Tamar Bridge and Torpoint Ferry Joint Committee

2009/10 Statement of Accounts

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Contents

Other Versions of our Accounts

This document sets out the Tamar Bridge and Torpoint Ferry Joint Committee's Statement of Accounts in the full detail and in the formats required by law and by the Code of Practice on Local Authority Accounting, which we follow. In order to provide a more easily digested version of the key information, we also produce a summary version. This is available from the Joint Committee's website at www.tamarcrossings.org.uk.

If you need either version produced in a different format, for example in large type or in a language other than English, please contact us using the details given below.

Members of the public have a statutory right to inspect the accounts before the audit is completed. For the 2009/10 accounts the inspection period is 21 June 2010 to 16 July 2010. These dates were advertised as required in the local press.

Feedback

We are constantly looking for ways to improve our publications and would welcome any feedback you may wish to provide. Please contact us with any comments or suggestions:

Email: treasurers@cornwall.gov.uk Telephone: 01872 323982

Statement of Responsibilities

This section 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 one of our officers is responsible for proper administration of our financial affairs. In our case the Joint Treasurers are responsible for doing this;
- manage our affairs so as to use our resources economically, efficiently and effectively and to protect our assets; and
- approve this Statement of Accounts before 30 June 2010.

The Joint Treasurers responsibilities

The Joint Treasurers are responsible for preparing our Statement of Accounts. 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 the United Kingdom.

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

This section includes declarations from the Joint Treasurers and Joint Chairs.

The Joint Treasurer's declaration

This Statement of Accounts presents a true and fair view of the financial position of the Tamar Bridge and Torpoint Ferry Joint Committee on 31 March 2010 and of the income and expenditure for the year ended on that date.

Michael A Crich (Cornwall) **Adam Broome BSc, CPFA (Plymouth)**
Joint Treasurers of the Tamar Bridge and Torpoint Ferry Joint Committee
18 June 2010

The Joint Chairs' declaration

This Statement of Accounts has been approved by the Tamar Bridge and Torpoint Ferry Joint Committee on 18 June 2010.

Cllr Pearn (Cornwall) **Cllr Delbridge (Plymouth)**
Joint Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee
18 June 2010

Independent Auditor's Report

This section gives the results of our annual assessment of how well we are managing and controlling risks to achieve our aims and meet the responsibilities we have in law.

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

Opinion on the financial statements

I have audited the Joint Committee accounting statements and related notes of Tamar Bridge and Torpoint Ferry Joint Committee for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and 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 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Joint Treasurers and auditor

The Joint Treasurers' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 11 Tamar Bridge and Torpoint Ferry Joint Committee the statement is misleading or inconsistent with other information I am aware of from my
audit of the accounting 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 Joint Committee's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited 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 accounting statements. My responsibilities do not extend to any other information. Specifically, my opinion does not extend to the section titled 'Looking ahead to 2010/11 and beyond' incorporated within the Explanatory Foreword

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 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 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 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 accounting statements and related notes.

Opinion

In my opinion the Joint Committee accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Joint Committee as at 31 March 2010 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 regularly to 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 Joint Committee 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 for other local government bodies specified by the Audit Commission and published in January 2009. 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 and having regard to the criteria for other local government bodies specified by the Audit Commission and published in January 2009, and the supporting guidance, I am satisfied that, in all significant respects, Tamar Bridge and Torpoint Ferry Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

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.

Lee Budge
Officer of the Audit Commission
3-4 Blenheim Court
Matford Business Park
Lustleigh Close
Exeter
Devon EX2 8PW

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Explanatory Foreword

This section highlights some of the most important matters reported in our accounts and comments on issues that have had a major effect on our finances.

We are pleased to introduce the Tamar Bridge and Torpoint Ferry Joint Committee's Statement of Accounts for 2009/10. The Joint Committee carry out the operation, maintenance and control of the Tamar Bridge and the Torpoint Ferries on behalf of Cornwall Council and Plymouth City Council.

This document provides a summary of the Joint Committee's financial affairs for the financial year 1 April 2009 to 31 March 2010 and the final financial position at 31 March 2010.

The format of our Statement of Accounts is mainly determined by the Code of Practice on Local Authority Accounting, known as the SORP (Statement of Recommended Practice). The requirements of the SORP change each year; however, there have been no changes of particular significance to the Joint Committee's accounts for this year.

Our Statement of Accounts includes the following financial statements and disclosure notes:

- **Statement of Responsibilities and Certification** – which explains the different responsibilities relating to the Statement of Accounts and confirms their approval
- **Auditor's Report** – an independent report from the Audit Commission
- **Explanatory Foreword from the Joint Treasurers**
- **Statement of Accounting Policies** – this explains the accounting policies used to produce the figures in the accounts
- **Main Financial Statements**
  - **Income and Expenditure Account** – a summary of our spending during the year and a comparison with our available revenues
  - **Statement of Movement on the General Fund Balance** – which shows how the income and expenditure have influenced our reserves
  - **Statement of Total Recognised Gains and Losses** – which sets out gains and losses relating to changes in the value of our assets
  - **Balance Sheet** – a snapshot of our overall financial position providing a summary of our assets and liabilities at 31 March 2010
  - **Cash Flow Statement** – a summary of our revenue and capital cash transactions during the year
- **Notes to the Main Financial Statements** – additional, more detailed information on certain issues than is included in the main financial statements
- **Annual Governance Statement** – a review of our governance framework and of the effectiveness of our internal control and risk management systems

Financial Review of 2009/10

The Tamar Bridge and Torpoint Ferries are run as a self-funding joint undertaking by the Joint Committee on behalf of the parent authorities, Cornwall Council and Plymouth City Council. The only significant source of revenue generated by the Joint Committee is the revenue from tolls charged for using the crossings and it is therefore entirely dependent on this income stream to fund its day to day running costs and ongoing programme of repairs and maintenance.

In recent years, the bridge and ferry operations have both enjoyed a period of relatively low cost operation following the significant investment associated with the strengthening and widening of the bridge and the replacement of the ferries. However, the costs associated with both crossings have, as anticipated, risen significantly in the past couple of years giving rise to deficits in the statements of account and reducing the Joint Committee's reserves to an unsustainable level.

At the time the budget for 2009/10 was set, the Joint Committee was developing a future funding strategy that was based on a toll revision being implemented by 1 December 2009. In the event, the process of making an application to the Secretary of State and answering to the public enquiry that inevitably followed took longer than had been anticipated and the revised scale of tolls was not finally implemented until 19 March 2010.

The result of this delay was that, at the end of the 2009/10 financial year, the level of reserves held by the Joint Committee had fallen to £0.800m, below the minimum target level of £1m.

