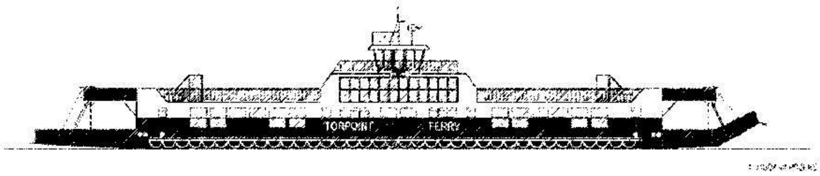
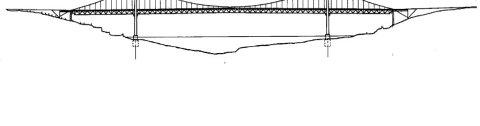


Tamar Bridge and Torpoint Ferry Joint Committee

2007-2008 Statement of Accounts

CORNWALL COUNTY COUNCIL



City of Plymouth

Contents

Statement of Responsibilities & Certification of the Accounts

Statement of Responsibilities

This statement explains our responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly.

Our responsibilities

We must

- make sure that our officers are responsible for managing our financial affairs (in this case, the Joint Treasurers are responsible for doing this);
- manage our affairs to use our resources efficiently and effectively and to protect our assets; and
- approve this statement of accounts before 30 June 2008.

The Joint Treasurers responsibilities

The Joint Treasurers are responsible for preparing our statement of accounts. These accounts must present our financial position fairly, including our income and expenditure for the year.

In preparing this statement of accounts, the Joint Treasurers have:

- chosen suitable accounting policies and then used them consistently;
- made judgements and estimates that were reasonable and careful; and
- followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on 'Local Authority Accounting in Great Britain'.

The Joint Treasurers have also

- kept proper accounting records which are up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

Certification of the Statement of Accounts

The Joint Treasurer's declaration

This statement of accounts presents fairly the financial position of the Tamar Bridge and Torpoint Ferry Joint Committee on 31 March 2008, and our income and expenditure for the year ending on that date.

Frank Twyning MBA, FCCA, CPFA
Joint Treasurer (Cornwall)
Date: 27 June 2008

Adam Broome BSc, CPFA
Joint Treasurer (Plymouth)
Date: 27 June 2008

The Joint Chairmen's declaration

We confirm that these accounts were approved by the Tamar Bridge and Torpoint Ferry Joint Committee on 27 June 2008.

J.M. Mepsted (Cornwall)

D. Viney (Plymouth)

Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee
Date: 27 June 2008

Auditor's Report

Independent auditor's report to the members of the Tamar Bridge and Torpoint Ferry Joint Committee

Opinion on the financial statements

I have audited the Joint Committee's accounting statements and related notes of the Tamar Bridge and Torpoint Ferry Joint Committee for the year ended 31 March 2008 under the Audit Commission Act 1998. The Joint Committee accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains & Losses, the Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Tamar Bridge and Torpoint Ferry Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and Auditors

The Joint Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Joint Committee accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Joint Committee and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Joint Committee accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Joint Committee in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Joint Committee's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Joint Committee accounting statements and related notes.

Opinion

In my opinion the Joint Committee's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Joint Committee as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Joint Committee's Responsibilities

The Joint Committee is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Joint Committee has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice having regard to the criteria for other local government bodies specified by the Audit Commission and published in December 2006. I am satisfied that, in all significant respects, Tamar Bridge & Torpoint Ferry Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Alun Williams
Audit Commission
3-6 Blenheim Court
Lustleigh Close
Matford Business Park
Exeter
EX2 8PW

Date: 26 September 2008

Explanatory Foreword – Joint Treasurer's Introduction

Explanatory Foreword – Joint Treasurer's Introduction

We are pleased to introduce the Tamar Bridge and Torpoint Ferry Joint Committee's statement of accounts for 2007-2008. The Joint Committee carry out the operation, maintenance and control of the Tamar Bridge and the Torpoint Ferries on behalf of Cornwall County Council and Plymouth City Council.

We have written our statement of accounts using plain, jargon free English where possible. We hope it will encourage more people to read the publication and that those who do will feel well informed. There are however, two statements, namely the Valuation Certificate and the Auditor's report which cannot for technical reasons be written in plain English.

The statement of accounts sets out a summary of our financial affairs for 2007-2008 and shows our financial position on 31 March 2008. It includes the following statements and accounts:

- The ***income and expenditure account*** shows how much we have spent during the year and the income we have received. Any surplus or deficit on this account is transferred to the general fund reserve.
- The ***statement of total movement on general fund balances*** shows how our reserves have increased or decreased during the year.
- The ***statement of total recognised gains and losses*** identifies those gains and losses which have not been recognised in the income and expenditure account.
- `The ***balance sheet*** shows our financial position at the start and end of the financial year.
- The ***cashflow statement*** shows the overall movement of cash during the year for revenue and capital.
- The ***notes to the accounts*** provide additional financial information.

Important Developments this Year
The main source of guidance we follow in preparing our statement of accounts (CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom – the "SORP") has changed quite significantly this year. The most significant of the various changes are considered to be:

1. **Accounting for and disclosure of Financial Instruments**
   The 2007 SORP introduces a requirement for compliance with Financial Reporting Standards 25, 26 and 29, which deal with the measurement and disclosure of "financial instruments". A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another, from the most straightforward such as trade receivables and trade payables to the most complex ones such as derivatives.

   The Joint Committee has relatively few assets and liabilities falling within this scope of these FRS's and the impact of this change is currently limited to disclosures relating to the basis for inclusion in the financial statements and to risk profiles.

2. **Replacement of Fixed Asset Restatement Account (FARA) by Revaluation Reserve (RR) and of Capital Financing Account (CFA) by Capital Adjustment Account (CAA)**
   The purpose of this change is to bring local authority capital accounting into line with UK GAAP (Generally Accepted Accounting Principles). The new Revaluation Reserve deals exclusively with asset revaluations, as required by UK GAAP, rather than including non-asset revaluation amounts as were also included in the FARA. As at 1 April 2007, the balance of the new RR has been set to nil by transferring the existing balances on the FARA and CFA as at 31 March 2007 to the new Capital Adjustment Account.

Inspection and audit
Before completing the audit, we made these accounts available for public inspection (from 16 June 2008 to 11 July 2008) so that members of the public could ask the auditor any questions. This is a legal requirement, but further information about the accounts is available from the County Treasurers' Department, Cornwall County Council, New County Hall, Truro, TR1 3AY.

The statement of accounts was approved by the Tamar Bridge and Torpoint Ferry Joint Committee on 27 June 2008, having considered any events that occurred since 31 March 2008.

The audit is complete and the Audit Commission's audit report is published on pages 11 to 12

Financial Review

Financial Performance
We budgeted to achieve a surplus of £1.353m on our operational activities in 2007/2008 and an overall deficit of £0.305m, which was planned to be funded from the Joint Committees reserves. In fact, by the end of the financial year, an operational surplus of £1.437m had been achieved with an overall deficit of £0.079m, which was funded from reserves.

The table below summarises the costs of running the Joint Committee's services from 1 April 2007 to 31 March 2008. It shows where the money came from to fund those costs and the surplus /deficit at the financial year end.

Comparison of 2007-2008 Outturn with the Revised Budget

	Revised Budget £'000	Actual £'000	Variation Above/(Below) Budget £'000
Operational Expenditure			
Bridge Operations	1,867	1,802	(65)
Ferry Operations	3,781	3,845	64
Corporate Expenditure	144	89	(55)
	5,792	5,736	(56)
Operational Income			
Toll Income	(6,661)	(6,607)	54
Other Income	(484)	(566)	(82)
	(7,145)	(7,173)	(28)
Net Operational Surplus	**(1,353)**	**(1,437)**	**(84)**
Other Expenditure			
Interest on Loan	946	892	(54)
Capital Expenditure financed from Revenue	119	133	14
Transfer from Tag Replacement Reserve	(50)	(50)	-
MRP Contribution	849	806	(43)
Income			
Interest on balances	(206)	(265)	(59)
Net Overall Deficit	**305**	**79**	**(226)**

The outturn deficit of £79,000 reported in the table above is in line with the decrease reported in the Statement of total movement on General Fund Balances for 2007-2008. It differs from the net deficit reported in the Income and Expenditure Account by the adjustments analysed in Note 1 to the Accounts.

