



Falmouth Harbour Commissioners

Strategy Document and Business Review Incorporating Report on Activities for 2010

Published September 2011



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Vision

Our purpose is to maintain an organisation of quality and excellence to safely manage Falmouth Harbour in order to deliver sustainable prosperity whilst meeting the aspirations of our Stakeholders.

Organisation

We want to attract and retain outstanding people with a shared commitment to safely deliver the objectives of the organisation, delivering the highest standards of quality and governance.

Strategic Objectives

- To continually improve the organisation by recruiting and retaining a skilled workforce motivated by a good remuneration package, effective communication and appropriate training creating job satisfaction,
- To deliver excellent customer service,
- To ensure that efficient and effective systems and services are maintained throughout the organisation, and
- To ensure compliance with relevant external standards.

Prosperity

Falmouth Harbour Commissioners are committed to improving the financial viability of the Port for the benefit of the area and to providing resources to deliver its objectives.

Strategic Objectives

- To work in partnership to develop Port activities to the benefit of local businesses,
- To invest and manage resources prudently while maintaining Falmouth Harbour Commissioners' infrastructure, craft and facilities to a high standard, and
- To ensure Falmouth Harbour Commissioners operates with robust business models while maintaining resilience to external factors.

Sustainability

To ensure the long term sustainable development of the harbour through a policy of balancing environmental, social and economic factors.

Strategic Objectives

- To work in partnership to ensure the long term future of the harbour through positive and proactive development,
- To work in partnership to ensure appropriate management of the harbour's natural environment,
- To take account of the heritage and culture needs of the area, and
- To take account of local social and leisure interests and concerns.



Photograph kindly provided by David Barnicoat ©

Safety

To follow best practice in managing the Port for the safety of harbour users and the protection of the environment by meeting the appropriate national standards.

Strategic Objectives

- To maintain effective safety management systems,
- To maintain infrastructure and navigation channels in safe condition,
- To maintain emergency response and counter pollution plans and the ability to implement them,
- To provide an efficient and effective pilotage service, and
- To maintain an effective system for monitoring and regulating the harbour.

Stakeholders

As a Trust Port Falmouth Harbour Commissioners has no shareholders, but holds itself accountable to its wider stakeholder community. We are committed to systematic and constructive stakeholder engagement and decisive management.

Strategic Objectives

- To effectively engage with a wide variety of stakeholders to determine their views and opinions on issues affecting the Harbour,
- To conduct business as openly as possible and account to stakeholders for decisions made in managing the Harbour,
- To act decisively in the overall best interest of stakeholders, and
- To ensure that commissioners and advisory positions are open to all with appointments made solely on merit.



Foreword



2010 was a busy and challenging year with both setbacks and triumphs for our organisation. Thankfully, the serious fire on the pilot boat ARROW in July did not result in any casualties but did cause extensive operational difficulties in maintaining our pilotage service. Thanks are due to all those involved in the rescue and fire fighting operations as well as to our insurers and the local network of

marine businesses that supported us so well. We are particularly grateful to our staff who showed enormous resilience and forbearance in ensuring that the pilotage service continued to operate despite the considerable difficulties that we experienced. Despite the difficulties caused by the fire and indifferent summer weather which affected our leisure services businesses, 2010 was another successful year for us in both financial terms and in terms of our other achievements.

Governance

Considerable effort has gone in to ensuring that we comply fully with the revised standards for Trust Port Governance issued by the Department for Transport in 2009. These guidelines are more prescriptive and detailed than their predecessors and there is recognition that some of the requirements may not be practical for the smaller Trust Ports. The underlying principle is to “comply or explain why” and this report will be used to highlight any instances where we deviate from the guidance.

In common with many other sectors, the ports industry has been subject to increased regulation, many derived from the European Union legislation. The rapid passing into law of the “Ship to Ship Transfer Regulations” by the outgoing government threatened to impact on the Port’s bunkering operations. We are indebted to Sarah Newton MP who raised the matter with the Shipping Minister on our behalf which resulted in the regulations being withdrawn and a further consultation exercise being undertaken.

Viability

The Commissioners have worked in partnership with Cornwall Council, Falmouth Docks and other commercial partners to develop the Port Masterplan. The aim of the Masterplan is to deliver a medium term, achievable vision for the Port. The contract for writing the Masterplan was won by Tibbalds consultancy, who are specialists in this area, and the final report was issued in the summer of 2011. The report identified

that dredging of the Port approach is vital to the ongoing viability of the Port and the Commissioners have continued to progress the consent application for the dredging element to take place. Revenues derived from bunkering continue to be the largest income stream for us and we are delighted to see the re-investment by Falmouth Petroleum Limited in renewing the oil storage facilities in the Docks.

Safety

As a result of guidance issued by the Maritime and Coastguard Agency, we contracted Marico Marine to undertake a risk assessment exercise to determine whether the port had a requirement for a Vessel Traffic Service or a Local Port Service. As a result of the assessment, we have undertaken further studies aimed at providing information for a cost-benefit analysis of a Vessel Traffic Service and also resolved to declare Local Port Service status.

Environmental Management

Our very successful Knowledge Transfer Partnership came to an end in March 2011. Such were the benefits obtained from the project that we decided to maintain a full time Maritime Sustainable Development Officer on the Falmouth Harbour Commissioners staff. The expertise developed as part of the Knowledge Transfer Partnership project allowed us to participate in a European project aimed at providing improved methods for complying with water quality standards in the future.