Operational expenditure was £7.051m, some £0.263m less than the budget of £7.314m for the year. However, owing to the protracted toll revision process, the level of revenue raised was some £0.916m lower than budgeted at £7.434m against a budget of £8.350m. Nevertheless, at the operating level, the Joint Committee achieved a small surplus of £0.383m.

However, from its income, the Joint Committee also has to fund its financing costs, which amounted to £1.721m for the year, slightly lower than the £1.939m budgeted. After taking these costs into account and a small amount of interest received on balances held, the overall position was a deficit of £1.325m, compared to a budgeted deficit of £0.755m.

Comparison of outturn against budget 2009/10

The table opposite provides a high level summary of the £1.325m deficit set out on the basis on which it was monitored during the year by the Joint Committee. This reflects the costs that the Joint Committee budgets for out of its revenues. However, it is not the same as the basis on which the Joint Committee's accounts must be set out to comply with legislation which gives rise to a different and in this case much larger reported deficit. The reasons for this are explained below the table.

A number in brackets in the Variance from Budget column represents an underspend.

	Outturn £m	Original Budget £m	Variance from Budget £m
Operational Expenditure			
Bridge Operations	2.336	2.347	(0.011)
Ferry Operations	4.341	4.569	(0.228)
Corporate Expenditure	0.374	0.398	(0.024)
Sub-total	7.051	7.314	(0.263)
Operational Income			
Toll Income	(6.977)	(7.926)	0.949
Other Income	(0.457)	(0.424)	(0.033)
Sub-total	(7.434)	(8.350)	0.916
Net Operational Surplus	(0.383)	(1.036)	0.653
Other Expenditure			
Interest on Cornwall Council Financing	0.853	0.941	(0.088)
Capital Expenditure financed from Revenue	0.022	0.095	(0.073)
Contribution to Cornwall Council's MRP	0.846	0.903	(0.057)
Income			
Interest on balances	(0.013)	(0.148)	0.135
Net Overall Deficit	1.325	0.755	0.570

Comparison of outturn against statutory Income and Expenditure Account deficit

There is obviously a significant difference between the deficit of £1.325m reported in the Joint Committee’s budget outturn position above and the deficit of £6.401m reported in the Income and Expenditure Account in this Statement of Accounts. This difference arises from a number of statutory accounting adjustments which do not have an impact on the authority’s budget and which are not therefore reflected in the Joint Committee’s budget monitoring reports.

These are mainly related to changes in the value of the Joint Committee’s fixed assets and the accounting cost of pensions (as defined by the financial reporting standard FRS17) which must be reported through the Income and Expenditure Account *but which we are not required to budget for.* On the other hand, charges we make to fund capital expenditure from revenue and our actual pension contributions are not reported through the Income and Expenditure Account *even though we must budget for them*.

The differences between the budget and the Income and Expenditure Account are so significant that it is difficult to see how they relate to one another. For this reason, a Statement of Movement on the General Fund Balance follows the Income and Expenditure Account and shows how the authority’s revenue expenditure activities have affected the Joint Committee’s reserves. In essence, this sets out the real impact on the Joint Committee and provides a direct comparison with their budget position.

Capital Spending

In addition to our day to day running costs, we spend money on assets such as the bridge and ferries, vehicles and information and communications technology which are intended to contribute to service provision over a number of years. This is defined as capital spending.

Capital spending tends to be characterised by large individual schemes with expenditure often incurred over several financial years. Because of this, it is not normally controlled against a strict annual budget as revenue spending is; but rather through a programme of approved schemes within a multi-year capital expenditure plan.

During 2009/10, our actual capital spending was £0.475m, rather lower than the £1.295m originally anticipated as a number of items of expenditure were deferred into future years. The following table shows where the money was spent:

	Capital Outturn £m
Capital Expenditure	
Rendell Park remediation	0.172
Electronic toll collection system	0.208
Ferry marshalling area	0.022
Bridge anchorage chambers	0.073
Total	0.475

Of this expenditure, the majority (£0.453m) was funded through advances from Cornwall Council, one of the parent authorities.

Advance from the Parent Authorities

The Joint Committee cannot legally borrow in its own right. However, the parent authorities have the power to borrow on its behalf and provide advances to the Joint Committee to fund its capital expenditure programme. In recent years, these advances have been made by Cornwall Council (previously Cornwall County Council).

The Joint Committee pays interest to Cornwall Council at a rate reflecting the Council's own cost of borrowing. The Joint Committee also makes a contribution to Cornwall Council in respect of the Minimum Revenue Provision (MRP) charged by the 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 Cornwall Council's MRP policy. The advances are held in the Joint Committee's balance sheet as deferred liabilities, split between the elements payable within one year and more than one year from the balance sheet date.

Reserves

Surpluses and deficits are normally transferred to the Joint Committee's General Reserve, which can be spent in future years. The Joint Committee has in recent years, used a figure of £1m as a target minimum level of reserves. Reserves at the end of the 2009/10 financial year were below this target minimum level.

On 31 March 2010 we held the following reserves:

	2010 £m	2009 £m
Revenue Reserves		
General Reserve	0.800	2.125
Total	0.800	2.125

Pensions Assets and Liabilities

Our net pensions liability at the end of the year was £5.858m, up from £2.226m in March 2009. This should be considered alongside our level of general reserves of £0.800m, down from £2.125m in March 2009 and total assets less liabilities of £208m, up from £201m in March 2009. We have provided further information in relevant notes to the main Financial Statements.

Looking ahead to 2010/11 and beyond

The recent toll revision has put the Joint Committee's finances on a more sustainable footing, at least for the forthcoming financial year 2010/11. Beyond that, the current three year budget predicts small deficits in 2011/12 and 2012/13 reflecting increased operational expenditure, particularly associated with a major programme of bridge repainting.

The Joint Committee will continue to monitor its expenditure and overall financial position closely to ensure that it continues to deliver its services in a cost effective manner. However, with little prospect of any significant new sources of funding, it is likely that a more frequent revision of tolls in smaller increments will be sought in the future.

From 2010/11 onwards, the Joint Committee will be required to prepare its accounts under International Financial Reporting Standards (IFRS) in line with local government accounting requirements. These are expressed in the Code of Practice on Local Authority Accounting (the Code), which will become the primary source of guidance in place of the current Statement of Recommended Practice (the SORP).

The most significant impact is likely to arise from a requirement to consider whether major assets, such as the Tamar Bridge, have significant components with differing asset lives which can be separately recognised and depreciated in the accounts. The implementation for the Joint Committee will be undertaken as part of the Cornwall Council implementation project.