Capital spending in 2007-2008

Capital Spending
Alongside our day-to-day costs, we spend money on assets such as buildings, vehicles and information and communications technology. This is capital spending. During 2007-2008, our actual capital spending was £1.167m (£3.207m in 2006-2007). The following table shows where we spent this money.

Capital Schemes in 2007-2008	£'000
Rendel Park	14
Ferry Infrastructure Works	6
New Ferries	43
Electronic Toll Collection system	987
Advance Signing	62
Bridge Access Works	38
Bridge Tower Arrest System	17
	1,167

Capital Receipts and Revenue Financing
In 2007-2008, in total, £0.133m was funded from within the revenue budget rather than from funds advanced by the parent authorities (2006-2007 £0.528m).

Advances from the Parent Authorities
Total advances from the parent authorities in support of the capital programme in 2007-2008 amounted to £1.034m (2006-2007 £2.679m).

These advances were all made by Cornwall County Council. The Joint Committee pays interest to the County Council at a rate reflecting the County Council's own cost of borrowing. The Joint Committee also makes a contribution to the County Council in respect of the Minimum Revenue Provision (MRP) charged by the County Council in its own accounts to provide for future repayment of the funding advanced to the Joint Committee. The level of contribution made will provide for repayment of the amounts advanced evenly over a 25 year period. This is considered by the Joint Treasurers to be a prudent basis on which to make that provision and complies with the County Council's MRP policy. The advances, held in the Joint Committee's balance sheet as "deferred liabilities" have previously been referred to as "loans" or "borrowing".

Reserves

Reserves and Balances

Surpluses are normally transferred to the Joint Committee's General Reserve, which can be spent in future years. The TamarTag Replacement Reserve has been closed. On 31 March we had the following reserves available:

Restated* Balance as at 31 March 2007 £'000	Reserves	Balance as at 31 March 2008 £'000
3,933	General Reserve	3,854
50	TamarTag Replacement Reserve	0
3,983	**Total Reserves**	**3,854**

* See Prior Period Adjustments below.

There is, in addition, a provision to cover the difference between the value of Concessionary Vouchers sold and the value of those redeemed. The redemption of vouchers has now ceased and the balance on this account has been reduced to £50,000 to accommodate late reimbursement of unused vouchers.

Prior Period Adjustment

Interest Payable

The amount included in the income and expenditure account for interest payable in 2006-2007 has been amended, as shown below, from the amount included in the 2006-2007 published statement of accounts. Financial Reporting Standard 3 requires amendments to be made to comparative figures where necessary to correct errors that would otherwise prevent the financial statements from giving a true and fair view.

In the Joint Committee's 2006-2007 statement of accounts, an accrual of £172,000 should have been made for interest chargeable in 2006-2007, but not due to be actually paid until 2007-2008. This amount is considered material in the context of the Joint Committee's income and expenditure account and has therefore been reflected as a prior period adjustment.

The effect of the adjustment is to increase the amount of interest payable shown in the income and expenditure account for 2006-2007 by £172,000 and to reduce the balance of the Joint Committee's reserves accordingly:

Prior Period Amendment – Interest Payable	**2006-2007 £'000**
Interest Payable as previously stated	999
Prior period amendment	172
Interest Payable as restated	1,171

Prior Period Amendment – Reserves	**2006-2007 £'000**
Balance as at 31 March 2007 as previously stated	4,105
Prior period amendment	172
Balance as restated	3,933

Statement of Accounting Policies

Statement of Accounts Policies

This section explains the accounting principles used to produce the figures in the accounts. These accounting principles are set nationally and ensure accounts from different organisations are consistent and comparable. We use some technical terms in these accounts, which we have explained in the Glossary of Terms.

General
The Statement of Accounts summarises the Joint Committees transactions for the 2007-08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting, in the United Kingdom: A Statement of Recommended Practice (the 2007 SORP) issued by the Chartered Institute of Public Finance and Accountancy. The accounts comply with the Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS's) appropriate to local authorities also taking into account the guidance note issued by the Accounting Standards Board.

The accounting convention adopted is historical cost modified by revaluation of certain categories of tangible fixed assets.

The Joint Committee also complies with the Best Value Accounting Code of Practice (BVACOP). This code is also an approved SORP and establishes proper practice with regard to consistent financial reporting below the Statement of accounts level.

The concepts and polices which have a material impact on the accounts are as follows:-

A. Accounting Concepts

Qualitative Characteristics of Financial Information
There are four accounting concepts against which authorities should judge the appropriateness of accounting policies for their particular circumstances. These are as follows:

- **Relevance**
  The aim of the financial statements is to show information about the Joint Committee's performance and position that is useful for assessing how we have looked after public money and for making economic decisions.

- **Reliability**
  The Joint Committee's aim is to provide reliable financial information. Financial information is reliable only if:

  - it can be depended upon to represent faithfully what it either purports to represent or could reasonably be expected to represent, and therefore reflects the substance of the transactions and other events that have taken place;
  - it is neutral and free from bias;
  - it is free from material error;
  - it is complete and no significant transactions have been left out;
  - under conditions of uncertainty, it has been prudently prepared (i.e. a degree of caution has been applied in exercising judgement and making the necessary estimates).

  Subject to legal requirements, the accounting statements have been prepared to reflect the reality or substance of the transactions and activities underlying them, rather than only their formal legal character. In determining the substance of a transaction, it is necessary to identify all of the transaction's aspects and implications. A group or series of transactions that achieved or is designed to achieve an overall economic effect has been viewed as a whole.

  Often there is uncertainty either about the existence of assets, liabilities, income and expenditure, or about the amount at which they are to be measured. Such uncertainty is a normal part of the accounting process. Prudence requires that accounting policies take account of such uncertainty in recognising and measuring those assets, liabilities, income and expenditure.

  Sound stewardship of public funds calls for a prudent approach to financial management. However in financial reporting the aim should be to properly represent the economic effects on the Joint Committee of transactions and events. Prudence is used in conditions of uncertainty to inform the selection and application of accounting policies and estimation techniques and the use of professional judgement. It is not appropriate to use prudence in financial reporting as a reason to, for example, create hidden reserves or excessive provisions, deliberately understate assets or income, or deliberately overstate liabilities or expenditure, because this would mean that the financial statements are not neutral and therefore not reliable.

- **Comparability**
  The information contained in financial statements is more useful if it can be compared with similar information about the Joint Committee for previous years. Comparability depends upon consistency and adequate disclosure. In considering the accounting policies to be adopted and their disclosure, the Joint Committee have paid due regard to the importance of consistency and comparability. Application of the terms of the Code of Practice, and of the Code of Practice for Best Value Accounting where relevant, should ensure adequate disclosure and consistency, and thus comparability.

- **Understandabilty**
  The accounting principles on which the Code of Practice is based include accounting concepts, treatments and terminology which require reasonable knowledge of accounting, local government, and reasonable diligence in reading the financial statements if they are to be properly understood. However, all reasonable efforts have been taken in the preparation of the financial statements to ensure they are as easy to understand as possible.

Materiality
Materiality is the final test of whether information should be included in a particular set of financial statements.

An item of information is material to the financial statements if its misstatement or omission might reasonably be expected to influence assessments of the Joint Committee’s stewardship and economic decisions, based upon its financial statements. If there are two or more similar items the materiality of the items in aggregate, as well as of items individually needs to be considered. Whether an item is material will depend on the size and nature of the item in question. The principal factors, to be taken into consideration include:

- the item’s size, judged in the context of both the financial statements as a whole and of such other information available as would affect consideration of the financial statements (for example consideration of how the item affects the evaluation of trends)

- the item’s nature, in relation to:

  - the transactions or other events giving rise to it;
  - the legality, sensitivity, normality and potential consequences of the event or transaction;
  - the identity of the parties involved;
  - the particular headings or disclosures affected.

Strict compliance with the Code of Practice, both as to disclosure and accounting principles is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the Joint Committee and to the understanding of the Statement of Accounts by a reader.

