Tamar Bridge and Torpoint Ferry Joint Committee

2013/14
Annual Financial Report
and
Statement of Accounts

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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. It is available from the Joint Committee's website at www.tamarcrossings.org.uk

If you need it 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 2013/14 accounts the inspection period is 30 July 2014 to 27 August 2014. These dates will be 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 323980

Explanatory Foreword
from the Joint Treasurers

We are pleased to introduce the Tamar Bridge and Torpoint Ferry Joint Committee's Annual Financial Report and Statement of Accounts for 2013/14. 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 2013 to 31 March 2014 and the financial position at 31 March 2014.

1. The Financial Report and Statements

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

- **Explanatory Foreword** – from the Joint Treasurers. This provides a concise guide for the reader of the accounts of the most significant aspects of the Joint Committee's financial performance, year-end position and cash flows.
- **Independent Auditor's Report** – an independent report from Grant Thornton to the Members of the Joint Committee.
- **Statement of Accounts**
    - **Statement of Responsibilities** – this explains the different responsibilities relating to the Statement of Accounts and confirms their approval.
    - **The Main Financial Statements**
        - **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Joint Committee.
        - **Comprehensive Income and Expenditure Statement** – this statement shows the net cost in the year of providing the Joint Committee services.
        - **Balance Sheet** – the Balance Sheet shows the value at 31 March 2014 of the assets and liabilities held by the Joint Committee.
        - **Cash Flow Statement** – the cash flow statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period.
    - **Notes to the Main Financial Statements** – these provide additional, more detailed information on certain issues included in the main financial statements.
- **Annual Governance Statement** – a review of our governance framework and of the effectiveness of our systems of internal control and risk management.

Except where otherwise indicated, figures are presented in millions of pounds (£m) and are rounded to the nearest thousand pounds (£0.001m).

2. Financial Review of 2013/14

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.

A revised scale of tolls was implemented just over four years ago. The additional income generated by the increased tolls has brought the level of reserves above £2m, which is currently considered to be a prudent level. However, due to increasing maintenance and operating costs, without further intervention the level of reserves is expected to diminish over the next few years.

The previous application to increase tolls recognised that a further increase would be necessary within a few years and highlighted the critical nature of the level of financial reserves.

Over the last couple of years the Joint Committee has been giving consideration to a toll strategy, to ensure that the reserve levels stay above the agreed minimum. At the December 2013 Joint Committee it was resolved to recommend to the Cabinets of the Joint Council's to introduce a TamarTag account fee of 80p a month from April 2014. The account charge would reflect the cost of providing tags, the operation of the prepaid electronic toll system and avoid the need for an increase in tolls paid by users for at least the next three years.

In 2013/14, operational expenditure was £7.699m, some £1.105m less than the original budget of £8.804m for the year. The budget was revised in December which reduced the planned expenditure to £8.526m, which provides a variance of £0.827m. The main reasons for the significant variance are; major gantry inspection postponed until September 2014 so that the work is included in a new inspection contract, delayed commencement of the public lavatory upgrades, lower than expected TamarTag replacement, some deferred system development due to tag fee workload, the contingency allowance within the Ferry Maintenance budget not being required and marine gas oil expenditure being nearer the original budget than anticipated at the time of formal budget revision.

The level of revenue raised was £10.080m, which is £0.357m higher than the original budget of £9.723m, as traffic levels have improved above forecast (although increases are not yet an established pattern). At the operating level, a surplus of £2.381m was achieved in 2013/14.

From its income, the Joint Committee also has to fund its capital financing costs, which amounted to £1.742m for the year, approximately 5.3% lower than the £1.839m budget and which has resulted from slippage in the capital programme. After taking these costs into account and a small amount of interest received on cash balances, the overall position was a surplus of £0.657m, compared to an original budgeted deficit of £0.912m.

2.1 Comparison of Outturn Figures to Approved Budget

The table below provides a high level summary of the £0.657m surplus 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.

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

	Outturn £m	Original Budget £m	Variance from Budget £m
Operational Expenditure			
Bridge Operations	2.598	3.231	(0.633)
Ferry Operations	4.645	4.978	(0.333)
Corporate Expenditure	0.456	0.595	(0.139)
Sub-total	7.699	8.804	(1.105)
Operational Income			
Toll Income	(9.594)	(9.302)	(0.292)
Other Income	(0.486)	(0.421)	(0.065)
Sub-total	(10.080)	(9.723)	(0.357)
Net Operational Surplus	(2.381)	(0.919)	(1.462)
Other Expenditure			
Interest on Cornwall Council financing	0.803	0.886	(0.083)
Contribution to Cornwall Council's MRP	0.939	0.953	(0.014)
Sub-total	1.742	1.839	(0.097)
Income			
Interest on balances	(0.018)	(0.008)	(0.010)
Net Overall Surplus	(0.657)	0.912	(1.569)

2.2 Comparison of Outturn against the Comprehensive Income and Expenditure Statement

There is a fundamental difference between the outturn surplus against budget of £0.657m and the Deficit on Provision of Services of £3.203m as reported in the Comprehensive Income and Expenditure Statement (CIES) on page 13 of these Accounts.