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Statement of Accounting Policies

Statement of Accounting Policies

This section details the accounting concepts and policies used when preparing the accounts.

1. General

The Statement of Accounts summarises the Joint Committee's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the 2009 SORP) issued by the Chartered Institute of Public Finance and Accountancy. The accounts comply with the Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) appropriate to local authorities. The Joint Committee also complies with the Best Value Accounting Code of Practice (BVACOP). This code establishes proper practice with regard to consistent financial reporting especially in respect of the Income and Expenditure Account.

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

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

2. Accounting Concepts

2.1 Qualitative Characteristics of Financial Information

There are key accounting concepts against which authorities should judge the appropriateness of accounting policies for their particular circumstances. These are as follows:

a. **Relevance** – The financial statements should show information about the Joint Committee's performance and position that is useful for assessing how the authority has looked after public money and made economic decisions.

b. **Reliability** – the Joint Committee aims to provide reliable financial information. Financial information is reliable 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 or material 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 legislative 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. In financial reporting prudence is to be used in conditions of uncertainty to inform the selection and application of accounting policies and estimation techniques and the use of professional judgement.

c. **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, and with similar information about other reporting entities. Comparability depends upon consistency and adequate disclosure. In considering the accounting policies to be adopted and their disclosure, the Joint Committee has paid due regard to the importance of consistency and comparability. Application of the terms of the 2009 SORP and of the Code of Practice for Best Value Accounting where relevant, should ensure adequate disclosure and consistency, and thus comparability.

d. **Understandability** – The accounting principles on which the Statement of Accounts is based include accounting concepts, treatments and terminology which require reasonable knowledge of accounting and 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.

2.2 Materiality

Materiality is the final test of what information should be included in a particular set of financial statements. While the paragraphs above describe the characteristics that, if present, will mean that the usefulness of the financial information has been maximised, materiality is a threshold quality, ensuring that the information is of such significance as to justify its inclusion in the 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, economic decisions, or comparisons with other Joint Committees, 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 2009 SORP, 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.

2.3 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.

a. **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 under SORP using the accruals and matching concept:

- Fees, charges and rents due from customers are accounted for as income at the date the Joint Committee 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.
- Works are charged as expenditure when they are completed, before which they are carried as work in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments 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 less than £1,000 are not normally included.

b. **Going Concern** – The Joint Committee's Statement of Accounts has been prepared on a going concern basis. That is, the accounts are based on the assumption that the Joint Committee 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.

c. **Primacy of Legislative Requirements** – The Joint Committee derives its powers from statute and its financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by 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.

3. Accounting Policies

Accounting policies determine which facts about the Joint Committee are to be presented in financial statements, how those facts are to be presented and which estimation techniques are to be used (where estimation is necessary) to establish what those facts are.

The accounting policies are reviewed regularly to ensure that they remain the most appropriate for the Joint Committee's circumstances. There have been no major changes in the Joint Committee's accounting policies during 2009/10.

3.1 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 Joint Committee for more than one financial year. The balance is amortised to the relevant service 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.

3.2 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.

a. **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 Joint Committee 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. See also the policies on revenue expenditure funded from capital under statute and de minimis capital expenditure below.

b. **Measurement** - Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing them into working condition for their intended use. Assets are then carried in the Balance Sheet using the following measurement bases:
   - The Tamar Bridge – depreciated replacement cost

- Other 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 (excluding those valued using the Depreciated Replacement Cost DRC method) are revalued when there have been material changes in their values, but as a minimum every five years. Assets valued using the DRC method are revalued annually. Increases in valuations are generally matched by credits to the Revaluation Reserve to recognise unrealised gains. However, a gain would be credited to the Income and Expenditure Account where it arose from the reversal of an impairment loss previously charged to a service 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.

c. **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 as follows:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise, it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account 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.

d. **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 and set against receipts from the disposal, as part of the gain or loss on disposal. Any revaluation gains held in the Revaluation Reserve in respect of the asset 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. 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 Joint Committee income, 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.

e. **Depreciation** - Depreciation is provided for on all assets with a determinable finite life (except for investment properties), 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:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- we do not depreciate land values.
- vehicles, plant and equipment - straight-line allocation over the life of each class of assets in the balance sheet, as advised by a suitably qualified officer:
  - Torpoint Ferries 25 years
  - Motor vehicles and equipment 3-25 years
  - IT equipment 5 years
- infrastructure – for example , the Ferry waiting area, over its estimated useful life. In most cases we use straight-line allocation over 35 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.

3.3 Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are 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 Council for capital expenditure. Depreciation, impairment losses and amortisations are therefore replaced by a revenue charge for that provision in the Income and Expenditure account.

3.4 Revenue Expenditure Funded from Capital Under Statute

(including expenditure previously termed as Deferred Charges)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of tangible fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Joint Committee has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balances so there is no impact on Joint Committee income.

3.5 De Minimis Capital Expenditure

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- Individually have a cost of at least £10,000, or
- Form a group of assets which, collectively, have a cost of at least £10,000, where the assets are functionally interdependent, have broadly simultaneous purchase dates, are anticipated to have broadly simultaneous disposal dates and are under single management control.

Those items below the de minimis level are charged to service revenue accounts in place of capital charges. These charges will be reflected in the net cost of services, along with any matching funding, ie grants or contributions.

3.6 Stocks and Works in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value on a "first in, first out" basis. No obsolete stock is included in the accounts.

3.7 Long-Term Contracts

The Joint Committee's policy is to comply with the accounting entries and guidelines as set out in SSAP9, Stocks and Long-Term Contracts and the additional guidance set out in Application Note G of FRS 5 on revenue recognition.

3.8 Provisions

A provisions is made where an event has taken place that gives rise to an obligation on the Joint Committee that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that we become aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

3.9 Reserves

The Joint Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year within the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance Statement so that there is no net charge against Joint Committee income for the expenditure.

The Income and Expenditure Balance (General Fund Balance) represents an accumulation over successive years of surpluses of revenue income over revenue expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Joint Committee. These reserves are explained in the relevant policies above.

3.10 Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

3.11 Retirement Benefits

We are a scheduling body, contributing to the Cornwall Council Pension Fund, part of the Local Government Pension Scheme (LGPS).

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Cornwall Council pension scheme attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond.
- The assets of the Cornwall Council pension fund attributable to the Joint Committee are included in the balance sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unlisted securities – current bid price
    - Property – market value

- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as the result of years of service earned this year
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating

Expenditure in the Income and Expenditure Account

- Expected return on assets – the annual investment return on the fund assets attributable to the Joint Committee, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- Gains/losses on settlements and curtailments – the result of actions to relieve the Joint Committee of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- Contributions paid to the Cornwall Council pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Joint Committee to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

3.12 Contingent Assets

Any contingent assets are excluded from accruals in the accounts and disclosed by way of a note to the accounts.