Pervasive Accounting Concepts
Three further concepts – accruals, going concern, and the primacy of legislative requirements – play a pervasive role in the financial statements, and hence in the selection and application of accounting policies and estimation techniques and the exercise of professional judgement.

- **Accruals**
  The financial statements, other than cash flow information, have been prepared on an accruals basis. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which cash is received or paid.

  The following areas of income and expenditure are required to be accounted for using the accruals and matching concept:

- Fees, charges and rents due from customers are accounted for as income at the date the undertaking provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Interest payable on borrowings and receivable is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

There are general exceptions as follows:

- Electricity and similar quarterly payments are charged at the date of the meter reading rather than apportioned between years, and
- Items if less than £1,000 are not normally included.

- **Going Concern**
  The Joint Committee's Statement of Accounts have been prepared on a going concern basis; that is the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure account and balance sheet assume no intention to curtail significantly the scale of operation.

- **Primacy of Legislative Requirements**
  Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by the accounting law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

B. Accounting Policies

Accounting policies determine which facts about a business are to be presented in financial statements, and how those facts are to be presented and what estimation techniques are used to establish what those facts are.

The accounting policies are reviewed regularly to ensure that they remain the most appropriate for the authority's circumstances.

Intangible Fixed Assets
Expenditure on assets that do not have physical substance but are identifiable and controlled by the Joint Committee (eg software licences) is capitalised when it will bring benefits to the undertaking for more than one financial year. The balance is amortised to the revenue account over the economic life of the asset on a straight line basis.

The policies on revaluation, disposals and impairment are the same as those used for Tangible Fixed Assets shown below.

Tangible Fixed Assets
Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition
Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the undertaking and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (eg repairs and maintenance) is charged to revenue as it is incurred.

Measurement
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure and community assets - depreciated historical cost.

Net current replacement cost is assessed as:
- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to the revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a revaluation exercise, this is accounted for by:
- where attributable to the clear consumption of economic benefits – the loss is charged to the revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the revenue account.

Where an impairment loss is charged to the Income and Expenditure but there were accumulated revaluation gains in the Revaluation Reserve, for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals
When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals of fixed assets are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used to fund new capital investment or be used to repay debt. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against revenue, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation
Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over periods expected to benefit from their use.
Depreciation is calculated on the following bases:

- Operational buildings usually reduce in value over a period of 20 to 50 years, depending on the type of building and other operational factors. We normally assume the value of buildings to be nil at the end of their useful life;

- We do not depreciate land values;

- We depreciate infrastructure, for example, the Ferry waiting area, over its estimated useful life. In most cases we use a 40 year period;

- We depreciate vehicles and equipment individually over their estimated useful lives. Typical periods used are:
    - Torpoint Ferries 25 years
    - Motor Vehicles and Plant 3-25 years
    - IT Equipment 5 years

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Charges to Revenue for Fixed Assets
The revenue account is debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service

The Joint Committee is not required to raise income to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the amount funded by Cornwall County Council for capital expenditure. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Deferred Charges
Deferred charges represent spending which may be properly capitalised but which does not represent tangible fixed assets. We operate a policy of charging 100% of this spending to the revenue account, along with any matching funding i.e. grants or contributions. If no matching funding is available, any outstanding deferred charge spend will be met from the Capital Adjustment Account.

De Minimus Capital Expenditure
This is the spending on individual items which may be properly capitalised but falls below the £10,000 level set for Capital Accounting. Those items below the de minimus level are charged to the revenue account in place of capital charges. These charges will be reflected in the net cost of services, along with any matching funding i.e. grants or contributions. If no matching funding is available, any outstanding de minimus capital expenditure will be met from the Capital Adjustment Account.

Capital Receipts
Capital receipts from the sale of assets are used to finance new capital expenditure.

Debtors and Creditors
These accounts use the 'accruals' concept. This is where we show in the accounts amounts owed to or by us for the financial year, even though we have not received or paid them by the end of the year. We estimated the amounts included for each area of spending or income. We reflect any difference between the actual figures and those estimates in the accounts the following year. This applies to revenue and capital items.

Stocks and Works in Progress
Stocks are normally valued at cost price (first in – first out). No obsolete stock is included in the accounts.

Provisions
We put aside amounts of money to meet specific payments which we know we must make in the future even though we are not sure how much the payments will be or when we will have to pay them. The only substantial amount we set aside is the amount for the redemption of concessionary vouchers.

Reserves
We put amounts of money aside to meet specific payments which we know we must make in future years and to protect us against unexpected events. Reserves include amounts we set aside for specific policy purposes and general reserves which represent resources set aside for purposes such as unexpected or exceptional events and managing our cash flow.

The system of capital accounting means we have to include two accounts in the balance sheet which are technical. These balances are not available to support extra spending.

- The Capital Adjustment Account includes amounts that we have set aside from day to day spending or capital receipts to pay for fixed assets or to repay loans
- The Revaluation Reserve represents the effects of us revaluing our fixed assets.

Pensions
We are a scheduling body contributing to the Cornwall County Council Pension Fund.

Most staff are members of the Local Government Pension Scheme. They pay contributions to the fund (6% of their pay). We, as their employer, also make a contribution to the Pension Fund. Under current regulations governing how the fund operates, we are increasing our contributions over a reasonable period, to a level which will be enough to meet the full costs of all future pension payments. This includes inflation awards. In 2007/2008 our contributions were at a rate of 21.70% of employees' pay. In 2008/2009 this rate will be 21.40%.

Financial Statements

Income and Expenditure Account

This following table shows the total cost of the providing the service. It includes charges for support services, the use of assets and adjustments for the true cost of providing pensions.

If we refer to a note number in the right-hand column, there is a further explanation on the following pages.

	2006-2007 as restated Net Expenditure £'000	2007-2008 Net Expenditure £'000	Note No:
Gross Expenditure	9,476	10,423	
Gross Income	(6,742)	(7,174)	
Net Cost of Service	**2,734**	**3,249**	
Other Operating Expenditure			
FRS17 Interest Cost (Pensions)	521	576	
FRS17 Expected Return on Assets (Pensions)	(576)	(671)	
Interest Received	(178)	(265)	
Interest Payable	1,171	892	
Net Deficit	**3,672**	**3,781**	

Statement of total movement on General Fund Balances

The Statement of total movements on General Fund balances brings together all the transactions during the period and identifies those which have and have not been recognised in the Income & Expenditure Account. The statement separates the movements between revenue and capital reserves.

	2006-2007 as restated £'000	2007-2008 £'000	Note No:
Net Operating (Surplus)/Deficit for the year	3,672	3,781	
Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund balances for the year:	(3,983)	(3,702)	1
Total (increase)/decrease in General Fund Balance for the year	**(311)**	**79**	
General Fund Balance brought forward	(3,622)	(3,933)	
General Fund Balance carried forward	**(3,933)**	**(3,854)**	

Statement of total recognised Gains and Losses

The Statement of total recognised Gains and Losses brings together all the recognised gains and losses during the period and identifies those which have and have not been recognised in the Revenue Account.

	2006-2007 as restated £'000	2007-2008 £'000	Note No:
(Surplus) / deficit for the year	3,672	3,781	
FRS17 Actuarial Gain/Loss	(777)	(950)	**10**
Total recognised gains and losses	**2,895**	**2,831**	

Balance Sheet

The Balance Sheet shows our financial position at the start and end of the 2007/2008 financial year. It shows the value of the Joint Committee's assets and liabilities at the end of the financial year (31 March 2008).

If we refer to a note number in the right-hand column, there is a further explanation on the following pages.