This is because the Joint Committee is required to prepare its accounts in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 published by

CIPFA. Under the Code, there are a number of notional (non-cash) costs that the Joint Committee is required to recognise in its CIES even though it is not required to meet these costs out of its cash revenues and therefore does not budget for them out of its General Fund (usable reserves).

The items that give rise to these different bases of reporting are identified in the table below:

	2013/14	
	£m	£m
Net overall surplus per Outturn		(0.657)
Depreciation		4.493
IAS19 pension adjustments	0.134	
Net interest expense	0.166	
		0.300
Increase in annual leave accrual		0.006
Contribution to Cornwall Council's MRP		(0.939)
(Surplus) or Deficit on Provision of Services		3.203

The items giving rise to the difference between the Joint Committee's reported outturn surplus for 2013/14 and the deficit on the CIES are explained below:

- Depreciation is not included in the budget outturn position but is a required charge to the CIES within the Statement of Accounts. The charge is reversed out in the Movement in Reserves Statement (MIRS) so as not to impact the Joint Committee's usable reserves.
- A net pension debit (as defined by International Accounting Standard 19) of £0.300m has been applied to the CIES, as required by regulation.
- An accrual for short-term compensated absences (annual leave) has been applied to the CIES, as required by regulation.
- The Joint Committee's contribution to Cornwall Council's Minimum Revenue Provision (MRP) can not be charged to the CIES.

Consequently, although the CIES shows a deficit on the provision of services of £3.203m for the year, the Joint Committee's usable reserves position has improved by £0.657m, as shown in the Movement in Reserves Statement on page 12.

3. Pensions Assets and Liabilities

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 its employees pay contributions into a fund, calculated at a level intended to balance pension liabilities with investment assets. The joint authorities are liable as employers for any deficit in the funding of the pension scheme.

The Joint Committee has fully adopted the provisions of International Accounting Standard 19 (IAS 19) in relation to accounting for post employment benefits. On the basis of valuation required by IAS 19, the Joint Committee's net pension liability at 31 March 2014 was £5.322m, up from £3.612m in March 2013. This should be considered alongside the level of usable reserves of £4.307m, up from £3.650m in March 2013 and total assets less liabilities of £196.713m, down from £201.326m in March 2013.

Further information relating to the pension fund and how it has been accounted for is set out in Note 26 to the main financial statements.

4. Capital Expenditure and Funding

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. Such expenditure is intended to contribute to service provision over a number of years and is defined as capital expenditure.

Capital expenditure 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 fixed annual budget as with revenue spending, but rather through a programme of approved schemes within a multi-year capital plan.

During 2013/14, our actual capital spending was £0.405m (2012/13 £0.418m). The following table shows where the money was spent:

	2013/14 £m
Capital Expenditure	
Bridge resurfacing works (phase 1)	0.017
Storage building Devonport	0.035
Footpath 24 reinstatement	0.021
Bridge access works	0.041
Bridge handstrands	0.014
Bridge protective coating	0.174
Ferry sewerage treatment plant	0.080
Plaza canopy access works	0.021
Bridge half joint replacement	0.002
Total	0.405

This expenditure was funded through advances from Cornwall Council, one of the parent authorities.

5. Current Borrowing Facilities and Capital Funding

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.

6. Looking Ahead to 2014/15 and Beyond

The toll revision which came into effect in March 2010 has helped to increase the Joint Committee's reserves, to what is currently considered to be an appropriate level. This position will be further strengthened following the implementation of the TamarTag account fee which commenced in April 2014.

There is some prospect that traffic levels have not only stabilised but will increase slightly in the year ahead, leading to small increases in income.

A noticeable element of the 2013/14 underspend resulted from slight delays in commencing or completing projects and there is an expectation of a correction in the position during 2014/15.

The 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.

Independent Auditor's Report to the Members of Tamar Bridge and Torpoint Ferry Joint Committee

Opinion on the Joint Committee's financial statements

We have audited the financial statements of the Tamar Bridge and Torpoint Ferry Joint committee for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Tamar Bridge and Torpoint Ferry Joint committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Joint Committee and the Joint Committee's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Joint Treasurers and auditor

As explained more fully in the Statement of the Joint Treasurers Responsibilities, the Joint Treasurers are responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Joint Treasurers; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Tamar Bridge and Torpoint Ferry Joint Committee as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Joint Committee to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on Joint Committee's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Joint Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2013, we have considered the results of the following:

- our review of the annual governance statement;

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the financial statements of the Tamar Bridge and Torpoint Ferry Joint Committee in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Golding
Partner for and on behalf of Grant Thornton UK LLP
Appointed Auditor
Bristol
12 September 2014

Statement of Responsibilities

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.

The Joint Treasurers responsibilities

The Joint Treasurers are responsible for preparing our Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Joint Treasurers have:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code, except for the use of depreciated replacement cost (DRC) valuation basis with infrastructure for the toll bridge.

The Joint Treasurers have also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Statement of Accounts

The Joint Treasurers' declaration

This Statement of Accounts presents a true and fair view of the financial position of Tamar Bridge and Torpoint Ferry Joint Committee on 31 March 2014 and of the income and expenditure for the year ended on that date and has been prepared in accordance with the Code.

Cath Robinson (Cornwall) **Malcolm Coe (Plymouth)**
Joint Treasurers of the Tamar Bridge and Torpoint Ferry Joint Committee

The Joint Chairs' declaration

This Statement of Accounts has been approved by the Tamar Bridge and Torpoint Ferry Joint Committee on 12 September 2014.