3.13 Contingent Liabilities

Any contingent liabilities are excluded from accruals in the accounts and disclosed by way of a note to the accounts.

3.14 Foreign Currency Translation

Income and expenditure arising from a transaction in a foreign currency are translated into £ sterling at the exchange rate in operation on the day the transaction occurred.

At the Balance Sheet date, any monetary assets and liabilities denominated in a foreign currency have been translated into £ sterling by using the closing rate or where appropriate the rate of exchange fixed under the terms of the relevant transaction.

3.15 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Joint Committee, this means that the amount presented in the Balance

Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year under the agreed terms.

3.16 Financial Assets

Financial assets are classified into two types:

a. **Loans and Receivables** – assets that have fixed or determinable payments but are not quoted in an active market

Loans and receivables are initially measured at fair value and carried at their amortised cost. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

b. **Available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments

Available-for-sale assets are initially measured and carried at fair value.

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Main Financial Statements

Income and Expenditure Account

This statement summarises our spending on services. It also shows how we funded that spending.

The following table shows the total cost of delivering our services, including charges for support services and the use of assets and adjustments for the true cost of providing pensions. By convention, costs are represented as positive numbers without brackets and income is represented as negative numbers (in brackets). If we refer to a note number in the right hand column, there is further explanation in the notes.

	2009/10 £m	2008/09 £m
Gross Expenditure	11.956	11.871
Gross Income	(7.434)	(7.253)
Net cost of services	4.522	4.618
Financial Reporting Standard (FRS) 17 interest cost (pensions)	0.652	0.661
FRS17 expected return on assets (pensions)	(0.459)	(0.650)
Interest and investment income	(0.013)	(0.183)
Interest payable and similar charges	0.853	0.885
Contribution to Cornwall Council's MRP	0.846	0.846
Net operating expenditure / deficit for the year	6.401	6.177

Statement of Movement on the General Fund Balance

This shows how the reported income and expenditure have influenced our reserves.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the movement on the General Fund Balance (the Joint Committee's reserve balances).

	2009/10 £m	2008/09 £m	Notes
Deficit for the year on the Income & Expenditure Account	6.401	6.177	
Net additional amount required by statute and non-statutory proper practices to be debited / credited to the General Fund Balance for the year	(5.076)	(4.448)	1
(Increase) / Decrease in General Fund Balance for the year	1.325	1.729	
General Fund Balance brought forward	(2.125)	(3.854)	
General Fund Balance carried forward	(0.800)	(2.125)	

Statement of Total Recognised Gains and Losses

This statement sets out gains and losses relating to changes in the value of our assets.

The table below identifies those gains and losses of the Joint Committee the year which have not been recognised in the income and expenditure account.

	2009/10 £m	2008/09 £m
(Surplus) / Deficit for the year on the Income & Expenditure Account	6.401	6.177
Surplus arising on revaluation of fixed assets	(15.788)	-
Actuarial (gain)/loss on pension fund assets & liabilities	3.637	1.910
Contribution to Cornwall Council's MRP	(0.846)	(0.846)
Total recognised (gains) and losses for the year	(6.596)	7.241

Balance Sheet

This statement gives a snapshot of our overall financial position at 31 March 2010.

The table below provides a summary of our assets and liabilities at the start and end of the 2009/10 financial year.

	On 31 March 2010 £m	£m	* On 31 March 2009 (Restated) £m	Notes
Tangible Fixed Assets - Operational Assets				2
Other Land & Buildings	220.692		208.806	
Vehicles, Plant, Furniture & Equipment	13.216		14.018	
Infrastructure Assets	0.331		0.256	
Total Fixed Assets		234.239	223.080	
Current Assets				
Stocks and Work in Progress	0.359		0.476	3
Debtors & Payments in Advance	0.684		0.364	4
Cash in hand & in transit	-		0.962	
Total Current Assets		1.043	1.802	
Less: Current Liabilities				
Creditors	(1.375)		(1.841)	5
Deferred Liabilities / MRP Contribution	(0.865)		(0.846)	6
Bank Overdraft	(1.032)		-	
Total Current Liabilities		(3.272)	(2.687)	
Net Current Assets less Current Liabilities		(2.229)	(0.885)	
Total Assets less Current Liabilities		232.010	222.195	
Deferred Liabilities	(18.250)		(18.663)	6
FRS17 Pensions Liability	(5.858)		(2.226)	
Total Long Term Liabilities		(24.108)	(20.889)	
Total Assets less Liabilities		207.902	201.306	
Represented by:				
FRS 17 Pensions Reserve	(5.858)		(2.226)	7a
Revaluation Reserve	15.522		-	7b
Capital Adjustment Account	197.438		201.407	7c
Revenue Balances				
General Reserve	0.800		2.125	7d
Total Net Worth		207.902	201.306	

* The figures for deferred liabilities in the balance sheet as at 31 March 2009 have been restated to separately identify the amounts payable within and after more than one year.

Cash Flow Statement

This statement gives a summary of our revenue and capital cash transactions over the year.

The table below shows the overall movement of cash during the year for revenue and capital and is presented using the indirect method.

	2009/10 £m	£m	2008/09 £m	Notes
Net Revenue Activities Cash Flow		**(1.198)**	(0.447)	8
Returns on Investments & Servicing of Finance				
Cash Outflows				
Interest Paid	(0.853)		(0.885)	
Cash Inflows				
Interest Received	0.013		0.183	
Net Cash Outflow from Returns on Investments and Servicing of Finance		**(0.840)**	(0.702)	
Capital Activities				
Cash Outflows				
Purchase of fixed assets	(0.409)		(0.456)	
Cash Inflows	-		-	
Net Cash Outflow from Capital Activities		**(0.409)**	(0.456)	
Acquisitions and Disposals				
Cash Outflows				
Investments in subsidiaries	-		-	
Cash Inflows				
Sale of Investment in subsidiaries	-		-	
Net Cash Inflow/(Outflow) from Investment in Subsidiaries		**-**	-	
Net Cash Inflow/(Outflow) before Financing		**(2.447)**	(1.605)	
Management of Liquid Resources				
Net increase / decrease in short-term deposits	-		**-**	
Net increase / decrease in other liquid resources	-		**-**	
		-	**-**	
Financing				
Cash Outflows	-		-	
Cash Inflows	0.453		-	
Net Cash Inflow from Financing		0.453	-	
Net increase/(decrease) in cash		(1.994)	(1.605)	

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Notes to the Main Financial Statements

Note 1

Statement of Movement on the General Fund Balance

This note contains an analysis of the amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year.