A handwritten signature in black ink that reads "M Sansom". The signature is written in a cursive style and is underlined with a single horizontal line.

Mark Sansom
Chief Executive and
Harbour Master

Our Staff

Senior Management Team

Mark Sansom



Mark Sansom has been Chief Executive and Harbour Master since 2000 when he was also appointed as a Commissioner in line with the recommendations of the Trust Port Review. Prior to working for the Commissioners,

Mark pursued a seafaring career and was a Salvage and Mooring Officer for the Ministry of Defence. Mark is accountable for the day-to-day management of the Organisation and for the direction of commercial shipping within the harbour area.

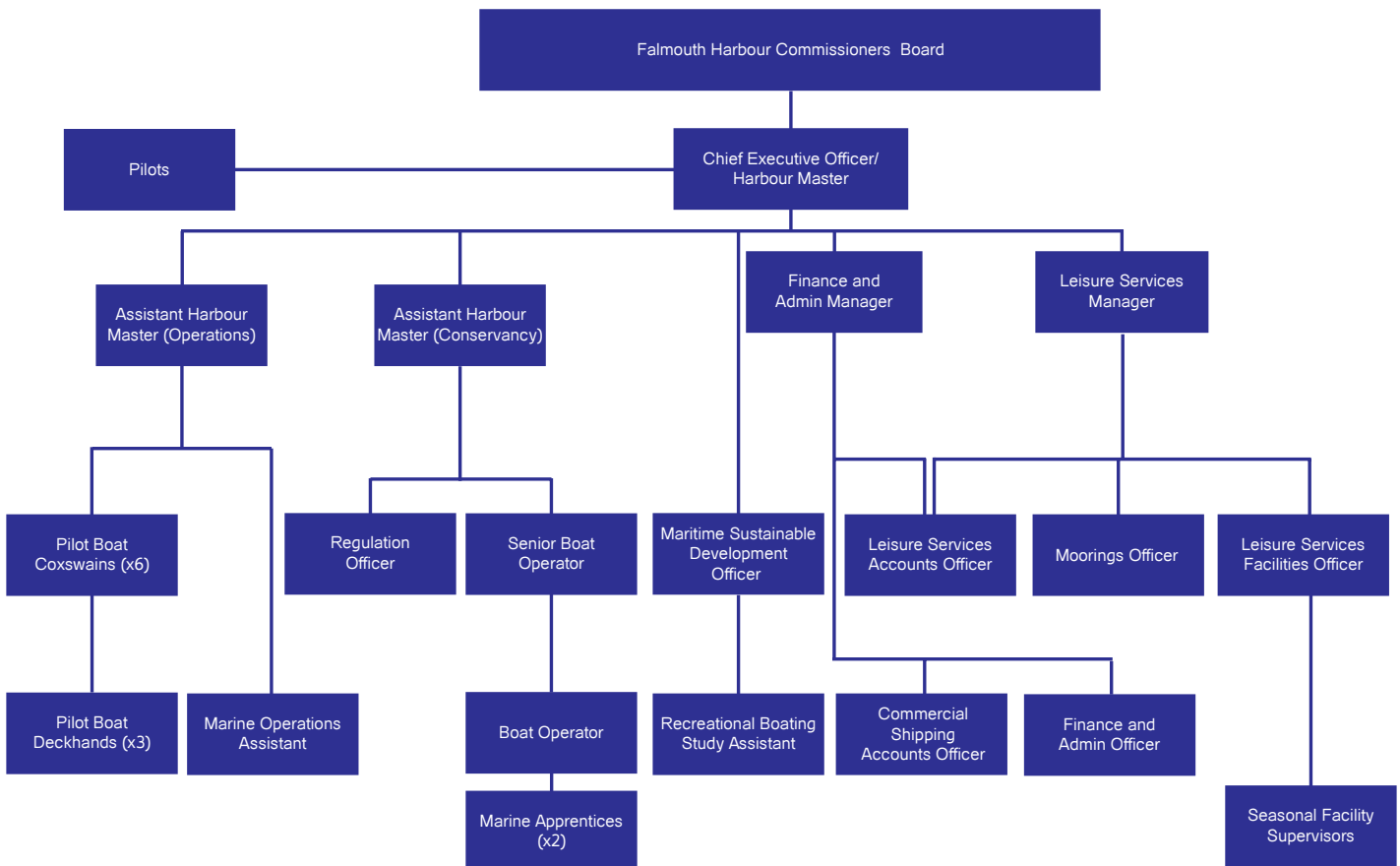
Barry Buist



Barry joined the Commissioners in 2001 as Administration Officer and was appointed Leisure Services Manager in 2004. He has responsibility for the management and growth of the Visitors' Yacht Haven, Fuel Barge, Moorings, Slipway and Boat Park.

Lesley Allan

Lesley joined the Commissioners in March 2007 as Finance and Administration Manager. Lesley is responsible for the management of the Commissioners' finances and administration procedures.