Cllr Austin (Cornwall) **Cllr Wheeler (Plymouth)**
Joint Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee
12 September 2014

Main Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (those that can be applied to fund expenditure) and other unusable reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance.

	Notes	General Fund Balance £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Notes
		14		15		
Balance at 31 March 2012		**(2.990)**	**(2.990)**	**(202.080)**	**(205.070)**	
Movement in reserves during 2012/13						
*(Surplus) or deficit on the provision of services		3.055	3.055	-	**3.055**	
*Other Comprehensive Income and Expenditure		-	-	0.689	**0.689**	
Total Comprehensive Income and Expenditure		**3.055**	**3.055**	**0.689**	**3.744**	
*Adjustments between accounts basis & funding basis		(3.715)	(3.715)	3.715	**-**	6
Increase/Decrease in Year		**(0.660)**	**(0.660)**	**4.404**	**3.744**	
Balance at 31 March 2013 carried forward		**(3.650)**	**(3.650)**	**(197.676)**	**(201.326)**	
Movement in reserves during 2013/14						
(Surplus) or deficit on the provision of services		3.203	3.203	-	**3.203**	
Other Comprehensive Income and Expenditure		-	-	1.410	**1.410**	
Total Comprehensive Income and Expenditure		**3.203**	**3.203**	**1.410**	**4.613**	
Adjustments between accounts basis & funding basis		(3.860)	(3.860)	3.860	**-**	6
Increase/Decrease in Year		**(0.657)**	**(0.657)**	**5.270**	**4.613**	
Balance at 31 March 2014 carried forward		**(4.307)**	**(4.307)**	**(192.406)**	**(196.713)**	

*As a result of the amendments to IAS19 Employee benefits the prior year figures have been reclassified to reflect the Actuarial report and provide the comparators, these adjustments were minor at £0.075m.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from toll income.

	2013/14 £m	2012/13 £m	Notes
Gross Expenditure	12.333	12.007	
Gross Income	(10.081)	(9.864)	
Cost of services	**2.252**	**2.143**	
*Financing and investment income and expenditure	0.951	0.912	7
(Surplus) or deficit on provision of services	**3.203**	**3.055**	
*Actuarial (gains)/losses on pension assets/liabilities	1.410	0.689	26
Other comprehensive income and expenditure	**1.410**	**0.689**	
Total comprehensive income and expenditure	**4.613**	**3.744**	

*There were minor changes of £0.075m to the comparative figures affecting the Financing and Investment Income and Expenditure line, and the Actuarial (Gains)/Losses on Pension Assets/Liabilities line

Balance Sheet

The Balance Sheets shows the value of the assets and liabilities recognised by the Joint Committee at 31 March. The net assets are matched by usable and unusable reserves.

	31 March 2014 £m	31 March 2013 £m	Notes
Property, Plant and Equipment	217.694	221.782	8
Long Term Assets	**217.694**	**221.782**	
Cash and Cash Equivalents	2.973	2.573	12
Inventories	0.495	0.434	10
Short Term Debtors	0.854	0.465	11
Current Assets	**4.322**	**3.472**	
Deferred Liabilities - Short Term	(0.955)	(0.939)	28
Short Term Creditors	(2.203)	(2.004)	13
Current Liabilities	**(3.158)**	**(2.943)**	
Deferred Liabilities - Long Term	(16.823)	(17.373)	28
Other Long Term Liabilities - Pensions	(5.322)	(3.612)	26
Long Term Liabilities	**(22.145)**	**(20.985)**	
Net Assets	**196.713**	**201.326**	
Usable Reserves	(4.307)	(3.650)	14
Unusable Reserves	(192.406)	(197.676)	15
Total Reserves	**(196.713)**	**(201.326)**	

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of income from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery. Cash inflows arising from financing activities indicate where claims on future cash flows will arise from providers of capital to the Joint Committee.

	2013/14 £m	2012/13 £m	Notes
***Net (surplus) or deficit on the provision of services**	**3.203**	**3.055**	
*Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(4.980)	(4.272)	16
Net cash flows from operating activities	(1.777)	(1.217)	
Investing Activities	0.474	0.328	17
Financing Activities	0.903	0.724	18
Net (increase) or decrease in cash and cash equivalents	(0.400)	(0.165)	
Cash and cash equivalents at the beginning of the reporting period	(2.573)	(2.408)	
Cash and cash equivalents at the end of the reporting period	(2.973)	(2.573)	

*The comparators have been adjusted to reflect the IAS19 Employee Benefit changes.