	2007 as restated	2008		Note
	£'000	£'000	£'000	No:
Fixed Assets				
Operational Assets				
Other land and buildings	215,895	212,333		**2**
Vehicles, plant, furniture & equipment	14,847	14,833		**2**
Infrastructure	273	264		**2**
Intangible	17	9		**2**
Non-operational assets				
Assets under construction	1	62		**2**
Total Fixed Assets	**231,033**		**227,501**	
Current Assets				
Stocks and Work in Progress	251	282		**3**
Debtors	498	297		**4**
Payments in Advance	30	13		**5**
Cash in hand and in transit	2,273	2,567		**11(d)**
Total Current Assets	**3,052**		**3,159**	
Total Assets	**234,085**		**230,660**	
Current Liabilities				
Creditors	(605)	(540)		**6**
Receipts in Advance	(155)	(879)		**7**
Total Current Liabilities	**(760)**		**(1,419)**	
Total Assets less Current Liabilities	**233,325**		**229,241**	
Long Term Liabilities				
Deferred Liability	(20,162)	(20,355)		**9**
FRS17 Pensions Liability	(1,346)	(289)		**16**
Provisions	(439)	(50)		**8**
Total Long Term Liabilities	**(21,947)**		**(20,694)**	
Total Assets less Liabilities	**211,378**		**208,547**	
Financed by:				
FRS17 Pensions Reserve	(1,346)	(289)		**10**
Revaluation Reserve	0	0		**10**
Capital Adjustment Account	208,741	204,982		**10**
Revenue Balances				
TamarTag Replacement Reserve	50	0		**10**
General Reserve	3,933	3,854		**10**
Total Net Worth	**211,378**		**208,547**	

Cash Flow Statement

Cash Flow Statement for the year ended 31 March
This statement shows the overall movement of cash during the year for revenue and capital.

	2007	2008		Note
	£'000	£'000	£'000	No:
Net cash inflow/(outflow) from operating activities	**2,727**		**2,080**	**11(a)**
Returns on Investment and Servicing of Finance				
Cash Inflows				
Interest Received	178	265		
Cash Outflows				
Interest Paid	(999)	(1,064)		
			(799)	
Capital Activities				
Cash Outflows				
Purchase of Fixed Assets	(4,737)	(1,180)		
Cash Inflows				
Disposal of Fixed Assets	0	0		
			(1,180)	
Net cash inflow/(outflow) before financing	**(2,831)**		**101**	
Financing				
Cash Outflows				
Repayments of capital funding	(1,136)	(807)		
Cash Inflows				
New funding received	0	1,000		
			193	
Net Increase/(Decrease) in Cash	**(3,967)**		**294**	**11(d)**

Notes to the Accounts

Notes to the Accounts

Note 1 Analysis of movement on General Fund Balances

	2006-2007 £'000	2007-2008 £'000
Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund balance for the year	**(3,983)**	**(3,702)**
Comprising:		
Depreciation and impairment of fixed assets	(4,525)	(4,698)
Net charges made for retirement benefits in accordance with FRS17 contribution to or from the FRS17 Pensions Reserve	420	519
Net loss on disposal of assets	0	0
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year	**(4,105)**	**(4,179)**
Contribution to Cornwall County Council's MRP	0	807
Capital expenditure charged in year to the General Fund balance	528	132
Employer's contributions payable to the pension fund & retirement benefits payable direct pensioners	(456)	(412)
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund balance for the year	**72**	**527**
Net transfer to or from earmarked reserves	50	(50)
Transfer to or from the General Fund balances that are required to be taken into account when determining the movement on the General Fund balance for the year	**50**	**(50)**

Note 2 Fixed Assets

	Land and Buildings £'000	Infrast'ure £'000	Vehicles, Plant & Equipment £'000	Intangible Assets £'000	Work in Progress £'000	Total £'000
Gross book value as at 31 March 2007	227,108	341	16,729	25	1	244,204
Accumulated depreciation	(11,213)	(68)	(1,882)	(8)	0	(13,171)
Net book value at 31 March 2007	**215,895**	**273**	**14,847**	**17**	**1**	**231,033**
Movement in 2007-2008						
Additions	140	0	965	0	61	1,166
Depreciation in year	(3,702)	(9)	(979)	(8)	0	(4,698)
Net book value at 31 March 2008	**212,333**	**264**	**14,833**	**9**	**62**	**227,501**

The total Capital Expenditure and Financing was:

	2006-2007 £'000	2007-2008 £'000
Expenditure		
Operational assets	3,206	1,105
Non-operational assets **	1	61
Deferred charges	-	-
	3,207	**1,166**
Financing		
Direct revenue financing	528	132
Advanced from Cornwall County Council	2,679	1,034
Capital receipts	-	-
	3,207	**1,166**

** Non-operational assets are expenditure on capital items that are work in progress. The expenditure in 2007-2008 is on new Advance Warning Signs.

Note 3 Stocks

As at the 31 March 2008, the Joint Committee held stocks to the value of £0.282m. The stocks are analysed by category as follows:

	31 March 2007 £'000	2007 £'000
General materials	155	172
Fuel	24	38
Chain	65	0
TamarTags and accessories	0	63
Uniforms and workwear	5	7
Cleaning materials	2	2
Total	**251**	**282**

Note 4 Analysis of Debtors

These will be outstanding monies owed at the end of the year which were yet to be received as cash.

	31 March 2007 £'000	2008 £'000
Amounts falling due within one year:		
Government departments	485	291
Sundry debtors	13	6
Total	**498**	**297**

Note 5 Analysis of Payments in Advance

This will be money paid for goods or services that we will not receive until after the end of March.

	31 March 2007 £'000	2008 £'000
Advance Payments:		
For Rates	12	13
For Web Server maintenance	18	0
Total	**30**	**13**

Note 6 Analysis of Creditors

These are outstanding monies that we owe to other organisations at the end of the year for goods or services we have already received.

	31 March 2007 as restated £'000	31 March 2008 £'000
Capital creditor	236	222
Sundry creditors	369	318
Total	**605**	**540**

Note 7 Analysis of Receipts in Advance

These are monies that we have received from members of the public and other organisations at the end of the year for goods or services we have not yet supplied.

	31 March 2007 £'000	31 March 2008 £'000
TamarTag account balances	155	879
Total	**155**	**879**

Note 8 Provisions

Provisions are funds set up to cover any financial liabilities or losses which are likely or certain to be incurred but the amounts or the dates on which they arise are uncertain. This provision was set up to provide for the potential cost of unredeemed concessionary vouchers being cashed in.

	Balance as at 1 April 2007 £'000	Receipts £'000	Payments £'000	Balance as at 31 March 2008 £'000
Provision for liability (toll vouchers)	439	0	(389)	50

Note 9 Deferred Liabilities

We have a liability to Cornwall County Council in respect of long term financing for capital expenditure, the balance as at the 31 March is:

Source of Liability	2007 £'000	2008 £'000
Cornwall County Council	**20,162**	**20,355**

Note 10 Statement of Total Movements in Reserves

The total movements in reserves during the year were as follows

Capital Adjustment Account

This account contains the amounts of capital expenditure financed from revenue, capital receipts and capital grants.

	£'000
Balance as at 1 April 2007	208,741
2007-2008 Capital Financing - direct revenue financing	132
2007-2008 Capital Financing - contribution to Cornwall County Council's MRP charge	807
Depreciation adjustment	(4,698)
Balance as at 31 March 2007	**204,982**

TamarTag Replacement Reserve
This reserve was used to purchase replacement transponders for the Electronic Toll Collection system. It has been decided that these will be funded as and when required from revenue resources. This account has been closed and the balance transferred back to revenue.

	£'000
Balance as at 1 April 2007	50
Payments in year	(50)
Balance as at 31 March 2008	**0**

General Reserves
The General Reserve can be used to meet capital or revenue expenditure.

	£'000
Balance as at 1 April 2007 as restated	3,933
Receipts in year	0
Payments in year	(79)
Balance as at 31 March 2008	**3,854**

FRS17 Pensions Reserves
The FRS17 Pensions Reserve is used to meet the future costs of pensions.

	£'000
Balance as at 1 April 2007	(1,346)
Appropriations to/from revenue	107
Actuarial gains/losses relating to Pensions	950
Balance as at 31 March 2008	**(289)**

The figure of £950,000 for actuarial gains can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March. Figures for the three previous years are shown for comparison as per recommended practice.