Falmouth Harbour Commissioners Organisation Chart 2011

Operations

Andrew Dale
Pilot Boat Coxswain

William Davies
(Resigned Aug 2011)
Assistant Harbour Master (Operations)

Nicholas Gilbert
(for 3 months to May 2011)
Trainee Pilot

Tristan Gurd
(for 3 months to May 2011)
Trainee Pilot

Roger McClarity
Pilot Boat Coxswain

Nigel Pascoe
Senior Pilot Boat Coxswain

Timothy Polkinghorne
Pilot Boat Deckhand

Sandy Procter
Pilot Boat Coxswain

Tom Redgrave
Marine Operations Assistant

Matthew Seymour
Pilot Boat Deckhand

Allen Stevens
Pilot Boat Coxswain

Mike Tuffery *(Retired Jan 2011)*
Pilot Boat Coxswain

Luke Wills
Pilot Boat Deckhand

Keith Wing
Pilot Boat Coxswain

Conservancy

John Cruse
Marine Apprentice *(from Oct 2010)*

Leon Kemp
Boat Operator

Harriet Knowles
Maritime Sustainable Development Officer

Holly Latham
(12 month contract from July 2011)
Recreational Boating Study Assistant

Matthew Ormond
Marine Apprentice *(from Oct 2010)*

Joe Overton
Senior Boat Operator

Duncan Paul
Assistant Harbour Master (Conservancy)

David Townson
Regulation Officer

Leisure Services

Sue Cocks
Leisure Services Accounts Officer

Martyn Rosevear
Leisure Services Facilities Officer

Lloyd Pond
Moorings Officer

Administration

Sophie Mitchell
Finance and Administration Officer

Mary Stribley
Commercial Shipping Accounts Officer

Chairman's Statement



I am delighted to be able to report another successful year for Falmouth Harbour Commissioners in 2010. The year has had its challenges, most notably the fire on our pilot boat ARROW but our staff showed great resilience and tenacity in overcoming difficulties and the overall performance for the year was not significantly affected.

We have had to say goodbye to two Harbour Commissioners during 2010. Karen Sumser-Lupson resigned in order to devote more time to her project commitments abroad. We also said farewell to Peter Morgan who had completed his third term as a Commissioner. We would like to recognise their contributions to the Organisation during the past few years which have been particularly challenging and productive. They have been replaced by Peter Hamilton and George (Tony) Tomlinson respectively and we warmly welcome them to the Board.

Further progress has been made towards our strategic aims of ensuring sustainable organisational growth and delivering tangible benefits to our stakeholders. We have worked particularly hard in engaging with the community and working in partnership wherever possible to provide joined up approaches with benefits to the wider community.

The Board takes its responsibility for marine safety very seriously. We have started two major initiatives during the course of the year looking at providing an improved system for pilot training and assessing the need for Vessel Traffic Services and Local Port Services.

The Board recognises that ensuring the quality of the services delivered by our Organisation is vital to the safety and wellbeing of the harbour and its users. We have therefore undertaken to achieve an Integrated Management System that complies with the standards laid down in ISO 9000, 14000 and 18000 which cover Health and Safety, Environment and Quality. We do not underestimate the difficulties of implementing these systems in such a small and diverse organisation and have therefore set a deadline of the end of 2012 for final completion.

We have been very active in working towards the production of a Port Masterplan along with our partners in A&P and Cornwall Council. We believe that the Masterplan provides a blueprint for a sound

economic future for the Port and has the potential to generate considerable employment opportunities going forward. Dredging of the approach channel is fundamental to achieving growth for the Port and the employment opportunities that it will generate. We are working hard along with our legal advisors and environmental consultants to obtain the necessary consents for the dredging and will continue to resource progression of this vital part of the Plan.

It is our policy to invest surpluses back into the enterprise in order to provide and maintain fit-for-purpose craft and customer facilities as well as maintaining and improving our infrastructure. We have commenced a programme of craft and building renewal in order to update our facilities and have plans for a new workshop and new patrol craft to be delivered in 2012.

The Modernising Trust Ports Second Edition guidance requires investment to generate a minimum level of financial return. The Board undertake to take full account of these standards when planning investments but realise that it may be beneficial to its stakeholders to make investments with a lower return where this brings additional stakeholder benefit.

We have appointed a sub-committee to review our strategy document. The result is a more concise strategy statement that is included at the front of this document. We think that it is a good illustration of the competing priorities that we are here to balance and hope that you will find it informative.

A handwritten signature in black ink that reads "D. Ellis". The signature is written in a cursive, slightly slanted style.

David Ellis
Falmouth Harbour
Commissioners Chairman

Our Board

David Ellis



David joined the Board in 2005 following retirement from Devon and Cornwall Police as Chief Superintendent and Basic Command Unit Commander of Cornwall and the Isles of Scilly. David is now

the Independent Chair of the local Safeguarding Children's Board, and Independent Non-Executive Director of Coastline Housing, a social housing charity based in Camborne. David resides in Penpol and is a leisure user of the harbour.

John Langan



John was appointed as a Falmouth Harbour Commissioner in January 2007, having previously served six years on the Consultative Committee. He arrived in Penryn in 1998 from Abu Dhabi having spent 27 years as a construction manager and engineer. John purchased Challenger

Marine in January 2000 and uses the harbour as both a leisure sailor and in his line of work.

Peter Fish CBE



Peter joined Falmouth Harbour Commissioners in January 2005 after a 34 year career in the Royal Navy and four years with British Aerospace Engineering Systems as a Director of a high profile business unit working on the contract for the Future Aircraft Carrier.