Notes to the Main Financial Statements

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Note 1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Joint Committee is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and other statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- Revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- 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 inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable and payable is accounted for respectively as income and expenditure 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 revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Joint Committee's cash management.

iv. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Joint Committee is not required to raise income to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from its revenues to Cornwall Council equivalent to the reduction in its overall requirement for capital funding, equal to an amount calculated on a prudent basis determined by Cornwall Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Joint Committee. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but is then adjusted via the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Joint Committee to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Joint Committee is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Joint Committee to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Joint Committee are members of the Local Government Pension Scheme administered locally by Cornwall Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Joint Committee.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cornwall Pension Fund 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 of 4.3% derived from a Corporate bond yield curve, and recognise the weighted average duration of the benefit obligation for each employer.
- 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
    - Unitised securities – current bid price
    - Property – market value

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
    - *Current service cost* – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - *Past service cost* – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
    - *Net interest on the net defined benefit liability/(asset), i.e. net interest expense for the Joint Committee* – the change during the period in the net defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/(asset) during the period – taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments

- Remeasurements comprising:
  - *The return on plan assets* – excluding amounts included in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - *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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, IFRS requires the General Fund Balance to be charged with the amount payable by the Joint Committee to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

vi. Events After the Balance Sheet Date

Events after the Balance Sheet Date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

vii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Joint Committee becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the liabilities that the Joint Committee has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the contract.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Joint Committee becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest. In general, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year.

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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

viii. Foreign Currency Translation

Where the Joint Committee has entered into a transaction denominated in a foreign currency the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate for 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ix. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, on a "first in, first out" (FIFO) basis.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

x. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

xi. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Joint Committee and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Where the spend is on individual items, which may be properly capitalised but the total expenditure falls below the £10,000 level set as de minimis, the amounts will be charged as revenue to the Comprehensive Income and Expenditure Statement in place of capital charges.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Joint Committee does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie will not lead to a variation in the cash flows of the Joint Committee). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Joint Committee.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and assets under construction – historical cost
- infrastructure (Toll Bridge) – depreciated replacement cost (DRC)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), historical cost basis is used as a proxy for fair value. Historical cost is also used for the ferries which have a high value and a long life.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to service expenditure.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer

- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over the useful life of the asset
- infrastructure (Toll Bridge) – straight-line over the useful life of the bridge, as estimated by the valuer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components 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.

xii. Reserves

The Joint Committee has one usable reserve which is known as the General Fund Balance, there are also unusable reserves, and these reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Joint Committee - these reserves are explained in the relevant policies.

xiii. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

Although it is treated as a separate body for accounting purposes (under the Accounts and Audit Regulations and the Audit Commission Act) the Joint Committee is not separately registered for VAT. Its financial transactions are recorded within a distinct section of Cornwall Council's financial system and its income and expenditure are reported to HMRC as part of the overall Cornwall Council VAT return.

Note 2

Accounting Standards issued, Not Adopted

For 2013/14 a suite of Group Accounting standards have been issued, however these are not relevant for Tamar Bridge and Torpoint Ferry Statement of Accounts.

Note 3

Critical Judgements in Applying Accounting Policies

In applying the accounting polices set out in Note 1 the Joint Committee has had to make certain judgements about complex transactions or those involving uncertainty about future events:

- Treatment of protective coatings as a component of the Bridge.

  Under IFRS, it is necessary to consider whether an individual asset is more properly viewed as a collection of components defined with reference to their differing economic lives. In the case of the Tamar Bridge, this will be the case, though this "componentisation" has not been triggered by revaluation or capital expenditure in the 2013/14 financial year and is therefore not reflected in this Statement of Accounts.

  As part of the considerations regarding what elements of the structure should be treated as separate components, it has been determined that the protective coatings, which are due for major renewal and enhancement works in the next few years should be considered to be a component of the structure. On that basis, the expenditure associated with this work will be treated as capital expenditure and recognised as a separate component part of the Bridge.

- Reclassification of Toll Bridge as an Infrastructure Asset

  The Tamar Bridge has previously been classified as land and buildings as the carrying value is currently measured on a depreciated replacement cost (DRC) basis due to the expectation that there is a relationship between the income from the bridge tolls and the cost of replacing the bridge. It has been determined that the bridge better meets the classification of infrastructure, however, under the CIPFA Code, infrastructure assets are currently measured at historic cost.

  In order to ensure that the financial statements present a fair representation of the value of the assets on the balance sheet, it has been determined that the authority will therefore depart from the Code in respect of this matter and will reclassify the toll bridge as a separate category of infrastructure but will keep the DRC valuation basis. There is an intention under the Code to re-value infrastructure assets on a DRC valuation basis in 2016/2017.

Note 4

Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Joint Committee's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are included on the basis of valuations and assessed useful lives determined by Cornwall Council's Chief Valuer on the basis of condition surveys and standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS). The assumptions underlying such valuations and the assessment of useful lives are subject to revision and the valuation would therefore be expected to change accordingly. In 2014/15, the Tamar Bridge will be subject to a valuation. The carrying value of these long term assets at the end of the reporting period was £217.694m.	The impact of a change in valuation or useful life would be to affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment in the CIES. These changes do not have an impact on the Joint Committee's usable reserves as the Joint Committee is not required to pay for such charges out of its revenues.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected return on pension fund assets. Cornwall Council, the administrators of the Joint Committee's pension arrangements have engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied. Those assumptions are detailed in the Note 26 to the accounts. The carrying value of this long term liability was (£5.322m).	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES. These changes do not have an impact on the Joint Committee's usable reserves as the Joint Committee is not required to pay for such charges out of its revenues

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

Note 5

Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Joint Treasurers on 12 September 2014. Events taking place after this date are reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6

Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Joint Committee in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Joint Committee to meet future capital and revenue expenditure.