	2009/10 £m	* 2008/09 (Restated) £m
Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund Balance for the year	(5.076)	(4.448)
Comprising:		
Depreciation of fixed assets	(4.912)	(4.680)
Impairment of fixed assets	(0.191)	(0.013)
Revenue expenditure funded from capital under statute financing	-	-
* Net charges made for retirement benefits in accordance with FRS 17	(0.515)	(0.426)
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	(5.618)	(5.119)
Capital expenditure charged in year to the General Fund Balance	0.022	0.272
* Employer's contributions payable to the pension fund & retirement benefits payable direct to pensioners	0.520	0.399
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	0.542	0.671
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	-	-

* The figures for 2008/09 have been restated to correct the presentation of pension costs on the two lines indicated *. The changes have no net impact.

Note 2

Fixed Assets - Information on Main Assets Held

The main assets held by the Joint Committee and reflected in its balance sheet are set out below:

Tamar Bridge
The Tamar bridge and approach roads, associated land and offices.

Torpoint Ferries
The 3 Torpoint ferries (Plym II, Tamar II & Lynher II) and landing stages, associated land and offices.

Joint / Other
Rendell Park, Torpoint
Electronic Toll System
Advance Traffic Signage System

Tangible Fixed Assets

	Other land & build'gs £m	Vehicles, Plant, Furniture & Equip -ment £m	Infra-structure £m	Total £m
Gross Book Value as at 31 March 2009	227.365	17.898	0.341	245.604
Revaluations	0.192	-	-	0.192
Impairment Charges	(3.238)	-	(0.001)	(3.239)
Expenditure in year	0.172	0.303	-	0.475
Gross Book Value as at 31 March 2010	224.491	18.201	0.340	243.032
Accumulated Depreciation as at 31 March 2009	(18.559)	(3.881)	(0.085)	(22.525)
Revaluations	15.512	-	0.084	15.596
Impairment Charges	3.048	-	-	3.048
Depreciation for year	(3.800)	(1.104)	(0.008)	(4.912)
Accumulated Depreciation as at 31 March 2010	(3.799)	(4.985)	(0.009)	(8.793)
Net Book Value as at 31 March 2009	208.806	14.017	0.256	223.079
Net Book Value as at 31 March 2010	220.692	13.216	0.331	234.239

Total Capital Expenditure and Financing was:

	2009/10 £m	2008/09 £m
Expenditure		
Fixed Assets (as above)	0.475	0.272
	0.475	0.272
Financing		
Sums set aside from revenue	0.022	0.272
Advanced from Cornwall Council	0.453	-
	0.475	0.272

The following statement shows the progress of the Joint Committee's 5 year rolling programme for the revaluation of fixed assets. The valuations are carried out by R J Perry MA MRICS the Chief Valuer and Estate Manager of Cornwall Council. The basis for valuation is set out in the statement of accounting policies.

	Land and Buildings £m	Infra-structure £m	Total £m
Valued at current value in:			
2009/10	224.320	0.340	224.660
Total	224.320	0.340	224.660

Note 3 Stocks and Work In Progress

At 31 March 2010, we held stocks and work in progress to the value of £0.359m (£0.476m as at 31 March 2009). The stocks and work in progress held are analysed by category as follows:

	Balance at 31 March 2010 £m	Balance at 31 March 2009 £m
Materials	0.187	0.176
Fuel	0.050	0.035
Chain	0.052	0.120
Tamar Tags and Accessories	0.023	0.099
Toll Equipment Spares	0.040	0.038
Other	0.007	0.008
Total	0.359	0.476

Note 4 Financial Instruments – Trade Receivables / Debtors

Our Balance Sheet represents the financial position at the end of the financial year. There will be outstanding monies owed to us (trade receivables / debtors) at that date which are yet to be received as cash. The following analysis shows the amounts owed to us which have not been received at 31 March 2010. All amounts are due within one year.

	Balance at 31 March 2010 £m	Balance at 31 March 2009 £m
Short Term:		
Amounts falling due in one year		
Government Departments	0.654	0.326
Sundry Debtors	0.014	0.025
Payments in advance	0.016	0.013
	0.684	0.364

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Credit Risk for the Joint Committee is minimal, since the vast majority of its income is related to tolled customer crossings and is collected at the time crossings are made. The Joint Committee has no material experience of default on its receivables.

The Joint Committee does not currently have material exposure to other financial risks. It is self-funding from toll income and, since it does not have the power to borrow in its own right, has its capital funding requirements met by the parent authorities.

Note 5 Financial Instruments – Trade Payables / Creditors

Our Balance Sheet represents the financial position at the end of the financial year. There will be outstanding monies that we owe (trade payables / creditors) at that date which have yet to be paid. For example, for goods received at the end of March where invoices have not been paid, or receipts of Tamar Tag income from account holders in advance of crossings being made.

The following analysis shows the amounts owed by us which had not been paid as at 31 March 2010. All amounts are payable within one year.

	Balance at 31 March 2010 £m	Balance at 31 March 2009 £m
Capital Creditor	0.104	0.038
Sundry Creditors	0.255	0.813
Tamar Tag Account Balances	1.016	0.990
	1.375	1.841

Note 6

Deferred Liabilities

We have a liability to Cornwall Council in respect of long term financing for capital expenditure, an element of which is payable within one year from the balance sheet date and which is therefore treated as a current liability. The repayment of this liability is made in the form of contributions to Cornwall Council's Minimum Revenue Provision (MRP).

	2009/10 £m	2008/09 £m
Balance at 1 April	19.509	20.355
New Advances	0.452	-
Repayments	(0.846)	(0.846)
Balance at 31 March	19.115	19.509
Of Which: Due within one year	(0.865)	(0.846)
Due after more than one year	(18.250)	(18.663)

Note 7

Statement of Total Movements on Reserves

The total movements in capital reserves during the year were as follows:

Detail of Movement on Reserves	Balance as at 31 March 2010 £m	Balance as at 31 March 2009 £m	Purpose of Reserve	Notes
FRS 17 Pensions Reserve	(5.858)	(2.226)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	7a
Revaluation Reserve	15.522	-	Store of gains on revaluation of fixed assets not yet realised through sales	7b
Capital Adjustment Account	197.438	201.407	Store of capital resources set aside to meet past expenditure	7c
General Funds	0.800	2.125	Resources available to meet general future running costs for services	7d
Total	207.902	201.306		

Note 7a FRS 17 Pension Reserve

	2009/10 £m	2008/09 £m
Balance at 1 April	(2.226)	(0.289)
Actuarial Gains/(losses)	(3.637)	(1.910)
Transfer (to) / from Income and Expenditure Account	0.005	(0.027)
Balance at 31 March	**(5.858)**	**(2.226)**