His Royal Navy career included two and a half years as Commanding Officer at RNAS Culdrose. Peter first moved to Cornwall in 1970 and is now settled in Feock; he has been a leisure user of the harbour for the past 14 years.



Richard Reed trained as an earth scientist and engineer and has been involved with natural resources industries for most of his working life. He has extensive management experience covering business development strategy and financial management.

Following a successful 10 year career with the water and petroleum industries, Richard joined the Cornish based marine drilling company Seacore. He was Managing Director of Seacore for a period of five years until it was acquired by a European multi-national. Richard is currently a member of the Oxford Innovation Business Coaching Team, he lives in Falmouth and is a regular user of the harbour for leisure.

Peter Hamilton



Peter began his career as a deck officer with Shell Tankers. Leaving the sea, he became a journalist with The Financial Times, specialising in oil and shipping affairs. He then moved to set up a London based public relations consultancy for

US advertising agency Young & Rubicam, becoming Managing Director. Subsequently, he joined one of his clients, Gulf Oil Corporation (now Chevron) as Director, Public Affairs for Europe, Africa and the Middle East. In 1986 he helped found and became Managing Director of The Communication Group PLC where he is now Deputy Chairman. He became a Commissioner in January 2011.



George Tomlinson MBE

George retired from fishing after more than 30 years owning and skippering trawlers that operated around Cornwall. In 2006 he was awarded the MBE for services to the industry that included chairing the Objective One European Fisheries Fund. He has also been a board member of the

Cornish Fish Producers Organisation, Cornwall Sea Fisheries Committee and the UK European Fisheries Fund Monitoring Committee. In late 2010 he was elected Chairman of the Cornwall Inshore Fisheries & Conservation Authority which replace the Sea Fisheries Committee.

Rob Yates



After qualifying as a Chartered Accountant and then being a Finance Director, Rob went into general management and was Managing Director or Group Chief Executive in manufacturing businesses for some 18 years.

The two Group Chief Executive roles were both of businesses employing approximately 1000 people and having turnover of £25m and £75m. Rob has had five other very different Non-Executive Director roles, two of them as Chairman. The largest of these roles was for Portman Building Society where Rob was Deputy Chairman and also Chairman of the Audit and Risk Committee.

Mark Sansom



See page 7 for profile.

Falmouth Harbour Commissioners pictured below (from left to right), George Tomlinson, Peter Fish, Peter Hamilton, Mark Sansom, David Ellis, John Langan, Richard Reed and Rob Yates.



Board Declarations of Interest

All Commissioners are required to declare any interests when joining the Board and to maintain their up-to-date interests in a register. The register of interests for Commissioners is shown in the table below:

Commissioner	Employment	Directorship	Significant Financial/Ownership Interest	Membership of Other Organisation
David Ellis (Chairman)		Coastline Housing Ltd		Independent Chair of Local Safeguarding Children's Board
Peter Fish (Deputy Chairman)				President of Falmouth and Penryn Sea Cadet Unit
Peter Hamilton	The Communication Group PLC	The Communication Group PLC		
John Langan	Challenger Marine Ltd	Challenger Marine Ltd Cornwall Marine Network	Challenger Marine Ltd	Cornwall Marine Network Penryn Town Council (Councillor)
Richard Reed	Oxford Innovation (part time)	Webster Reed Ltd Consultancy Business Cornwall and Isles of Scilly Local Enterprise Partnership		
Mark Sansom	Falmouth Harbour Commissioners		Triskel Marine Ltd	
George Tomlinson				Chairman, Cornwall Inshore Fisheries and Conservation Authority Chairman, Fisheries Local Action Group Vice Chair, Association of Inshore Fisheries & Conservation Authorities
Rob Yates		Coastline Housing Ltd		

No Commissioners have declared an interest in any Memberships of Political Parties or Closed Societies.



Attendance Table for Board and Sub-Committee Meetings

The following table shows attendance percentages for non-executive Commissioners' attendance at Harbour Board and Sub-Committee Meetings in 2010: (Note: Captain Mark Sansom attended all the meetings below.)

	Harbour Board	Audit and Risk Sub Committee	Consultative Committee	Pilotage Standards Committee	Remuneration Sub Committee
Total No. of Meetings held in 2010	12	4	4	3	4
David Ellis	100%	25% (<i>observer</i>)	N/A	N/A	25% (<i>observer</i>)
Peter Fish	92%	100%	N/A	100%	N/A
John Langan	100%	N/A	N/A	N/A	100%
Peter Morgan	92%	N/A	75%	66%	100%
Richard Reed	83%	N/A	N/A	N/A	100%
Dr Karen Sumser-Lupson	100%	25% (<i>resigned 16th July 2010</i>)	N/A	N/A	N/A
Rob Yates	100%	100%	N/A	N/A	N/A

Board Recruitment Process

Falmouth Harbour Commissioners draws its Board members from the local community. Selection is based solely on their ability to meet the selection criteria which include areas of knowledge and experience that are regularly rotated to ensure balance.

Commissioners are appointed for a three year term and may be re-appointed by the Board for a second (or exceptionally a third) term based on their performance.

Selection is based on an interview with a panel including Board and stakeholder representation. Standards of the recruitment process are monitored by the Remuneration and Recruitment Sub-Committee.

Commissioners are remunerated for attending Board meetings and are entitled to be paid for sub-committee meetings. The Chairman and Deputy Chairman are paid on an annual basis.