Adjustments in 2013/14	**General Fund Balance £m**	**Movement in Unusable Reserves £m**
Adjustments primarily involving the Reserve Held for Capital Adjustment Account:		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(4.493)	4.493
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Contribution to Cornwall Council MRP	0.939	(0.939)
Adjustments primarily involving the Reserve for Pensions:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(0.816)	0.816
Employer's pensions contributions and direct payments to pensioners payable in the year	0.516	(0.516)
Adjustment primarily involving the Reserve Held for Accumulated Absences Account:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year	(0.006)	0.006
Total Adjustments	(3.860)	3.860

Comparative Figures for 2012/13	General Fund Balance £m	Movement in Unusable Reserves £m
Adjustments primarily involving the Reserve Held for Capital Adjustment Account:		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(4.513)	4.513
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Contribution to Cornwall Council's MRP	0.922	(0.922)
Adjustments primarily involving the Reserve for Pensions:		
*Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(0.651)	0.651
Employer's pensions contributions and direct payments to pensioners payable in the year	0.517	(0.517)
Adjustment primarily involving the Reserve Held for Accumulated Absences Account:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year	0.010	(0.010)
Total Adjustments	(3.715)	3.715

*The comparative figures have been adjusted by £0.075m on the Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement line, as the result of the changes to the IAS19 Employee Benefits.

Note 7

Financing and Investment Income and Expenditure

	2013/14 £m	2012/13 £m
Interest payable and similar charges	0.803	0.792
*Net interest on the net defined benefit liability/(asset)	0.166	0.133
Interest receivable and similar income	(0.018)	(0.013)
Total	**0.951**	**0.912**

*The comparative figure for Net interest on the Net Defined Benefit Liability/(Asset) has been adjusted by £0.075m as a result of the changes to the IAS19 Employee Benefits.

Note 8

Property, Plant and Equipment

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 three Torpoint ferries (Plym II, Tamar II and Lynher II) and landing stages, associated land and offices.
- Joint / Other - Rendell Park, Torpoint, Electronic Toll System and Advance Traffic Signage System

*The toll bridge has been reclassified and is now disclosed as a separate class of infrastructure assets.

Movements on Balances 2013/14	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	*Infrastructure Assets Toll Bridge £m	Assets Under Construction £m	Total Property, Plant and Equipment £m
Cost or Valuation						
At 1 April 2013	**4.387**	**18.559**	**0.340**	**221.569**	**0.049**	**244.904**
Additions	0.057	0.080	-	0.017	0.251	0.405
Other movements in cost or valuation	0.014	-	-	-	(0.014)	(0.000)
At 31 March 2014	**4.458**	**18.639**	**0.340**	**221.586**	**0.286**	**245.309**
Accumulated Depreciation and Impairment						
At 1 April 2013	**(0.515)**	**(7.855)**	**(0.034)**	**(14.718)**	**-**	**(23.122)**
Depreciation charge	(0.129)	(0.662)	(0.009)	(3.693)	-	(4.493)
At 31 March 2014	**(0.644)**	**(8.517)**	**(0.043)**	**(18.411)**	**-**	**(27.615)**
Net Book Value						
at 31 March 2014	3.814	10.122	0.297	203.175	0.286	217.694
at 31 March 2013	3.872	10.704	0.306	206.851	0.049	221.782

Comparative Movements in 2012/13	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	*Infrastructure Assets Toll Bridge £m	Assets Under Construction £m	Total Property, Plant and Equipment £m
Cost or Valuation						
At 1 April 2012	**4.241**	**18.366**	**0.340**	**220.944**	**0.595**	**244.486**
Additions	0.146	0.193	-	0.030	0.049	0.418
Other movements in cost or valuation	-	-	-	0.595	(0.595)	-
At 31 March 2013	**4.387**	**18.559**	**0.340**	**221.569**	**0.049**	**244.904**
Accumulated Depreciation and Impairment						
At 1 April 2012	**(0.386)**	**(7.173)**	**(0.025)**	**(11.025)**	**-**	**(18.609)**
Depreciation charge	(0.129)	(0.682)	(0.009)	(3.693)	-	(4.513)
At 31 March 2013	**(0.515)**	**(7.855)**	**(0.034)**	**(14.718)**	**-**	**(23.122)**
Net Book Value						
at 31 March 2013	3.872	10.704	0.306	206.851	0.049	221.782
at 31 March 2012	3.855	11.193	0.315	209.919	0.595	225.877

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings – offices 30-35 years, approach road 40 years
- Vehicles, plant, furniture and equipment – Torpoint ferries 25 years, IT equipment 5 years
- Infrastructure – ferry waiting area 35 years
- Infrastructure (Toll Bridge) – Tamar Bridge 60 years.

Revaluations

The Joint Committee carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least very five years. All valuations were carried out by the Asset Valuation and Rating Manager of Cornwall Council. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Infrastructure Assets Toll Bridge £m	Assets Under Construction £m	Total £m
Carried at historical cost	-	10.122	0.297	-	0.286	10.705
Valued at fair value as at:						
31 March 2014	-	-	-	-	-	-
31 March 2013	-	-	-	-	-	-
31 March 2012	-	-	-	-	-	-
31 March 2011	-	-	-	-	-	-
31 March 2010	3.814	-	-	203.175	-	206.989
Net Book Value - Valuation Movements	**3.814**	**10.122**	**0.297**	**203.175**	**0.286**	**217.694**

Note 9

Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Current	
	31 March 2014 £m	**31 March 2013 £m**
Debtors		
Financial assets carried at contract amounts	0.854	0.465
Total Debtors	**0.854**	**0.465**
Cash and Cash Equivalents	2.973	2.573
Total Cash and Cash Equivalents	**2.973**	**2.573**
Creditors		
Financial liabilities carried at contract amount	(2.203)	(2.004)
Total creditors	**(2.203)**	**(2.004)**

Details of debtors are set out in Note 11, cash and cash equivalents in Note 12 and creditors in Note 13.