Note 7b Revaluation Reserve

	2009/10 £m	2008/09 £m
Balance at 1 April	-	-
Revaluations of fixed assets	15.522	-
Reversal of previous revaluations	-	-
Other valuation adjustments	-	-
Balance at 31 March	15.522	-

Note 7c Capital Adjustment Account

	2009/10 £m	2008/09 £m
Balance at 1 April	201.407	204.982
Downward Revaluations	0.266	-
Capital Financing - Direct Revenue Financing	0.022	0.272
Capital Financing - Cornwall Council MRP charge	0.846	0.846
Depreciation charge financing	(4.912)	(4.680)
Impairment of fixed assets for the year (cr)	(0.191)	(0.013)
Balance at 31 March	197.438	201.407

Note 7d General Fund Balance

	2009/10 £m	2008/09 £m
Total Movement in Revenue Reserves		
Balance as at 1 April	2.125	3.854
Transfer (to) / from Income and Expenditure Account	(1.325)	(1.729)
Balance as at 31 March	0.800	2.125

Cash flow Statement

Note 8

Reconciliation of revenue cash flow	2009/10 £m	2008/09 £m
Surplus / (Deficit) for the year	(6.401)	(6.177)
Adjustments (removal of non-cash items & items disclosed separately)		
Items disclosed separately in cashflow statement		
Interest paid similar charges	0.853	0.885
Interest Received	(0.013)	(0.183)
Non-cash Transactions		
Depreciation and Impairment	5.103	4.693
Movement in debtors	(0.320)	(0.054)
Movement in creditors	(0.532)	0.606
Movement in stock	0.117	(0.194)
Movement in provisions	-	(0.050)
Net impact of Pension Fund adjustments	(0.005)	0.027
Revenue activities net contributions	(1.198)	(0.447)

Note 8a

Reconciliation of net cash flow to the movement in net debt	Balance as at 1 April 2009 £m	Cash movements in year £m	Balance as at 31 March 2010 £m
Cash	0.962	(1.994)	(1.032)
Deferred Liabilities	(19.509)	0.394	(19.115)
	(18.547)	(1.600)	(20.147)
Increase/(Decrease) in cash in the period		(1.994)	(1.994)
Cash outflow from decrease in debt financing		0.847	0.847
Cash inflow from increase in liquid resources		(0.453)	(0.453)
Movement in net debt in the period		(1.600)	(1.600)
Net debt at 1 April 2009		(18.547)	
Net debt as at 31 March 2010		(20.147)	

Note 8b

Movement in Liquid Resources and Cash	Balance as at 1 April 2009 £m	Movement in year £m	Balance as at 31 March 2010 £m
Cash	0.962	(0.962)	-
Bank Overdraft	-	(1.032)	(1.032)
	0.962	(1.994)	(1.032)

Liquid resources have been defined as the short term temporary investments and cash that are disclosed on the face of the balance sheet.

Note 9

Agency Service

Under a number of statutory powers, we undertake the traffic management of the Saltash Tunnel on behalf of the Department for Transport (DfT). The following analysis shows the amount of expenditure which is fully reimbursable by the DfT.

	2009/10 £m	2008/09 £m
Traffic Management	0.332	0.288
Total amount reimbursable	0.332	0.288

Note 10

Officer Remuneration

Under the Accounts and Audit Regulations, we are required to disclose the number of staff, including teachers, whose remuneration falls within the following ranges.

Remuneration comprises all amounts paid to or receivable by an employee. This includes sums due by way of expense allowances, the estimated monetary value of any other benefits received by an employee other than in cash (for example through a leased car) and payments receivable on the termination of employment. It does not include any pension payments however.

	Number of Staff	
	2009/10	**2008/09**
Remuneration:		
£60,001 - £65,000	-	1
£65,001 - £70,000	1	-
	1	1

Senior Employees Remuneration

Under an amendment to the Accounts and Audit Regulations, we are required to disclose details of the emoluments payable to any senior employees whose salary is more than £50,000 per year, as follows:

Post Holder	Salary	Benefits in Kind	Total Remuneration excluding Employers Pension Contributions	Pension Contributions	Total Remuneration including Employers Pension Contributions
General Manager					
2008/09	60,759	3,507	64,266	13,003	77,269
2009/10	60,759	4,568	65,327	12,759	78,086

Note 11

Retirement Benefits Disclosures

Participation in Pensions Schemes

As part of the terms and conditions of employment of its staff, the Joint Committee offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Joint Committee's commitment to make the payments needs to be disclosed as employees earn their future entitlement.

The Joint Committee participates in the Local Government Pension Scheme administered locally by Cornwall Council. This is a funded defined benefit final salary scheme, meaning that the Joint Committee and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2009/10 £m	* 2008/09 (Restated) £m
Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	0.322	0.310
Past Service Costs	-	0.105
Net Operating Expenditure		
Interest Cost	0.652	0.661
Expected Return on Scheme Assets	(0.459)	(0.650)
Net Charge to the Income and Expenditure Account	0.515	0.426
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(0.515)	(0.426)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	0.520	0.399

* The figures for 2008/09 have been restated to show a corrected analysis of the charges made in the Income and Expenditure Account and the impact on the General Fund Balance.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £3.637m (2008/09 £1.910m) were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial losses in the STRGL is £4.182m.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value to the scheme liabilities.
The Joint Committee's balance sheet includes a net FRS17 Pensions Liability of £5.858m (2008/09 £2.226m) which is made up of the following assets and liabilities:

Funded Scheme Liabilities	**2009/10 £m**	**2008/09 £m**
Liabilities at beginning of year	9.401	9.523
Current Service cost	0.322	0.310
Interest cost	0.652	0.661
Contributions by scheme participants	0.157	0.129
Actuarial (gains) / losses	5.210	(0.906)
Benefits paid	(0.439)	(0.421)
Past Service costs	-	0.105
Liabilities at end of year	15.303	9.401

Reconciliation of fair value of the scheme assets.

Funded Scheme Assets:	**2009/10 £m**	**2008/09 £m**
Assets at beginning of year	7.175	9.234
Expected rate of return	0.459	0.650
Actuarial gains and losses	1.586	(2.816)
Employer contributions	0.507	0.398
Contributions by scheme participants	0.157	0.129
Benefits paid	(0.439)	(0.420)
Assets at end of year	9.445	7.175

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £2.045m (2008/09 £2.080m).