Remuneration payments made to current non-executive Commissioners during 2010 are shown in the table below, together with the dates that they were appointed and finished (if appropriate):

Commissioners	Date Appointed	Date Finished	Remuneration Payments Received During 2010
David Ellis (Chairman)	11 February 2005		£7,708.80
Peter Fish (Deputy Chairman)	11th February 2005		£5,781.60
Peter Hamilton	1st January 2011		N/A
John Langan	1st January 2007		£3,084.00
Peter Morgan	6th April 2001	31st December 2010	£4,962.99
Richard Reed	1st January 2009		£4,288.38
Karen Sumser-Lupson	31st March 2006	16th July 2010	£2,280.79
George Tomlinson	1st January 2011		N/A
Rob Yates	1st January 2009		£4,298.14

We are committed to ensuring that our 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.

How are we performing?

Performance Report

Pilot Service Availability

There were no recorded incidents of vessel delays due to non-availability of pilots provided by our contractor Falmouth Pilots Partnership.

Pilot Boat Reliability

There were no recorded incidents of vessel delays due to non-availability of a pilot boat.

Navigational Aids Reliability

The three year rolling availability on 31st December 2010 for navigational aids was assessed at 100% for seven parameters, the minimum for the remaining four parameters was 98.81% which exceed IALA targets of 97%

Survey Performance

A complete hydrographic survey of the inner harbour and Carrick roads was commenced in 2010 with final results received in July 2011.

Health and Safety

Time Loss Accidents

There were no time loss accidents recorded during the year 2010. One reportable incident occurred involving two persons exposed to Carbon Monoxide aboard a casualty vessel; they attended hospital for checks but were both released after a short period.



*Pilot Boat LK Mitchell in Custom House Quay Basin
Photograph kindly provided by David Barnicoat ©*

Regulation

There were 832 hours of patrolling undertaken during the year 2010 no prosecutions, two written advisory warnings and 94 verbal warnings.

Craft Maintenance

Major repair works were undertaken on the Pilot Boat Arrow after the fire in July. Damage was extensive and required hull repairs and a complete refurbishment of the machinery space. It was decided to replace the engines with new units and to use a repaired engine as an operational spare.

Substantial hull repairs were undertaken on the Pendennis and the Killigrew.

Incidents

There were 11 incidents reported during 2010; none were considered to be major, one harbour master's warning was issued.

Environment

There were 22 reported oil spills; of these none was considered significant.



Pilot Boat Arrow leaving its berth

How did we do against our 2010 targets?

The Modernising Trust Ports Second Edition guidance indicates that the Board should set performance targets and measures of this performance should be reported to allow comparison with other ports. We therefore set the following performance targets for 2010:

- To achieve a surplus of 10% as a percentage of turnover.
- To achieve 2% of staff time devoted to training and development.

Having taken into account the extraordinary expenditure a 10% surplus was achieved.

This target was achieved.

- To achieve a reliability in pilot service provision of 99%.

- To achieve at least 500 hours regulatory patrolling between 1st May and 31st October.

This target was achieved

This target was achieved

- To achieve a reliability of navigation aids of 98% (in accordance with the standard set by the General Lighthouse Authority).

Service Targets

- To achieve a customer satisfaction rating of 90% from those using our leisure facilities.

This was not measured

This target was achieved

- To complete a full hydrographic survey of the Harbour Area.

Environmental Targets

- To use energy 2% more efficiently than in 2009.

This target was achieved.

This target was achieved

- To effectively communicate to our stakeholders and to achieve press coverage to an editorial value equivalent of £20k.

This target was achieved.



Business Review

Leisure Services

Leisure activities' income is made up of income received from the following facilities: Yacht Haven, Fuel Barge, Custom House Quay, Boat Park, Slipway, Visitors' Moorings and Residents' Moorings.

Income compared with 2009 and 2008, broken down by facility, is shown in the table below:

	2010	2009	2008
Yacht Haven	£154,150	£146,366	£136,316
Fuel Barge	£202,625	£171,266	£199,343
Custom House Quay	£139,588	£138,431	£139,283
Boat Park	£62,225	£59,160	£57,379
Slipway	£9,749	£10,128	£7,726
Residents' Moorings	£139,702	£138,043	£136,095
Visitors' Moorings	£35,102	£39,305	£41,764
Anchorage	£11,445	£10,022	£10,660

Overall leisure turnover was 6% up on the previous year; this was due to the poor weather experienced during the key months of the summer season in 2009 and an improving economic climate.



Commercial Activities

Revenues received from commercial shipping operations can be broken down into three main areas: harbour dues, pilotage and pilot boat. Turnover for these areas compared with previous years is shown in the table below:

	2010	2009	2008
Harbour Dues	£515,293	£606,289	£571,935
Pilotage	£914,604	£872,527	£989,409
Pilot Boat	£866,058	£825,585	£953,947

Overall there was an increase of revenue in 2010. There was an increase in bunkering traffic offset by a slight decrease in the numbers of other vessels using the Port.



Photograph kindly provided by David Barnicoat ©



Photograph kindly provided by David Barnicoat ©

Report of our Activities in 2010

The following five pages are extracts of information derived from the full audited annual accounts. The extracts include the Commissioners' and Auditor's report in full, as they appear in the full accounts.

Commissioners' Report

The Commissioners present their report and financial statements of Falmouth Harbour for the year ended 31 December 2010.