	2004-2005		**2005-2006**		**2006-2007**		**2007-2008**	
	£'000	**%**	**£'000**	**%**	**£'000**	**%**	**£'000**	**%**
Differences between the expected and actual return on pension fund assets	703	4.3%	1,267	15.0%	178	1.9%	(904)	(9.8%)
Differences between actuarial assumptions about liabilities and actual experience	660	7.5%	(32)	(0.3%)	(3)	(0.0%)	265	2.0%
Changes in the demographic and financial assumptions used to estimate liabilities	(1,810)	(5.1%)	(1,150)	(0.8%)	602	7.3%	1,589	10.0%
	(447)		85		777		950	

Note 11 Cash Flow Statement

(a) Reconciliation of surplus/ (deficit) to net cash inflow/ (outflow)

This note explains how the surplus of income over spending, when adjusted by changes in other areas, results in more money being received than spent.

	2006-2007 as restated £'000	2007-2008 £'000	2007-2008 £'000
Surplus/(Deficit) for the year	(3,672)		(3,781)
Non cash transactions			
Depreciation	4,525	4,698	
Pension fund adjustments	36	(107)	
Contribution to/from provisions	(61)	(389)	
	4,500		4,202
Adjustments for items reported separately on cashflow			
Interest received	(178)	(265)	
Interest payable	999	1,064	
	821		799
Items on an accrual basis			
(Increase)/decrease in debtors and payments in advance	(41)	218	
Increase/(decrease) in creditors	1,178	673	
(Increase)/decrease in stock and work in progress	(59)	(31)	
	1,078		860
Revenue activities net contributions	**2,727**		**2,080**

(b) Analysis of net debt

	Balance as at 1 April 2007 £'000	Cash Flow £'000	Balance as at 31 March 2008 £'000
Cash in hand and in transit	2,273	294	2,567
Deferred liability	(20,162)	(193)	(20,355)
	(17,889)	**101**	**(17,788)**

(c) Reconciliation of the net cash flow to the movement in net funds

	2006-2007 £'000	2007-2008 £'000
Increase/(Decrease) in cash in the period	(3,967)	294
Cash inflow from new loans raised	0	(1,000)
Cash outflow from loans repaid	1,136	807
Movement in net debt in the period	(2,831)	101
Net debt as at 1 April	(15,058)	(17,889)
Net Debt as at 31 March	**(17,889)**	**(17,788)**

(d) Analysis of changes in cash and cash equivalents during the year

	2006-2007 £'000	Change in Year £'000	2007-2008 £'000
Cash	2,273	294	2,567
Bank overdraft	0	0	0
Increase/(decrease) in year	**2,273**	**294**	**2,567**

Note 12 Publicity Expenditure

Under section 5.1(1) of The Local Government Act 1986 we must provide details of its spending on publicity.

	2006-2007 £'000	2007-2008 £'000
Advertising		
Recruitment	3	2
Promotional & other advertising	1	2
	4	**4**

Note 13 Agency Service

Under a number of statutory powers, we undertake the traffic management of the Saltash Tunnel on behalf of the Department of Transport and the Regions. The following analysis shows the amount of expenditure which is fully reimbursed by the DETR:

	2006-2007 £'000	2007-2008 £'000
Traffic management	245	291
Total amount reimbursable	**245**	**291**

Note 14 Significant Commitments under Capital Contracts as at 31 March

	2007 £'000	2008 £'000
Expenditure approved and contracted		
Replacement ferries	34	0
Ferry infrastructure works	95	0
Electronic tolling	416	195
	545	195

Note 15 Pension Costs

Our staff can contribute to the Cornwall County Council statutory pension scheme which is a funded, defined scheme. We, as their employer, have to make contributions towards these pensions in line with the rules governing each scheme. This note explains the contributions we make to the scheme.

We apply the 'projected unit method' for valuing costs to the fund of the benefits to members. With this method, the current service cost of the pension scheme will increase as members of the scheme approach retirement.

In 2007-2008 pension costs have been charged to the revenue account on the basis of contributions payable for the year to the Cornwall County Council Pension Scheme (based on a formal actuarial valuation for 31 March 2006) and the pension's payable in the year to retired officers. The table below shows the costs, and as a percentage of total pensionable pay.

	2006/2007		2007/2008	
	£'m	%	£'m	%
Contributions we have paid to the Pension Fund towards our employee's pensions	0.359	19.90	0.434	21.70
Pension costs that we should charge to the accounts in line with proper accounting rules	0.456	24.70	0.412	21.40
Discretionary pension payments made in the year	0.006		0.007	

Note 16 Pension Assets and Liabilities

We have to show specific information about assets, liabilities, income and spending relating to the pension scheme – we are a scheduling body contributing to the Cornwall County Council Pension Fund. Details on the Cornwall County Council Pension Scheme are included within the County Council's Statement of Accounts. These requirements are set out in Financial Reporting Standard 17 – Retirement Benefits (FRS17). In applying FRS17, as at the 31st March, we have made the following assumptions:

	Discretionary Payments Arrangements 2008	**Discretionary Payments Arrangements 2007**	**Cornwall County Pension Scheme 2008**	**Cornwall County Pension Scheme 2007**
Rate of inflation	3.6%	3.2%	3.6%	3.2%
Rate of increase in salaries	5.6%	5.2%	5.6%	5.2%
Rate of increase in pensions	3.6%	3.2%	3.6%	3.2%
Proportion of employees opting to take a commuting lump sum			n/a	n/a
Rate for discounting scheme liabilities	6.9%	5.4%	6.9%	5.4%

The fair market value of the assets we hold in the County Council Fund consists of the following categories, by proportion:

	2006/2007		**2007/2008**	
	£'000	**%**	**£'000**	**%**
Equity investments	7,053	75.8	6,233	67.5
Bonds	1,110	11.9	1,447	15.7
Other assets: Property	960	10.3	876	9.5
Cash	188	2.0	678	7.3
	9,311	**100.0**	**9,234**	**100.0**

Our assets and liabilities are:

	Discretionary Payments £'000	**County Council Pension Scheme £'000**	**Total £'000**
The Joint Committee's share of assets and liabilities are:			
Estimated liabilities in County Council Fund	-	(9,446)	(9,446)
Estimated liabilities for discretionary payments	(77)	-	(77)
Total Liabilities	**(77)**	**(9,446)**	**(9,523)**
Share of assets in County Council Fund	-	9,234	9,234
Net Pensions Liability	**(77)**	**(212)**	**(289)**

The movement in the deficit during the year is as follows:

	Discretionary Payments £'000	**Cornwall County Council Fund £'000**	**Total £'000**
Net deficit at beginning of year	(48)	(1,298)	(1,346)
Movement in year:			
Current Service cost		(412)	(412)
Contributions		417	417
Past service costs		7	7
Net return on assets		95	95
Actuarial gain/loss (see below)		950	950
Net pension deficit at end of year	**(48)**	**(241)**	**(289)**

Note 17 Related Party Transactions

We are required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence us or to be controlled or influenced by us. Disclosure of these transactions allows readers to assess the extent to which we might have been constrained in our ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with us.

Cornwall County Council and Plymouth City Council have joint effective control over the general operations of the undertaking – they are responsible for providing the statutory framework within which the undertaking operates and which prescribes the terms of many of the transactions that the undertaking has with other parties.

Members of both councils have direct control over the undertaking's financial and operating policies. If a Member declares an interest in a transaction which involves the undertaking, these transactions are recorded in the Register of Members' Interests, open to public inspection at County Hall, Truro and the Civic Centre, Plymouth.

The Joint Committee is a scheduling body contributing to the Cornwall County Council Pension Fund. Cornwall County Council as administrator of the pension fund has direct control of the fund.

The interest received disclosed elsewhere in this statement represents interest on the cash balances held by Cornwall County Council on behalf of the Joint Committee. The interest paid disclosed elsewhere in this statement represents interest on the capital funding provided by Cornwall County Council.

Note 18 External Audit Fees

The Audit Commission's areas of work are set by the code of audit practice. Their work includes our statement of accounts, the financial parts of corporate governance and performance audits. The fees we pay for this audit work is shown below:

	2006-2007 £'000	**2007-2008 £'000**
External audit services	12	13

Note 19 Employees' Pay

Under regulations, we must show the number of our staff, who are paid more than £50,000 a year. This includes all pay less employees' pension contributions, taxable travel and other expenses and non-taxable payments when employment ends.