Scheme History

	31 March 2010 £m	**31 March 2009 £m**	**31 March 2008 £m**	**31 March 2007 £m**	**31 March 2006 £m**
Present value of liabilities	(15.303)	(9.401)	(9.523)	(10.657)	(10.541)
Fair value of assets	9.445	7.175	9.234	9.311	8.454
Surplus/(deficit) in the scheme:	(5.858)	(2.226)	(0.289)	(1.346)	(2.087)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £5.858m (2008/09 £2.226m) has a substantial impact on the net worth of the authority as recorded in the Balance Sheet as £207.902m (2008/09 £201.306m).

Clearly, the prevailing economic climate during 2009/10 has had a significant impact on the fund. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. In addition, it is likely that the market will recover in the medium to long term, which will also improve the overall position.

The total of contributions expected to be made to the Local Government Pension Scheme by the Joint Committee in the year to 31 March 2011 is £0.486m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Joint Committee Fund liabilities have been valued by Hymans Robertson and Company, an independent firm of actuaries, estimates for the Joint Committee fund being based on the latest full valuation of the scheme as at 1 April 2008.

Discretionary payment liabilities have been calculated by our Joint Committee's Pension Fund Section.

The principal assumptions used by the actuary have been:

	31 March 2010	**31 March 2009**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.8%	7.0%
Bonds	5.0%	5.6%
Property	5.8%	4.9%
Cash	4.8%	4.0%
Longevity at 65 for current pensioners (years):		
Men	20.8	19.6
Women	24.1	22.5
Longevity at 65 for future pensioners:		
Men	22.3	20.7
Women	25.7	23.6
Rate of inflation	3.8%	3.1%
Rate of increase in salaries	5.8%	5.1%
Rate of increase in pensions	3.8%	3.1%
Rate for discounting scheme liabilities	5.5%	6.9%
Take-up of option to convert annual pension into retirement lump sum:		
For membership prior to 1 April 2008	40%	40%
For membership post 1 April 2008	70%	70%

The Joint Committee's Pensions Fund's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2009
	%	%
Equity Investments	72.0	66.0
Bonds	15.0	16.0
Other Assets:		
Property	6.0	7.0
Cash	7.0	11.0
Total	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2009/10	2008/09	2007/08	2006/07	2005/06
	%	%	%	%	%
Experience gains/(losses) on assets	0.17	(0.30)	(0.08)	0.02	0.13
Experience gains/(losses) on liabilities	0.00	0.00	(0.01)	0.00	0.00

Further information can be found in Cornwall Council Pension Fund's Annual Report, which is available upon request from the Finance Service, New County Hall, Truro, TR1 3AY.

Note 12 Audit Commission Fees

Fees payable to the Audit Commission with regard to:

	2009/10 £m	2008/09 £m
External audit services carried out by the appointed auditor under the Audit Commission's Code of Audit practice in accordance with Section 5 of the Audit Commission Act 1998	0.011	0.011
Total	0.011	0.011

Note 13 Material Events after the date of the Balance Sheet

We are required to take into account the financial implications of any significant events which take place after 31 March 2010, the date of the balance sheet, up to the date when our accounts have been audited and are therefore finalised, at the end of September. Up to the date of finalisation, we would consider it reasonable and practical to make any necessary changes to our accounts.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a nonadjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%

Note 14

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 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. There were no transactions of this nature in the financial year.

The Joint Committee is a scheduling body contributing to the Cornwall Council Pension Fund. Cornwall Council as administrator of the pension fund has direct control of the fund. Financial information is shown in note 11.

The interest received of £0.013m (2008/09 £0.183m) represents interest on the cash balances held by Cornwall Council on behalf of the Joint Committee. The interest paid of £0.853m (2008/09 £0.885m) represents interest on the capital funding provided by Cornwall Council. In addition, we paid a sum of £0.846m (2008/09 £0.846m) to Cornwall Council as our contribution towards the council's MRP charge in respect of funding for capital expenditure.

Both Cornwall Council and Plymouth City Council provided support services (£108,000 and £38,000 [2008/09 £108,000 and £38,000]) and contracted services (£354,000 and £29,000 [2008/09 £223,000 and £44,000]) to the Joint Committee. Contracts were entered into in full compliance with the Joint Committee's standing orders.

Note 15

Statement of Accounts – Authorisation for Issue

This Statement of Accounts was authorized for issue by the Joint Treasurers on 24 September 2010.

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Annual Governance Statement

Annual Governance Statement

This section gives the results of our annual assessment of how well we are managing and controlling risks to achieve our aims and meet the responsibilities we have by law.

This statement applies to the combined operations of the Tamar Bridge and Torpoint Ferry, referred to in this document as the Undertaking.

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 operations 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 2010 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 the Undertaking's 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 senior 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, this 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 to inform decisions affecting the health and safety of users and staff. 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 opportunities 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 reviewed regularly by managers. Both traffic lane and toll lane availability are 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.

Facility availability is updated every 30 minutes on the Undertaking's website using a colour-coded traffic condition statement. This is supported by webcam views of the crossing in both directions which are updated every 30 seconds. Motorists on the adjacent road network are also advised of exceptional traffic conditions using up to twelve variable message signs on the A38 and adjoining local roads.

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, generally commencing on 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. This is based on supervisors' daily logs of down time and is collated weekly and reviewed by the Operations Manager and the General Manager. Ferry availability is reported quarterly to Members at Joint Committee Meetings. 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.

Facility availability is updated every 30 minutes on the Undertaking's website using a colour-coded traffic condition statement. This is supported by webcam views of the waiting areas in both directions which are updated every 30 seconds. Motorists on the adjacent road network are also advised of exceptional traffic conditions using up to twelve variable message signs on the A38 and adjoining local roads. In addition, traffic updates on traffic conditions are provided to local radio stations usually every 30 mins.

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 service 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
As well as drawing on resources from the Joint Authorities on transport issues and for general operational support, the Undertaking operates in partnership and joint working arrangements with a range of organisations including:

- Highways Agency – partnering on the operation of the Tamar Bridge/Saltash Tunnel Tidal Flow Corridor
- Department for Transport (DfT) – General Manager is member of DfT's Interoperability Forum Operators' Sub-Committee which represents UK current and potential toll operators - also general partnering on exchange of traffic information and other data
- GoSkills – industry representation on development of national occupational standards

- Devon and Cornwall Police – general partnering, emergency planning, emergency response and facilities surveillance
- Cornwall Fire and Rescue Service – joint working on rescue procedures and emergency planning
- Devon and Somerset Fire and Rescue Service - joint working on rescue procedures and emergency planning
- 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 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, exceeding that which may be achievable solely through contractual arrangements.

CC provides support and specialist advice on procurement and general structural engineering and a term consultant is employed to advise on the Tamar Bridge structure.