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.

State of affairs

These financial statements record a surplus of £331,869 as set out on page 22. The surplus reflects a solid performance from a year in which commercial shipping activities continued to decrease from their peak in 2008. The high number of vessels calling for bunkers compared to pre 2007 is thought to be largely due to the continuing effect of the low sulphur fuel regulations. Budgets set for 2010 anticipated a greater volume of commercial shipping than was achieved although budget income was achieved due to the larger size profile of vessels that called for bunkers. The Board are satisfied with the year's results.

New guidelines for the governance of Trust Ports were issued by the Department for Transport in 2009. The Board set up a sub-committee to ensure that their activities complied with the standards laid down in the guidelines. The 2009 Annual Report issued in September was able to demonstrate that in general, the guidance is being followed whilst identifying any specific instances where it is impracticable or unreasonable to do so.

Pilots pension fund

The Trustee of the Pilots National Pension Fund commenced court proceedings in order to determine which parties could be compelled to contribute to a recovery scheme required due to a deficit in the fund. Falmouth Harbour Commissioners appointed specialist solicitors and followed the case closely to ensure that all arguments relevant to them were put by the representative of the classes concerned. Judgement was received in the second quarter of 2010 and it is expected that the nature of the liabilities and the plans for a recovery scheme will emerge during the course of the coming year. Due

to the high level of uncertainty in both the allocation and extent of liabilities and the possible recovery options no provision has been made in these financial statements.

Commissioners

The following Commissioners held office during the year:

Existing Commissioners:

Captain MJ Sansom	Chief Executive and Harbour Master
D Ellis	Chairman
PA Fish	Deputy Chairman
J Langan	
R Reed	
R Yates	

Retirements and Resignations:

P Morgan	Retired 31 December 2010
Dr K Sumser-Lupson	Resigned 16 July 2010

Commissioners' responsibilities

Relevant law requires the Commissioners to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the undertaking and of the surplus or deficit of the undertaking for that period. In preparing those financial statements, the Commissioners are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, 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 undertaking will continue in business.

The Commissioners are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the undertaking 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 undertaking and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each Commissioner is aware, there is no relevant information of which auditors are unaware, and each Commissioner has taken all the steps that he or she ought to have taken as a Commissioner to make his or herself aware of any relevant audit information and to establish that the auditors are aware of the information.

Auditors

The auditors, Lang Bennetts, were not re-appointed.

By Order of the Commissioners:

D Ellis
Chairman

Date: 26th July 2011



Report of The Auditors to Falmouth Harbour Commissioners

We have audited the financial statements of Falmouth Harbour Commissioners for the year ended 31 December 2010 on pages 5 to 19 (*of Annual Accounts*). The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of commissioners and auditors

As explained more fully in the Statement of Commissioners responsibilities set out on page 19, the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commissioners; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the undertaking's affairs as at 31st December 2010 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the provisions of the Statutory Harbour Undertakings (Accounts etc) Regulations 1983, the Falmouth Harbour Orders 1870–1991 and the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 applicable to small undertakings.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Commissioners for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Mr J Mashen (Senior Statutory Auditor)
For and on behalf of Lang Bennetts Chartered Accountants
Statutory Auditors
The Old Carriage Works
Moresk Road
TRURO
Cornwall
TR1 1DG

Date: 4th August 2011

Income and Expenditure Account for the Year Ended 31 December 2010

	2010		2009	
	£	£	£	£
Turnover		3,070,117		3,032,778
Staff Costs	1,395,011		1,549,232	
Depreciation	208,901		167,723	
Other Operating Charges	1,036,145		1,011,967	
		<u>(2,640,057)</u>		<u>(2,728,922)</u>
Operating Surplus		430,060		303,856
Interest Receivable and Similar Income	18,057		11,778	
Other Finance Income	17		-	
Grant Income	2,225		2,225	
Interest Payable	<u>(33,332)</u>		<u>(44,629)</u>	
		<u>(13,033)</u>		<u>(30,626)</u>
Surplus for the Year Before Taxation		417,027		273,230
Taxation		<u>(85,158)</u>		<u>(64,275)</u>
Surplus for the Financial Year		<u>£331,869</u>		<u>£208,955</u>

Continuing Operations

None of the undertakings' activities were acquired or discontinued during the above two financial years.

Balance Sheet as at 31 December 2010

	2010		2009	
	£	£	£	£
Fixed Assets				
Tangible Assets		1,645,080		1,737,044
Current Assets				
Stock	69,217		3,476	
Debtors	558,513		561,363	
Cash at Bank and In Hand	2,112,151		1,908,788	
	<u>2,739,881</u>		<u>2,473,627</u>	
Creditors: Amounts Due Within One Year	<u>(685,420)</u>		<u>(477,479)</u>	
Net Current Assets		<u>2,054,461</u>		<u>1,996,148</u>
Net Assets		3,699,541		3,733,192
Creditors: Amounts Due After One Year		(37,312)		(75,507)
Accruals and Deferred Income		(26,688)		(28,913)
Pension Liability		(576,000)		(1,130,000)
		<u>£3,059,541</u>		<u>£2,498,772</u>
Reserves				
Accumulated Funds		2,965,153		2,404,384
Revaluation Reserve		94,388		94,388
		<u>£3,059,541</u>		<u>£2,498,772</u>

Approved on behalf of the Board:

D Ellis
Chairman

Captain MJ Sansom
Chief Executive and Harbour Master

Date: 26th July 2011

Internal Control Report

Internal Control System

The Commissioners have put in place policies and procedures to ensure a high level of internal control. They have appointed a standing sub-committee to identify and arrange appropriate external audits to ensure that the necessary high standards are maintained.

