheet date.

- As discussed the liability of the Pilots National Pension Fund was agreed and annual contributions payable in 2024 are £364k rising by approximately 8% each year until the year ending 31 December 2028. This equates to £2.054 million payable from 2024 through to 2028.

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

1.3 Turnover

Turnover represents the amount derived from 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 accrued using the effective interest method.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.4 Intangible fixed assets

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

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

Software	33.33% per annum on the straight line method
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1.5 Tangible fixed 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.

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:

Freehold property	No depreciation
Equipment	5% per annum on the straight line method
Office furniture & computer equipment	10% per annum on the straight line method
Craft	5%, 10% and 20% per annum on the straight line method
Pontoons & fuel barge	10% per annum on the straight line method

Assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Freehold property is not depreciated as the Commissioners consider that the residual value of the freehold property is not less than the book value.

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.

1.6 Fixed asset investments

Fixed asset investments are stated at fair value.

1.7 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.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Commissioners' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.11 Retirement benefits

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 12.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.12 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.

2 Operating surplus / (deficit)

	2023	2022
	£	£
Arrived at after charging:		
Auditors' remuneration	8,650	7,343
Auditors' remuneration - non audit work	-	3,193
Commissioners' fees	42,582	43,597
Depreciation of owned tangible fixed assets	157,791	131,869
Loss on disposal of tangible fixed assets	-	4,659
Operating lease charges	20,197	28,723
	<u> </u>	<u> </u>

3 Employees

The average monthly number of persons (including Commissioners) employed by the organisation during the year was:

	2023	2022
	Number	Number
FHC staff (including Commissioners)	19	15
Falmouth Pilot Services	11	12
Falmouth Haven	10	12
	<u> </u>	<u> </u>
Total	40	39
	<u> </u>	<u> </u>

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

	2023	2022
	£	£
Wages and salaries	1,194,188	1,109,701
Social security costs	123,704	107,458
Pension costs	7,225	5,385
Pilots' fees	326,838	322,726
	<u> </u>	<u> </u>
	1,651,955	1,545,270
	<u> </u>	<u> </u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4 Taxation

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the surplus or deficit and the standard rate of tax as follows:

	2023	2022
	£	£
Surplus/ (deficit) before taxation	207,213	(522,731)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 25.00% (2022: 19.00%)	51,803	(99,319)
Unutilised tax losses carried forward	37,278	37,461
Dividend income	(7,495)	(5,295)
Effect on revenues exempt from taxation	32,706	13,805
Effect of change in market value of investment portfolio	(3,453)	24,917
Effect of expense not deductible in determining tax loss	-	(1,497)
Effect of tax losses	(4,928)	-
Tax (decrease) / increase from effect of capital allowance and depreciation	19,904	(9,861)
Pension scheme adjustments	(125,815)	39,789
Taxation charge for the year	-	-

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

5 Intangible fixed assets

	Software £
Cost	
At 1 January 2023 and 31 December 2023	42,575
	<hr/>
Amortisation and impairment	
At 1 January 2023 and 31 December 2023	42,575
	<hr/>
Carrying amount	
At 31 December 2023	-
	<hr/> <hr/>
At 31 December 2022	-
	<hr/> <hr/>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

6 Tangible fixed assets

	Freehold property	Assets under construction	Equipment	Office furniture & computer equipment	Craft	Pontoons & fuel barge	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 January 2023	955,565	160,117	125,222	119,045	1,677,461	1,361,099	4,398,509
Additions	146,528	562,677	-	46,746	-	9,218	765,169
At 31 December 2023	1,102,093	722,794	125,222	165,791	1,677,461	1,370,317	5,163,678
Depreciation and impairment							
At 1 January 2023	103,688	-	66,937	111,370	981,433	895,948	2,159,376
Depreciation charged in the year	-	-	5,509	11,921	77,008	63,353	157,791
At 31 December 2023	103,688	-	72,446	123,291	1,058,441	959,301	2,317,167
Carrying amount							
At 31 December 2023	998,405	722,794	52,776	42,500	619,020	411,016	2,846,511
At 31 December 2022	851,877	160,117	58,285	7,675	696,028	465,151	2,239,133

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 (2022 - £1,346).

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7 Fixed asset investments

	2023 £	2022 £
Listed investments	932,952	930,154
	<u>932,952</u>	<u>930,154</u>
Financial assets	2023	2022
	£	£
UK Fixed Income	135,849	146,407
Overseas Fixed Income	177,265	179,437
UK Equities	141,337	164,698
Overseas Equities	124,198	158,376
Commercial Property	63,347	65,960
International Property	6,793	7,552
Alternative Assets	232,478	199,187
	<u>881,267</u>	<u>921,617</u>
Cash Account	51,685	8,537
	<u>932,952</u>	<u>930,154</u>

Movements in fixed asset investments

	Investments £
Cost or valuation	
At 1 January 2023	930,154
Additions	216,033
Valuation changes	13,812
Disposals	(227,047)
	<u>932,952</u>
At 31 December 2023	932,952
Carrying amount	
At 31 December 2023	<u>932,952</u>
At 31 December 2022	<u>930,154</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

8 Debtors	2023	2022
Amounts falling due within one year:	£	£
Trade debtors	355,435	318,594
Other debtors	34,767	54,783
Prepayments	38,861	116,140
	<u>429,063</u>	<u>489,517</u>

9 Creditors: amounts falling due within one year	2023	2022
	£	£
Trade creditors	572,548	248,297
Corporation tax	-	-
Taxation and social security	29,403	28,931
Other creditors	636,036	614,019
	<u>1,237,987</u>	<u>891,247</u>

10 Creditors: amounts falling due after more than one year	2023	2022
	£	£
Other creditors	1,690,860	2,054,880

11 Prior period adjustment

The 2022 accounts have been restated to reflect the change in the method of recognition of the Commissioner's liability for the deficit contributions due to the Pilots National Pension Fund (PNPF).