Note 10

Inventories

	Chain & Materials		Tamar Tags		Fuel		Other		Total	
	2013/14 £m	**2012/13 £m**	**2013/14 £m**	**2012/13 £m**	**2013/14 £m**	**2012/13 £m**	**2013/14 £m**	**2012/13 £m**	**2013/14 £m**	**2012/13 £m**
Balance outstanding at start of year	0.257	0.217	0.075	0.117	0.041	0.059	0.061	0.052	0.434	0.445
Purchases	0.330	0.447	0.205	0.188	0.247	0.274	0.182	0.118	0.964	1.027
Recognised as an expense in the year	(0.205)	(0.407)	(0.274)	(0.230)	(0.234)	(0.292)	(0.190)	(0.109)	(0.903)	(1.038)
Balance at year end	**0.382**	**0.257**	**0.006**	**0.075**	**0.054**	**0.041**	**0.053**	**0.061**	**0.495**	**0.434**

Note 11

Debtors

	31 March 2014 £m	**31 March 2013 £m**
Central government bodies	0.076	0.164
Other local authorities	0.698	0.186
Other entities and individuals	0.080	0.115
Total	**0.854**	**0.465**

Note 12

Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2014 £m	31 March 2013 £m
Cash held by the Joint Committee	0.113	0.103
Bank current accounts	2.860	2.470
Total Cash and Cash Equivalents	**2.973**	**2.573**

Note 13

Creditors

	31 March 2014 £m	31 March 2013 £m
Central government bodies	(0.186)	(0.193)
Other local authorities	(0.182)	(0.057)
Other entities and individuals - Tamar Tag Account Balances	(1.474)	(1.400)
Other entities and individuals - Other	(0.361)	(0.354)
Total	**(2.203)**	**(2.004)**

Note 14

Usable Reserves

General Fund Reserve

The General Fund Reserve is a usable reserve, ie a reserve that the Joint Committee may use to provide services, subject to the need to maintain the reserve at a prudent level.

	2013/14 £m	2012/13 £m
Balance at 1 April	**(3.650)**	**(2.990)**
Transfer to / (from) the Comprehensive Income and Expenditure Statement	(0.657)	(0.660)
Balance at 31 March	**(4.307)**	**(3.650)**

Note 15

Unusable Reserves

	31 March 2014 £m	31 March 2013 £m
Revaluation Reserve	(13.899)	(14.388)
Capital Adjustment Account	(183.853)	(186.918)
Pensions Reserve	5.322	3.612
Accumulated Absences Account	0.024	0.018
Total Unusable Reserves	**(192.406)**	**(197.676)**

Revaluation Reserve

The Revaluation reserve contains the gains made by the Joint Committee arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the service provision and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	**2013/14** £m	£m	**2012/13** £m
Balance at 1 April		**(14.388)**	**(14.821)**
Difference between fair value depreciation and historical cost depreciation	0.489		0.433
Amount written off to the Reserve Held for Capital Adjustment Account		**0.489**	**0.433**
Balance at 31 March		**(13.899)**	**(14.388)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Joint Committee to finance acquisitions, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Joint Committee. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2013/14 £m	£m	2012/13 £m
Balance at 1 April		**(186.918)**	**(190.076)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	4.493		4.513
Adjusting amounts written out of the Reserve Held for Revaluation	(0.489)		(0.433)
Net written out amount of the cost of non-current assets consumed in the year		4.004	4.080
Capital financing applied in the year:			
Cornwall Council provision for the financing of capital investment charged against the General Fund	(0.939)		(0.922)
		(0.939)	(0.922)
Balance at 31 March		**(183.853)**	**(186.918)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Joint Committee accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Joint Committee has set aside to meet them. The statutory arrangement will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	**2013/14 £m**	**2012/13 £m**
Balance at 1 April	**3.612**	**2.789**
*Actuarial gains or losses on pension assets and liabilities	1.410	0.689
*Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	0.816	0.651
Employer's pensions contributions and direct payments to pensioners payable in the year	(0.516)	(0.517)
Balance at 31 March	**5.322**	**3.612**

*Comparator adjusted to reflect the changes to IAS19 Employee Benefit.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact of the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	**2013/14 £m**	**2012/13 £m**
Balance at 1 April	**0.018**	**0.028**
Settlement or cancellation of accrual made at the end of the preceding year	(0.018)	(0.028)
Amounts accrued at the end of the current year	0.024	0.018
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.006	(0.010)
Balance at 31 March	**0.024**	**0.018**

Note 16

Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2013/14 £m	2012/13 £m
Interest Received	(0.018)	(0.013)
Interest Paid	0.828	0.998
Net cash flows from operating activities	**0.810**	**0.985**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2013/14 £m	2012/13 £m
Depreciation	(4.493)	(4.513)
Increase/(decrease) in creditors	(0.268)	0.190
Increase/(decrease) in debtors	(0.005)	(0.007)
Increase/(decrease) in inventories	0.061	(0.011)
Movement in pension liability	(0.300)	(0.134)
Other non-cash items charged to the net surplus or deficit on the provision of services	0.025	0.203
Adjustment to net cash flows from operating activities	**(4.980)**	**(4.272)**

Comparator has a minor adjustment to allow for the changes to IAS19 Employee Benefits.