The Board have appointed Graham Williams Associates to develop an integrated management system to ISO standards for quality, health and safety and environmental management.

Audit and Risk Sub-Committee

Chaired by Peter Fish and meeting quarterly, the Audit and Risk sub-committee have identified strategic and resilience risks. Risks are assessed for likelihood and impact and the necessary mitigation measures are identified.

Good progress has been made in taking forward risk mitigation measures for all new risks and budget provision has been included where appropriate. Mitigation measures have included, responding to consultation exercises, lobbying MPs as well as measures aimed at improving security and resilience.

The sub-committee have used external auditors to assess compliance with the Port Marine Safety Code, Health and Safety Legislation, Financial Management, Information Technology, Insurance and navigation and buoyage.

Remuneration Sub-Committee

Chaired by John Langan, the Remuneration sub-committee met four times during 2010. The sub-committee have considered issues relating to recruitment and training of both staff and commissioners and performance related incentives.

Statements of Compliance

Falmouth Harbour Commissioners undertake to operate to the best appropriate standards and comply as fully as possible with guidance provided by the Department for Transport in relation to the standards of governance and their marine safety management system.



Corporate Social Responsibility Report

As a Port Authority, we are committed to ensuring Falmouth Harbour operates sustainably. We want to ensure that our commercial harbour remain viable, whilst taking into account the needs of the local community and the natural environment. Falmouth Port is an asset which we are all proud to be a part of and we actively encourage our port users to act responsibly, safely and sustainably.

Through effective engagement with the local community, a committed approach to producing

scientific research and the promotion of development initiatives for Falmouth Port, the Commissioners have successfully raised the profile of the Port, both in Falmouth and further afield for the benefit of future generations.

2009 - 2010 Corporate Social Responsibility Targets:

To effectively communicate to our stakeholders and to achieve press converge to an editorial value equivalent to £20,000.	✓
To achieve 2% of staff time devoted to training and development.	✓
To use energy 2% more efficiently than in 2009.	✓
To achieve a customer satisfaction rating of 90% from those using out leisure facilities.	🔄

Staff Development

We are proud of our skilled workforce and the service we are able to deliver to our stakeholders. We are happy to announce that throughout 2010 a large number of office staff and on-water staff completed a comprehensive selection of training and development qualifications from NVQs and Diplomas to Oil Pollution Response courses and Power Boat training.

We also commenced two apprenticeships with the assistance of Falmouth Marine School.



Above; staff from Falmouth Harbour Commissioners who completed training with the Cornwall Marine Network; (from left to right), Martyn Rosevear, Harriet Knowles, Lloyd Pond, Steve Richards (Cornwall Marine Network Assessor), Mark Sansom, Sophie Mitchell, Mary Stribley, Duncan Paul, Sue Cocks and Barry Buist.

Community Engagement

Falmouth Harbour Commissioners aims to secure the future legacy of Falmouth Port as well as offer support back into the local community. We work hard to raise the knowledge and understanding of Port life and effectively communicate to our stakeholders through the media, our newsletters, Annual Reports and at our autumn Annual Public Meeting.

We are delighted to have been able to contribute to the local community throughout 2010. In particular our sponsorship of the awe-inspiring Red Arrows display during Falmouth Week was a great success for Falmouth, attracting crowds from across Cornwall.

This year saw the Knowledge Transfer Partnership project between Falmouth Harbour Commissioners and the University of Plymouth draw to a close. We are proud to announce that Falmouth Harbour Commissioners are to continue links with academic institutions and have recently established an innovative joint venture with Falmouth Marine School. Named Falmouth Marine Enterprise (FaME), the partnership encourages students at the local Marine School to contribute towards a growing research bank of information. Last year 22 relevant Marine Science student projects were supported by Falmouth Harbour Commissioners, and a hugely successful public open day for the work was hosted at the National Maritime. A summary of these research projects can be found in the Falmouth Harbour Commissioners Research Book, supplement to the Annual Report.



Above; The Red Arrows Display Team fly over Falmouth

Additionally, over the course of 2010, we have been pleased to support a number of valuable ventures, each providing benefits to the Port and local community, including:

- Destination South West
- Helford River Children's Sail Trust
- Concessionary berths for Emergency Services
- The Angel Appeal
- Seafarers UK
- 6th Falmouth Sea Scouts
- Restronguet Sailing Club

Contributions of under £500 were also made to five other local charities.



Falmouth Harbour Commissioner Pete Fish at the exhibition of students' research

The Annual Falmouth Harbour Commissioners' Award is presented to those who have contributed to the success of the harbour. For 2010 we were pleased to present this award to Chris Ruberry for his efforts in providing safety boats for events on the water and his outstanding contribution to recreational sailing. Mr Ruberry a member of Mylor Yacht Club and instructor at the Falmouth School of Sailing, was presented with his award by Chairman of the Commissioners, David Ellis.