Previously this liability had been recognised following the requirements of FRS102 to include in the accounts the assets, liabilities and total cost adjustment of a defined benefit pension scheme.

In fact the definitive liability of the Commissioners for the deficit contributions was determined in 2019, irrespective of subsequent actuarial valuations of the PNPF.

The liability has therefore been included in the 2022 accounts and a creditor disclosed between amounts due within one year and amounts due in more than one year.

Summary of the prior year accounting impact	£
Adjustment to actuarial gain in the statement of comprehensive income	894,416
Increase to pension liability creditor	(894,416)
Remove net service cost income	280,000
Reduce actuarial gain in statement of comprehensive income	(280,000)

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

12 Reserves

	At 1 January 2023	Surplus/ Deficit for the year	Gains/ (Losses)	Transfers	At 31 December 2023
	£	£	£	£	£
Reserves					
Revaluation reserve	48,208	-	-	-	48,208
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated funds					
Operations	7,100,639	353,833	-	-	7,454,472
Pensions	(5,331,745)	(374,620)	-	-	(5,706,365)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated reserves	1,768,894	(20,787)	-	-	1,748,107
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total reserves	<u>1,817,102</u>	<u>(20,787)</u>	<u>-</u>	<u>-</u>	<u>1,796,315</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

13 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 amounts totalling £720,524 representing 45% of the consideration.

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

Other financial commitments

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. A plan for repaying this liability over a suitable term has been agreed with the Trustee. The liability is included in the accounts in creditors amounts falling due within one year and after one year.

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 FRS102 report as at 31 December 2023 shows a deficit of £184,000, (2022: surplus £245,000) and it is this figure that is reported in the accounts.

The details relating to the pension scheme liabilities are shown in note 12.

14 Related party transactions

Summary of transactions with persons with significant interest

The Commissioners' Remuneration for the year amounted to £42,582 (2022 - £43,597).

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.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

15 Pension schemes

Cornwall Council Defined Benefit 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 £191,416 (2022 - £162,144).

The organisation also operates a defined benefit scheme through Cornwall Council. An actuarial valuation was carried out on 31 December 2023 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 was £44,000 (2022: £277,000). Outstanding pension contributions included in other creditors as at the year end total £15,608 (2022 - £16,969).

The total income relating to the defined benefit scheme for the year included in the statement of comprehensive income was (£228,000) (2022: £2,936,000). In 2022 this included a pension asset cap of (£245,000) which was required because while the valuation showed a surplus of assets over liabilities on the chosen basis, this was not readily realisable by the organisation. The Commissioners therefore decided not to recognise the surplus as an asset at the 2022 year end. At 31st December 2023 the valuation was a liability of £184,000 as shown in the note below.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2023	2022
	£	£
Fair value of scheme assets	5,244,000	5,115,000
Present value of defined benefit obligation	(5,428,000)	(4,870,000)
Pension asset cap adjustment	-	(245,000)
	<hr/>	<hr/>
Defined benefit pension scheme (deficit)	(184,000)	-
	<hr/> <hr/>	<hr/> <hr/>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2023	2022
	£	£
Present value at start of year	4,870,000	8,006,000
Current service cost	156,000	383,000
Interest cost	228,000	155,000
Actuarial gains / (losses)	417,000	(3,529,000)
Benefits paid	(310,000)	(201,000)
Contributions by scheme participants	67,000	56,000
	<hr/>	<hr/>
Present value at end of year	5,428,000	4,870,000
	<hr/> <hr/>	<hr/> <hr/>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(Continued)

15 Pension schemes

Fair value of scheme assets

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

	2023 £	2022 £
Fair value at start of year	5,115,000	5,347,000
Interest income	244,000	104,000
Actuarial (losses)	(55,000)	(348,000)
Employer contributions	190,000	159,000
Contributions by scheme participants	67,000	56,000
Benefits paid	(310,000)	(201,000)
Administration expense	(6,000)	(2,000)
	<hr/>	<hr/>
Fair value at end of year	5,245,000	5,115,000
	<hr/> <hr/>	<hr/> <hr/>

Analysis of assets

The fund is assumed to be invested in each main asset class in the following proportions:

	2023 % of fund	2022 % of fund
Equities	33.07	44.49
Government bonds	-	-
Corporate bonds	-	-
Property	5.70	6.05
Other	59.00	48.13
Cash	2.23	1.33
	<hr/>	<hr/>
	100.00	100.00
	<hr/> <hr/>	<hr/> <hr/>

Return on scheme assets

	2023 £	2022 £
Return on scheme assets	189,000	(244,000)
	<hr/>	<hr/>

Principal actuarial assumptions

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

	2023 %	2022 %
Discount rate	4.55	4.80
Future salary increases	2.70	2.70
Future pension increases	2.70	2.70
CPI inflation / CARE benefits revaluation	2.70	2.70
	<hr/>	<hr/>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(Continued)

15 Pension schemes

Post retirement mortality assumptions

	2023	2022
	Years	Years
Current UK pensioners at retirement age - male	21.10	21.60
Current UK pensioners at retirement age - female	24.00	23.80
Future UK pensioners at retirement age - male	21.80	22.60
Future UK pensioners at retirement age - female	25.60	25.30
	<u>21.10</u>	<u>21.60</u>
	<u>24.00</u>	<u>23.80</u>
	<u>21.80</u>	<u>22.60</u>
	<u>25.60</u>	<u>25.30</u>