Note 17

Cash Flow Statement – Investing Activities

	2013/14 £m	2012/13 £m
Purchase of property, plant and equipment, investment property and intangible assets	0.474	0.328
Net cash flows from investing activities	**0.474**	**0.328**

Note 18

Cash Flow Statement – Financing Activities

	2013/14 £m	2012/13 £m
Cash receipts of short and long-term borrowing	(0.036)	(0.415)
Repayments of short and long-term borrowing	0.939	1.139
Net cash flows from financing activities	**0.903**	**0.724**

Note 19

Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Joint Committee. Decisions about resource allocation are taken by the Joint Committee on the basis of budget reports analysed across three areas. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in year

The income and expenditure of the Joint Committee recorded in the budget reports for the year is as follows:

Income and Expenditure 2013/14

	Bridge Operations £m	Ferry Operations £m	Corporate Expenditure £m	Total £m
Fees, charges and other service income	-	-	(10.081)	(10.081)
Total Income	**-**	**-**	**(10.081)**	**(10.081)**
Employee expenses	0.808	2.728	-	3.536
Other service expenses	1.750	1.874	0.424	4.048
Support service recharges	0.040	0.043	0.033	0.116
Total Expenditure	**2.598**	**4.645**	**0.457**	**7.700**
Net Expenditure	**2.598**	**4.645**	**(9.624)**	**(2.381)**

Income and Expenditure Comparative Figures 2012/13	Bridge Operations £m	Ferry Operations £m	Corporate Expenditure £m	Total £m
Fees, charges and other service income	-	-	(9.864)	(9.864)
Total Income	**-**	**-**	**(9.864)**	**(9.864)**
Employee expenses	0.769	2.754	-	3.523
Other service expenses	1.678	1.795	0.408	3.881
Support service recharges	0.025	0.031	0.043	0.099
Total Expenditure	**2.472**	**4.580**	**0.451**	**7.503**
Net Expenditure	**2.472**	**4.580**	**(9.413)**	**(2.361)**

Reconciliation of Budget Monitor Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This Reconciliation shows how the figures in the analysis of budget monitor income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £m	2012/13 £m
Net expenditure in the analysis	(2.381)	(2.361)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5.149	5.021
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(0.516)	(0.517)
Cost of services in the Comprehensive Income and Expenditure Statement	**2.252**	**2.143**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2013/14

	Analysis £m	Cost of Services £m	Corporate Accounts £m	Total £m
Fees, charges and other service income	(10.081)	-	-	(10.081)
Interest and investment income	-	-	(0.018)	(0.018)
Total Income	**(10.081)**	**-**	**(0.018)**	**(10.099)**
Employee expenses	3.536	0.140	0.166	3.842
Other service expenses	4.048	-	-	4.048
Support service recharges	0.116	-	-	0.116
Depreciation, amortisation and impairment	-	4.493	-	4.493
Interest payments	-	-	0.803	0.803
Total Expenditure	**7.700**	**4.633**	**0.969**	**13.302**
Surplus or deficit on the provision of services	**(2.381)**	**4.633**	**0.951**	**3.203**

Reconciliation to Subjective Analysis Comparative Figures 2012/13

	Analysis £m	Cost of Services £m	Corporate Accounts £m	Total £m
Fees, charges and other service income	(9.864)	-	-	(9.864)
Interest and investment income	-	-	(0.013)	(0.013)
Total Income	**(9.864)**	**-**	**(0.013)**	**(9.877)**
Employee expenses	3.523	(0.009)	0.133	3.647
Other service expenses	3.881	-	-	3.881
Support service recharges	0.099	-	-	0.099
Depreciation, amortisation and impairment	-	4.513	-	4.513
Interest payments	-	-	0.792	0.792
Total Expenditure	**7.503**	**4.504**	**0.925**	**12.932**
Surplus or deficit on the provision of services	**(2.361)**	**4.504**	**0.912**	**3.055**

Comparator has a minor adjustment to allow for the changes to IAS19 Employee Benefits.

Note 20

Agency Services

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.

	2013/14 £m	2012/13 £m
Traffic Management	0.311	0.304
Total amount reimbursable	**0.311**	**0.304**

Note 21

Members' Allowances

Allowances to Members of the Joint Committee are paid by their respective Councils, either Cornwall Council or Plymouth City Council.