Employee Pay	2006-2007 Number of Staff	2007-2008 Number of Staff
£50,001 - £60,000	1	1

Note 20 Statement of Accounts – Authorisation for issue

The Statement of Accounts was authorised for issue by the Joint Treasurers on 26 September 2008

Note 21 Financial Instruments

Financial instruments on the balance sheet have been categorised as financial liabilities and loans & receivables and are valued at an amortised cost. Interest payable on financial liabilities and interest received on cash balances are reflected in the income and expenditure account. There is a limited possibility of credit risk and past experience has not resulted in any default from any credit obligations.

Note 22 Prior Year Adjustments

The 2006-2007 accounts presented in this statement include a prior period adjustment to reflect an accrual of £172,000 that should have been made for interest chargeable in 2006-2007, but not due to be actually paid until 2007-2008. Consequently, the creditor balance as at the 31 March 2007 has been amended from £433,000 to £605,000.

The result of this adjustment is a change in the net deficit on the Income and Expenditure account in 2006-2007:

	£'000
Net deficit as stated in 2006/2007 accounts	3,500
Prior year adjustment	172
Restated net deficit 2006/2007	3,672

This in turn, has reduced the balance on the General Reserve as at 31 March 2007

	£'000
General Reserve balance stated in 2006/2007 accounts	4,105
Prior year adjustment	(172)
Restated General Reserve balance 2006/2007	3,933

Annual Governance Statement

Annual Governance Statement

This section gives the results of our yearly assessment of how well we are managing and controlling risks achieving our aims and meeting the responsibilities we have.

Scope of Responsibility
We are responsible for making sure that:
- the business we carry out is conducted in line with the law and proper standards;
- we protect public money and account for it properly; and
- use public money economically, efficiently and effectively.

We are also responsible for making sure that there is a strong system of governance within our organisation to help us carry out our work effectively, including arrangements for managing risk.

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

The system of internal control is designed to manage risk to a reasonable level rather than to cut out all risk of failing to achieve our aims. The system of internal control is based on an ongoing process designed to:
- identify and prioritise the risks that may prevent us from keeping to our policies and achieving our aims;
- assess the likelihood of those risks happening and what effects this would have; and
- manage the risks efficiently, effectively and economically.

The governance framework has been in place for the Joint Committee for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

Review of effectiveness
The Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review is informed by the work of the managers within the joint undertaking and the joint authorities (who collectively have responsibility for the development and maintenance of the governance environment), internal audit and by comments made by the external auditors and other review agencies and inspectorates.

Performance Management
The performance of the Undertaking in operating, maintaining and improving the two crossings is managed by the internal management team, with support from the Joint Authorities. The primary service delivered is the provision of safe, effective and efficient crossings of the River Tamar.

On a day-to-day basis the two crossings are to a large extent managed separately, and service levels are managed and monitored by the Operations Managers at each crossing, under the supervision of the General Manager.

The safety of the two crossings is treated as paramount, and at both crossings is controlled by the employment of proven systems, equipment and procedures meeting statutory or regulatory requirements or, where there are no such requirements, to contemporary best practice industry standards. Wind speed and temperature are monitored several times per hour to ensure that appropriate measures are put in place. Incidents with any bearing on safety are logged by supervisory staff at the time, both on paper and electronically. Significant incidents are raised immediately to managerial level. Others are reviewed on a daily basis, and policies and procedures are produced or modified from time to time based on such reviews. The undertaking is also represented on national and international operators' forums which meet regularly and serve as benchmarking tools for standards and statistics.

At the Tamar Bridge, the availability of traffic lanes and toll lanes are measured and monitored on a daily basis, and reported quarterly to Members at Joint Committee Meetings. Traffic lane availability is affected by internal and external factors. Traffic lane closures and toll lane closures may be required for maintenance or inspection activities which are planned and co-ordinated by the Operations Managers and the Engineering Manager to minimise impact on the travelling public while preserving the safety of activities. External factors include vehicle breakdowns and environmental conditions. Most vehicle breakdowns are handled with the undertaking's own contracted resources, and the time to undertake recovery is recorded and reviewed.

Toll lane availability is also affected by the availability of toll collection staff, which is a contracted resource controlled by contractual penalties. This has been successful to the extent that no penalty thresholds have been exceeded in the report period.

Lane availability is posted periodically on the website.

The performance of the bridge toll collection function is monitored in terms of speed, accuracy, integrity and quality. Speed is monitored by the continuous supervision of traffic throughput. Accuracy is measured by daily reconciliation of takings and errors above a threshold are investigated commencing the same day. Integrity is controlled by separation of duties, system access controls, continuous recorded video surveillance, toll system vehicle recognition data and frequent random unannounced searches. Customer complaints are all investigated in accordance with the undertaking's complaints procedure. Complaint trends are reviewed at weekly management meetings and appropriate action taken. Meetings with the toll collection contractor are held monthly to discuss performance.

At the Torpoint Ferry the service provision is measured in terms of the percentage of scheduled crossings achieved and reported quarterly to Members at Joint Committee Meetings. This is based on supervisors' reports of down time and is collated weekly and reported to the General Manager. Both planned and unplanned down-time are recorded. Planned maintenance is undertaken at off-peak periods wherever possible, although this flexibility may be constrained by the availability of suitable states of wind and tide for certain activities. The previous week's performance is posted in a public area on each ferry, and on the web site.

The ferry operation as a whole and the ferries themselves are subject to the regulatory requirements of the Maritime and Coastguard Agency (MCA), which include the vessels being taken to dry-dock facilities periodically for inspection, and this affects service provision. The undertaking also voluntarily maintains the vessel to meet the requirements of a recognised classification society, Lloyds Register, giving further reassurance to the public, insurers and the owners. Certain maintenance activities can only be undertaken satisfactorily and/or economically in dry conditions, and these are undertaken as a periodic refit in conjunction with the MCA and Lloyds inspections. The programming of refit work and inspections is planned to maximise value and maintain compliance. The timing of this activity is governed by suitable weather conditions and is chosen to minimise risk to serviced delivery. Contractual provisions provide a bonus for early completion of refit work, and a penalty for late completion. In the report period, the one refit undertaken was completed early.

The performance of the ferry toll collection function is also monitored in terms of speed, accuracy, integrity and quality. Speed is monitored by the continuous supervision of the service and is dictated by the crossing cycle. Accuracy is measured by daily reconciliation of takings and errors above a threshold are investigated generally commencing the same day. Integrity is controlled by separation of duties, system access controls and continuous recorded video surveillance. Customer complaints are all investigated in accordance with the undertaking's complaints procedure. Complaint trends are reviewed at management meetings and appropriate action taken.

Significant Partnerships and Joint Working Protocols

The undertaking operates in partnership and joint working arrangements with a range of organisations including:

- Cornwall County Council – transport issues and general operation
- Plymouth City Council - transport issues and general operation
- Highways Agency – partnering on the operation of the Tamar Bridge/Saltash Tunnel Tidal Flow Corridor
- Department for Transport – partnering on exchange of traffic information and other data
- Devon and Cornwall Police – partnering on shared data and other issues
- Cornwall County Fire Brigade – joint working on rescue procedures
- Devon and Somerset Fire and Rescue Service - joint working on rescue procedures
- UK Bridge Operators, UK Toll Operators and UK Chain and Cable Ferry Operators – joint working on shared documents and standards, benchmarking and other exchange of information

- International Cable Supported Bridge Owners/Operators - benchmarking and other exchange of information

These relationships contribute significantly to the safety, efficiency and effectiveness of the crossings. Significant efforts are invested in the maintenance and development of these important relationships, but this investment is rewarded with a return, through shared benefits, that exceeds what would be achievable solely through contractual arrangements.

Governance
The powers to charge tolls and to operate maintain and improve the two crossings are derived from primary legislation, the Tamar Bridge Acts. The application of those powers is governed by the Joint Committee representing the Joint Authorities.

The Joint Committee meets quarterly to consider current issues and undertake specific statutory tasks including the approval of the Statement of Accounts. At these quarterly meetings, Members receive reports allowing them to monitor the operations and financial position of the undertaking and review the progress of any specific ongoing projects or issues.