A marine consultant is employed to supervise ferry refit work and provide advice on a call-off basis. Other consultants are employed from time to time for specific advice.

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 a Joint Committee of 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, hold officers to account 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. Governance of the undertaking is under review, including the scheme of delegation. This is being undertaken in parallel with proposals for terms of reference for the Joint committee. A Business Planning approach has been adopted and this will feed into the 2011/12 budget planning processes of the Joint Authorities. This will enable the Joint Committee Members to focus more on strategic issues as reporting will focus on reporting on delivery of the plan rather than on day to day operational issues. It would also reduce duplication of efforts on the part of officers of the undertaking each of the Joint Authorities.

Risk Management
As an operator of a busy front line service to the public, which is dependent on key elements of infrastructure and a ring-fenced income stream derived primarily from tolls, the undertaking faces significant risks. These have been handled competently, but the lack of a formal risk register or business continuity plan has previously been highlighted in internal

and external audit reports and it is recognised that these shortcomings still need to be addressed.

In 2007/8, efforts began to develop a formal risk register. This 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 has been continued including a review of the original raw (unmitigated) register, with risk likelihoods and outcomes adjusted to recognise existing mitigation measures. Further mitigation measures have been reviewed and it is proposed to establish a formal risk register as part of business plan establishment and approval in 2010/11.

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 generally take on the roles of project director and/or project manager for key projects to ensure that client requirements and interests are adequately covered. The nature of the facility is such that bespoke solutions are preferred in many areas and it is considered essential that client representatives have a strong position in developing solutions.

Financial Management

Treasury, accountancy and payroll functions are provided by CC under service level agreements. 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. The accountant also regularly attends monthly management team meetings.

Procurement is undertaken in accordance with contemporary best practice in line with the practice of the Joint Authorities and using CC's Procurement Assurance Scheme.

Internal audit is undertaken by CC, using a framework agreed with management. The management team have continued to work closely with Internal Audit and CC Treasury and the Accountancy Teams to maintain adequate controls.

It was determined in TBTFJC's meeting on 29 January 2008 that in view of the annual deficit position forecast for 2007/8 and 2008/9 and forecast increasing costs into the future, options needed to be explored to put the balance of income and expenditure on a sustainable footing. As a result, a workshop was convened for Members and officers to develop a preferred strategy. A financial model with a 2025 horizon was used at the workshop to explore various options of toll levels and timing of toll revisions to fund forecast expenditure and maintain a prudent level of reserves as a general contingency. The workshop also considered other possible variations including changes to vehicle classifications particularly with a view to facilitating automatic vehicle classification using roadside equipment. A public consultation exercise was undertaken in the period November 2008 to inform users and stakeholders of the justification for an increase on tolls and gather opinion on a range of related issues.

The preferred toll revision option resulting from this process was agreed at TBTFJC's meeting on 16 January 2009 and minor modifications were agreed at its subsequent meeting on 13 March 2009. A toll revision application to the Secretary of State for Transport was subsequently prepared seeking a 50% increase in toll levels and this was submitted on 1 May 2009. Following statutory public consultation in August-October 2009, the Secretary of State determined that a Local Public Inquiry should be held to examine the application.

The Inquiry was held on 13-15 January 2010 and following receipt and consideration of the Inspector's report supporting the revision, increased tolls were authorised by statutory instrument from 18 March 2010. The revised toll structure was implemented from 19 March 2010.

One of the outcomes from Member workshops and meetings was a recognition that smaller more frequent increments in toll revisions would offer a more responsive financial model and would be more palatable to users, as evidenced from public consultation responses. It is intended that future toll increases be sought on that basis.

Human Resources Management
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. Occupational health advice is procured through an external consultancy.

During this period the organisation's job evaluation exercise has been completed and implemented, marking the closure of an inevitably difficult period for the organisation. A new pay and grading structure was implemented in November 2009.

In March 2008, the Joint Committee had authorised an increase in establishment, which included posts to supplement the management team in the areas of engineering, health and safety and ICT. This would improve resource levels, separation of duties and availability of key personnel. Delay in finalising the job evaluation process effectively stalled the recruitment of a total of seven vacant posts and new posts pending determination of salaries payable.

Following implementation of the new pay and grading structure, recruitment to fill vacant posts was expedited and key management posts were filled by January 2010.

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, continued improvement has been achieved on absence management.

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.

Quality/price assessment models are used to place appropriate emphasis on quality to place a value on risk. Due to the unique nature of the Undertaking, the majority of services, supplies and works are bespoke and specified to a high level of detail, and managers retain a highly engaged profile in the process.

External Audit and Regulation

The Audit Commission audits the undertaking each year and provides opinions on internal control and governance systems.

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. 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 addressed.

The Joint Committee continues to be engaged in a programme of improvements to the system of internal control. 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.

Elements progressed in 2009/10 were

- terms of reference – draft in progress
- risk register – being refined for adoption in 2010/11
- business plan – being refined for adoption in 2010/11
- job evaluation – completed and implemented

- management resources - recruitment to vacant posts

Significant External Issues
The revision of tolls was essential to ensure the financial sustainability of the undertaking. The toll revision process had not been undertaken since 1994 and with the addition of the Inquiry process, served not only to expose the undertaking to broad and deep scrutiny but also crystallised and underlined the key issues and risks for the undertaking for officers and Members alike. While onerous, it provided a uniquely complete audit of the undertaking and following the process the opportunity was taken to hold a workshop for Members and officers to review the experience and findings. The proposal to seek more frequent but smaller increases in toll in the future will result in more frequent exposure to this scrutiny.

The only significant source of income for the undertaking is from tolls. Despite the economic downturn, combined traffic at the two crossings rose approximately 1% during 2009/10. The effect on income was however neutralised by an increase in use of the undertaking's pre-payment scheme which offers 50% discount using electronic tolling, resulting in zero growth. The business model developed in 2008 and utilised to justify the toll revision application used zero traffic growth into the future for the purposes of forecasting income and this has proved to have been a prudent approach. Clearly national, regional and local economic conditions and user payment preferences will continue to be critical influences on income and therefore the sustainability of the undertaking.

Conclusion
This statement has identified certain issues of control and risk that we plan to address in 2010/11 and these are summarised below:

- closer definition of delegated powers
- finalisation of a formal risk register
- development and approval of terms of reference
- agree a long term business plan

Kevin Lavery
Joint Clerk and Chief Executive (Cornwall)

Barry Keel
Joint Clerk and Chief Executive (Plymouth)

Cllr Pearn (Cornwall)

Cllr Delbridge (Plymouth)

Joint Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee
18 June 2010