Chris Ruberry (left) pictured with David Ellis

Environment Report

We are committed to minimising our impact on the environment and operate within the ISO14001 standards, continually monitoring our operations. We follow a carefully developed programme for environmental monitoring and from the information from our environmental data buoys as well as our partnerships with academic institutions, we are steadily building a cost-effective research bank of environmental monitoring data and comprehensive electronic Geographical Information System database. A summary of this research can be found in the Falmouth Harbour Commissioners Research Book (supplement to the Annual Report) and on our website.



In 2010, our primary research investigations focussed on the impacts of the commercial side to port life through an anchoring investigation and a European funded INTERREG project called PORTONOVO.



Above; the diving party: Marine Biologist Dr Jason Hall-Spencer (left) with student Joe Newton out in the bay.

Anchor Investigation

Whilst port activities such as ship bunkering (re-fuelling) are vital to the Port economy, there are concerns as to its impact on the environment.

Working with Marine Biologist academics and students from the University of Plymouth, a supervised student project provided valuable information on the impact of anchors on the environment which led us to a better understanding of the potential effects.

PORTONOVO Project

The PORTONOVO project has pulled together ports and specialists from across Europe. The aim has been to find ways for ports to comply above the minimum requirements of the Water Framework Directive legislation. PORTONOVO has assisted us in deploying new equipment such as our two environmental data buoys, and enabled us to undertake a comprehensive hydrographic survey of the seabed in much of the estuary.

We now have more detailed information about Falmouth's physical environment than ever before, and world-class experts helping us improve our environmental performance every step of the way.

One such expert is hydrographer Matt Le Maitre, who joined Falmouth Harbour Commissioners for

the autumn as a hydrographic surveyor and tidal modeller of Falmouth. His observations have showed a significant difference to Admiralty predicted currents with a general increase in current speeds at all locations. This information will be used for improved modelling of the Estuary and for oil pollution response.

In the future, we hope to produce tools to help all ports manage water quality issues. Work for PORTONOVO continues through until 2011.



Above: Matt Le Maitre, pictured with one of the monitoring buoys

Looking Forward

Port of Falmouth Development Initiative

Falmouth Harbour Commissioners have worked closely with A&P Falmouth, Cornwall Council and the Cornwall Development Company as part of the Port of Falmouth Development Initiative.

The Initiative was set up to comprise both a steering group, which was chaired by Cornwall Council's Economic Portfolio Holder, and a working group chaired by Cornwall Development Company.

As a result of the Initiative, Tibbalds consultancy were appointed to lead on the production of a Port Masterplan. The Masterplan looked at possible development options in the Port and selected a preferred plan which was then put out to public consultation before being adopted by Cornwall Council in July 2011.

A Masterplan delivery group has now been set up to look at delivering projects that have been identified as part of the masterplanning process.

Key to the delivery of the Masterplan is dredging of the approach channel. Falmouth Harbour

Commissioners and A&P Falmouth are joint applicants for marine licenses that would permit the dredging works to go ahead. The Fal Estuary is within the designated Special Area of Conservation which means that the proposal requires to be additionally assessed due to the requirements of the Habitats Regulations. Falmouth Harbour Commissioners undertook their Appropriate Assessment in July 2010 which concluded (based on advice received from environmental consultants) that the works would not have an adverse effect on the integrity of the site.

The Marine Management Organisation released its Appropriate Assessment in January which disagreed with the Falmouth Harbour Commissioners' assessment and concluded that the proposal, as it stood, would have an adverse impact. The importance of the dredging to jobs and economic output were confirmed in the economic assessment undertaken to inform the Masterplan. Falmouth Harbour Commissioners remain committed to working with the regulators to find an appropriate way forward.



Targets Set for 2011

Organisation Targets

- To review, on an ongoing basis, the remuneration packages offered by the Organisation,
- To achieve 2% of staff time in training and development,
- To have a staff briefing by the full Board twice per year,
- To deliver services to the standards of ISO 9000,
- To deliver a high standard of internal control, monitored by a programme of internal and external audits,
- To achieve a reliability in pilot service provision of 99%, and
- To achieve a customer satisfaction rating of 90%, (of those using leisure facilities).

Objective Targets (Safety)

- To conduct external audits of safety management systems annually,
- To achieve a reliability of navigation aids of 98% (in accordance with the standard set by the General Lighthouse authority),
- To conduct a programme of hydrographic surveys for the inner harbour and Carrick Roads ensuring full coverage every 5 years,
- To conduct at least 2 oil pollution exercises per year,
- To achieve at least 500 hours regulatory patrolling between 1st May and 31st October each year, and
- To hold 4 estuary safety meetings per year including 1 for harbour users.

Sustainability Targets

- To meet with all key commercial operators at least annually,
- To participate fully in the management of the Special Area of Conservation,
- To maintain an effective environmental management system for the Harbour Area to the standard of ISO 14000,
- To actively support activities and projects that benefit local heritage and culture, and
- To actively support activities and projects that benefit leisure and social use of the harbour.

Prosperity Targets

- To achieve an overall surplus of 10% as a percentage of turnover (while ensuring each business sector makes a positive contribution),
- To invest appropriately ensuring a suitable level of financial return, and
- To systematically monitor investment opportunities.

Stakeholder Targets

- To hold a public meeting annually,
- To communicate openly and ensure that relevant information is published promptly on the Falmouth Harbour Commissioners web site, and
- To meet with the Consultative Committee 4 times per year including an annual meeting with the Falmouth Harbour Commissioners Board.