Certain powers are delegated to Chief Officers or the General Manager through Financial Regulations or by specific authority from the Joint Committee. It is considered that the scope of delegated powers needs further and closer definition, and it is anticipated that this will be undertaken in conjunction with the further development and establishment of a Constitution for the Joint Committee in 2008/9. This clarification of delegated powers would free management from some of the constraints of the quarterly Joint Committee meeting framework, and allow Joint Committee Members to focus more on strategic issues. It would also reduce duplication of efforts on the part of officers of the undertaking each of the Joint Authorities.

Governance of the undertaking is effective, but its efficiency is compromised by a lack of definition of delegated powers which is planned to be addressed in 2008/9.

Risk Management
As an operator of a self-funded busy front line service to the public, and reliant on key elements of infrastructure, the undertaking faces significant risks. These have been handled competently on an ad hoc basis, but the lack of a formal risk register or business continuity plan has been rightly highlighted in internal and external audit reports, and it is recognised that these shortcomings needs to be addressed.

In 2007/8, efforts began to develop a formal risk register. This has involved holding a Risk Workshop for Members and key officers, and building on that to develop a formal hierarchy of risks and responses. This work will be continued and we aim to produce a formal risk register and business continuity plan for ratification by Members within 2008/9.

In the meantime, the recognition and management of risk has continued to be a fundamental element of day to day management and steers the development of our specifications and procedures.

Management Assurance
The management of the undertaking is operated at two levels. Monthly management group meetings covering both crossings are held to review policies, procedures, projects and common operational issues. These are supplemented by separate meetings at each crossing addressing crossing-specific operational and project issues. These may be weekly, monthly, or driven by project requirements.

Ad hoc management groups are established from time to time to suit ongoing requirements. In particular, management individuals or teams may take on the roles of project director or project manager for key projects to ensure that client requirements and interests are adequately covered.

Accountancy and payroll functions are provided by Cornwall County Council (CCC). The accountancy team works closely with TBTF management, providing monthly monitoring reports and attending regular meetings, typically quarterly, to review budget variances and prepare future budgets and forecasts.

Internal audit is undertaken by CCC, using a framework agreed with management. This includes the preparation of an annual Assurance Statement. Based on the coverage of their audit work and previous experience of the main TBTF systems, the Statement for 2007/8 provides broad assurance that there is an adequate and effective control environment.

The reporting period has covered the main impact of the introduction of electronic toll collection, which has produced a significant shift in work profile for many staff. The establishment of customer accounts has drastically changed the nature of the undertaking's relationship with this group of users, and as a result the customer service function has become a major part of daily activity. The transition from the old paper voucher system to ETC has produced a surge of workload that was impossible to predict accurately, and temporary staff have been employed in an effort to maintain adequate standards of service. The management team have worked closely with Internal Audit, CCC Treasury and the Accountancy Team to establish adequate controls during this unstable transition period. Also, during 2007/8, an issue related to capital accounting and minimum revenue provision was brought to Members attention. The Assurance Statement notes that this was properly reported to the Joint Committee and has now been resolved.

Personnel support is provided by Plymouth City Council (PCC) under a service level agreement, and the part-time HR Advisor is integrated as part of the management team.

CCC provides support and specialist advice on civil engineering procurement and structural engineering generally, and a term consultant is employed to advise on the Tamar Bridge structure.

A marine consultant is employed on a call-off basis and other consultants are employed from time to time for specific advice.

In March 2008, the Joint Committee authorised an increase in establishment which includes posts to supplement the existing management team in the areas of engineering, health and safety and ICT. This will improve resource levels, separation of duties and availability of key personnel.

Quality Management
The undertaking strives to continuously improve quality.

Increased human resources input has allowed HR policies and procedures to be given increased priority during the reporting period, with more sophisticated recruitment interviewing processes, and faster response to day-today staff issues. In particular, sickness levels have been brought under better control.

A staff appraisal system is operated, and tailored training programmes are in place for the majority of operational staff. Other staff attend training courses or events to suit contemporary organisational or personal needs, and two managers are being supported on MBA courses. Attendance at networking and user group forums is also supported.

Procurement is undertaken in accordance with contemporary best practice in line with the Joint Authorities, and using Cornwall County Council's Contract Procedure Rules on an interim basis. Quality/price assessment models are used to place appropriate emphasis on quality to place a value on risk.

External Audit and Regulation
The Audit Commission audits the undertaking each year and provides opinions on the accounts and value for money. Action has been taken to address certain value-for-money issues raised by the Audit Commission in the reporting period, including the development of a formal Complaints Procedure which will be placed in the public domain early in 2008/9.

The undertaking is also subject to external regulation by the following:

- Maritime and Coastguard Agency (MCA) – the MCA undertakes a programme of health & safety inspections of the vessels and their operation. Its report comments on the overall organisation and documentation relating to health & safety and on the material condition of the Torpoint Ferries. Any deficiencies identified in their report are rectified.

- The Domestic Passenger Ship Safety Management Code (DSMC) – this is a quality system bringing together various areas of health & safety into one code

- Lloyds Register – the undertaking also subscribes voluntarily to regulation by Lloyds classification society – the programme of inspections ensures that each of the Torpoint Ferries is maintained in class

- Health and Safety Executive (HSE) – the HSE issue guidance and inform on regulations relating to health & safety issues - these are acted on where appropriate.

- Insurance inspections – our insurers arrange for engineering inspections to be made on a regular basis and produce a written report, and any defects identified are dealt with accordingly

Significant Internal Control Issues

Historically, the Joint Committee has relied upon a variety of methods for monitoring the effectiveness of its activities and making sure that adequate control is exercised over all its processes. The management assurance reports provided to the Joint Committee during the year have established that all officers were confident that all significant internal control matters, brought to their attention from whatever source, had been properly dealt with.

The Joint Committee is currently engaged in a programme of improvements to the system of internal control. This is being undertaken by a working group comprised of members and officers reporting back to the full Joint Committee. The aim is to provide the Joint Committee with documentation supporting a governance framework that is specific to its needs, though drawn closely from those of the constituent authorities.

The first element of this to have been approved is the financial regulations which were approved and adopted in March 2007.

Other elements progressed in 2007/8 were

- a constitution - draft in progress
- a clearer and more comprehensive approach to risk assessment – risk workshop held and risk register under development

These items need to brought to fruition in 2008/9, and progress also needs to be made on Standing Orders and a long term business plan. The development of a long term business plan, in particular, will be fundamental to the process of applying for a revision of tolls. It is anticipated that such an application will be made during 2008/9.

Conclusion

This statement has identified certain issues of control and risk that we plan to address in 2008/9 and these are summarised below:

- closer definition of delegated powers
- production of a formal risk register
- strengthening of the management team
- development and approval of a formal constitution
- preparation of a long term business plan

Sheila Healy
Joint Clerk & Chief Executive (Cornwall)
Date: 27 June 2008

Barry Keel
Joint Clerk & Chief Executive (Plymouth)
Date: 27 June 2008

J.M. Mepsted (Cornwall)
D. Viney (Plymouth)
Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee
Date: 27 June 2008

Glossary of Terms

Glossary of Terms

Accruals
An amount shown in our accounts to cover money we owe or money owed to us, in the financial year, but which we will not actually pay or receive until the following year.

Actuarial Gains and Losses
The actuarial gains or losses to the pension fund are made up of:

- actual gains and losses to the value of the fund's investments;
- changes to the number, age and sex of staff that contributes to the pension fund; and
- changes to the assumptions regarding the growth of investments and the liabilities of the scheme.

Balance Sheet
The accounting statement which sets out our total net assets and how they were financed

Capital Charge
Charges we make to revenue accounts for using fixed assets when providing the service.

Capital Expenditure
Our spending on buying or creating a fixed asset or spending that adds to and does not just maintain the value of an existing asset, for example, land, buildings, vehicles and equipment.

Capital Adjustment Account
A reserve built up from:

- capital receipts;
- amounts charged to revenue; and
- amounts set aside to pay loans.

Capital Receipts
The proceeds from selling assets such as buildings.

CIPFA
The Chartered Institute of Public Finance and Accountancy. This is the professional institute governing how public money is used and how it has been reported.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next one is the same.

Creditors
People we owe money to for work, goods or services we receive but which we have not paid by the end of the financial year.

Debtors
People who owe us money that we are due to receive but which we have not been paid by the end of the financial year.

Deferred Charges
Expenditure which may properly be deferred but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and other expenses of private acts.

Deficit
There are two types of deficits. A fund is said to be in deficit when its liabilities are higher than its assets. An in-year deficit is achieved when spending is higher than income.

Depreciation
The reduction in the value of assets, for example, through wear and tear.

De Minimus Expenditure
This is the term given to spending that does not fall within the Code of Practice's definition of fixed assets but is classified as capital. A de minimus level of £10,000 for capital spending has been set. This will result in expenditure on capital items under £10,000 being classed as revenue and charged to revenue accounts.

Direct Revenue Financing
The amount of capital spending financed directly from revenue.

Fair Value
The price at which we could buy or sell an asset in a transaction with another organisation less any grants we receive towards buying or using that asset.

Fixed Assets
Items such as land, buildings, vehicles and major items of equipment, which benefits us over more than one year.

FRS
A financial reporting standard issued by the Accounting Standards Board. FRS's are gradually replacing SSAPs. Our accounts keep to these standards where they apply to local authorities.

General Reserve
The amounts we have built up this year, and over earlier years, that we have not set aside for specific purposes.

Gross book value
This is the original or revalued cost of an asset before any depreciation is taken off it. See also Net book value.

Historical cost
What a fixed asset costs us to buy originally.

Impairment
Where an asset's value has been reduced by physical deterioration or other factors beyond usual wear and tear. The asset's value in the accounts also has to be reduced to reflect this impairment.

Income
The amount which we receive, or expect to receive, from any source. Service revenue income includes grants, sales, rents, fees and charges.

Infrastructure Assets
A fixed asset that cannot be taken away or transferred, and which we can only continue to benefit from by actually using it. Examples of infrastructure are roads.

Net Book Value
The value of an asset as recorded in the accounts. It is usually the net current replacement or original cost less any depreciation we have charged.

Net Current Replacement Cost
The cost of replacing or recreating an asset in its existing condition use.

Net Realisable Value
The selling value of an asset less the costs of selling it.

Non-Operational Assets
Those assets we hold but do not directly use when delivering services. Examples of non-operational assets are investment properties and assets that we do not actually need before they are sold or developed.

Operational Assets
Those, for example land and buildings, we use in delivering services.

Other operating costs
Includes spending on buildings, fuel, light, rates, buying furniture and equipment, administration and other costs.

Post Balance Sheet Events
Events which happened after we produced the balance sheet.

Prior Year Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Principal
The original amount borrowed. It does not include interest or other charges.

Provisions
This is money we keep to pay for known, future costs.

Revaluation Reserve

This account represents the difference between the current value of our assets and the amounts we paid for them.

Revenue spending
The day to day spending on employment costs, other operating costs and capital charges less any income from fees, and charges.

Slippage
The term we used to describe spending which happens later than we originally planned.

SORP
A Statement of Recommended Practice issued by the Accounting Standards Board or by one of the accountancy institutes (such as CIPFA). SORPs are developed in the public interest and set out current best accounting practice. They are produced for subjects for which it is not considered appropriate to issue a financial reporting standard. Our accounts keep to the relevant SORPs (unless we say otherwise), particularly to the Code of Practice on Local Authority Accounting in Great Britain, and the Best Value Accounting Code of Practice.

SSAP
A statement of standard accounting practice issued by the Accounting Standards Committee and adopted by the organisation which replaced it, the Accounting Standards Board. Our accounts keep to SSAPs where they apply to local authorities.

Stocks
The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Surplus
There are two types of surplus. A fund is said to be in surplus when its assets are higher than its liabilities. We achieve an in-year surplus when our income is higher than our spending.

Tangible assets
Operational assets, non-operational assets and assets currently being built.

Useful Life
The period over which we will benefit from using an asset.

Valuation Certificate

Asset Valuation of Freehold Properties

Valuation Certificate

The freehold and leasehold properties which comprise the Joint Committee's property portfolio were initially valued as at 1st April 1999 in accordance with the under-mentioned bases of valuation as set out in accordance with the Appraisal and Valuation Standard (5th Edition) of The Royal Institution of Chartered Surveyors.

In line with the agreed 5-year rolling programme I have carried out a revaluation of the freehold and leasehold land and property held by the Tamar Bridge and Torpoint Ferry Joint Committee above the de minimis level of £10,000. This revaluation includes the estimated Depreciated Replacement Cost of the structure of the Tamar Bridge itself.

My valuation, which has been completed in accordance with the Appraisal and Valuation Standards 5th Edition (UKPS 1.12 as amended) published by the Royal Institution of Chartered Surveyors and the guidance issued by the Chartered Institute of Public Finance and Accountancy, is subject to the conditions, restrictions and assumptions set out in this Certificate.

Properties regarded by the Joint Committee as operational are valued on the basis of Market Value or, where this cannot be assessed because there is no market for the subject asset, their Depreciated Replacement Cost (DRC), subject to the prospect and viability of the occupation and use. The DRC value indicated is the net cost of replacement after allowances for physical and functional obsolescence, and may not equate to the realisable market value of the property. Properties regarded by the Joint Committee as non-operational are valued on the basis of Market Value. I am not aware that any properties vested in the Joint Committee fall into this last category.

The valuation set out below was carried out as at a Valuation Date of 1st April 2004 in accordance with the 5-year rolling programme agreed with Cornwall County Council's Capital Accountant. Identified capital expenditure since the date of valuation has been added to the individual assets.

The purpose of the valuation is to include the value of the assets in the Joint Committee's accounts. The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

Based on the conditions, restrictions and assumptions set out in the Certificate, I am of the opinion that the aggregate value of all the freehold land and buildings held by the Tamar Bridge and Torpoint Ferry Joint Committee listed below, above the de minimis level and subject to the conditions and assumptions set out in this Certificate, as at 1st April 2007, is fairly represented in the sum of £227,588,931 (two hundred and twenty seven million, five hundred and eighty eight thousand, nine hundred and thirty one pounds).

Tamar Bridge	£223,904,842
Tamar Bridge Offices, Car Parks and Land	£95,000
Torpoint Ferry Offices, Workshops, Car Parks, Land and Waiting Room	£3,589,089
TOTAL	**£227,588,931**

R J Perry MA MRICS
Chief Valuer and Estate Manager
Planning, Transportation and Estates
Cornwall County Council   Date: 8 May 2008

Conditions and Assumptions

Impairment of Fixed Assets

Under the requirements of FRS 15 an Impairment Review of Fixed Assets during the financial year 2007-2008 has been carried out. The Joint Committee's revised depreciation policy and building lives is in line with recommended Best Practice advocated by the Association of Chief Estates Surveyors. No further changes to asset values are required for any impairment of land and building assets.

Furniture and Equipment

The value of moveable furniture and equipment has not been included in this valuation.

Plant and Machinery

Fixed plant and machinery is included in the valuation of the buildings.

Statutory Liabilities

No allowance has been made for rights, obligations or liabilities arising from the Defective Premises Act 1972, or any effect of the Environmental Protection Act 1990.

State of Repair

No structural surveys or investigations into the services in any buildings have been carried out for this valuation but it is assumed that the premises are in a reasonable state of repair, except as allowed for specifically.

Realisation of Value

No allowance has been made for any costs of disposal of the assets nor has any allowance been made for any possible liability to Value Added Tax or Capital Gains Tax on any such disposal.

Publication

Neither the whole nor any part of this Valuation Certificate nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever without the Chief Valuer's written approval to the form and content in which it may appear.

Limit of Responsibility

This Valuation Certificate is provided for the stated purpose and for the sole use of the Tamar Bridge and Torpoint Ferry Joint Committee.

Date of Certificate
This Certificate is dated 8 May 2008

Valuer

This valuation has been carried out by R.J. Perry, a Member of the Royal Institution of Chartered Surveyors, Chief Valuer and Estate Manager in Property Services, Planning, Transportation and Estates Department of Cornwall County Council.