Note 22

Officers' Remuneration

The Joint Committee's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for loss of office £	Pension Contribution £	Total £
General Manager	**2013/14**	62,414	-	-	-	10,398	**72,812**
	2012/13	62,433	-	-	-	10,398	**72,831**

Remuneration Bands (£):		Number of Employees	
From	**To**	**2013/14**	**2012/13**
50,000	54,999	-	1
55,000	59,999	-	-
60,000	64,999	1	1
		1	**2**

Note 23

External Audit Costs

The Joint Committee has incurred the following costs in relation to the audit of the Statement of Accounts, provided by the Joint Committee's external auditors. The fee disclosed below includes a £0.001m rebate from the Audit Commission. This is following a revision of the Audit Commission structure and business model for the period until the planned closure, which was announced in August 2010:

	2013/14 £m	2012/13 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.008	0.008
Total	**0.008**	**0.008**

Note 24

Related Parties

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

Cornwall Council and Plymouth City Council

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.

Both Cornwall Council and Plymouth City Council provided support services to the Joint Committee of £0.074m and £0.059m respectively (2012/13 £0.058m and £0.054m) and contracted services of £0.448m and £0.077m (2012/13 £0.494m and £0.090m).

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. Information on transactions between the Joint Committee and the Cornwall Pension Fund are shown in Note 26.

The interest charge of £0.803m (2012/13 £0.792m) represents interest on capital funding provided by Cornwall Council. In addition, the Joint Committee paid £0.939m (2012/13 £0.922m) to Cornwall Council as its contribution towards Cornwall Council's MRP charge in respect of funding for the Joint Committee's past capital expenditure. New advances in the year total £0.405m (2012/13 £0.418m) as shown in Note 28.

Members

Members of both councils have direct control over the undertaking's financial and operating policies. At formal committee meetings, councillors are expected to make formal declarations of interest if there is an "interest" that could have an effect on any of the agenda items being discussed. Details of each councillor's "declarations of interest" are recorded in the Register of Members' Interests and are open to public inspection at County Hall, Truro and the Civic Centre, Plymouth.

Note 25 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

	2013/14 £m	2012/13 £m
Capital investment		
Property, Plant and Equipment	0.405	0.418
Sources of finance		
Advance from Cornwall Council	(0.405)	(0.418)

Note 26 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Joint Committee makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Joint Committee has a commitment to make the payments that needs to be disclosed at the time that 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 pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported 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 post employment / retirement benefits is adjusted out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Pension Arrangements	
	31 March 2014 £m	31 March 2013 £m
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	0.650	0.518
Financing and Investment Income and Expenditure		
Net Interest Expense	0.166	0.133
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	0.816	0.651
Other Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(0.004)	(0.995)
Actuarial gains and losses arising on changes in demographic assumptions	0.441	-
Actuarial gains and losses arising on changes in financial assumptions	0.440	1.699
Other experience	0.533	(0.015)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	2.226	1.340
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(0.816)	(0.651)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	0.516	0.517

Comparator has a minor adjustment to allow for the changes to IAS19 Employee Benefits.

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Pension Arrangements	
	2013/14	**2012/13**
	£m	**£m**
Present value of the defined benefit obligation	(18.558)	(16.087)
Fair value of plan assets	13.236	12.475
Sub-total	(5.322)	(3.612)
Net liability arising from defined benefit obligation	**(5.322)**	**(3.612)**

Reconciliation of the movement in the fair value of the scheme (plan) assets

	Pension Arrangements	
	2013/14	**2012/13**
	£m	**£m**
Opening fair value of scheme assets	**12.475**	**10.733**
Interest Income	0.565	0.521
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	0.004	0.995
Contributions from employer	0.516	0.517
Contributions from employees into the scheme	0.155	0.163
Benefits paid	(0.479)	(0.454)
Closing fair value of scheme assets	**13.236**	**12.475**

Comparator has a minor adjustment to allow for the changes to IAS19 Employee Benefits.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities	
	2013/14	**2012/13**
	£m	**£m**
Opening Balance at 1 April	**(16.087)**	**(13.522)**
Current service cost	(0.650)	(0.518)
Interest income	(0.731)	(0.654)
Contributions by scheme participants	(0.155)	(0.163)
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	(0.441)	-
Actuarial gains/losses arising from changes in financial assumptions	(0.440)	(1.699)
Other	(0.533)	0.015
Benefits paid	0.479	0.454
Closing Balance at 31 March	**(18.558)**	**(16.087)**

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets			
	Quoted prices in active markets 2013/14 £m	Quoted prices not in active markets 2013/14 £m	Quoted prices in active markets 2012/13 £m	Quoted prices not in active markets 2012/13 £m
Cash and cash equivalents	**0.189**	**0.000**	**0.564**	**0.258**
Equity instruments				
By industry type				
Consumer	0.000	0.000	1.421	0.000
Manufacturing	0.000	0.000	0.947	0.000
Energy and utilities	0.000	0.000	0.805	0.000
Financial institutions	0.000	0.000	1.032	0.000
Health and care	0.000	0.000	0.889	0.000
Information technology	0.000	0.000	0.991	0.000
Other	0.000	0.086	0.000	0.094
Sub total equity	**0.000**	**0.086**	**6.085**	**0.094**
Bonds				
By sector				
Other	0.000	0.000	0.047	0.000
Sub total bonds	**0.000**	**0.000**	**0.047**	**0.000**
Property				
By type				
UK Property	0.000	0.755	0.000	0.679
Sub total property	**0.000**	**0.755**	**0.000**	**0.679**
Private Equity:				
All	0.000	0.459	0.000	0.510
Sub total private equity	**0.000**	**0.459**	**0.000**	**0.510**
Other Investment funds:				
Infrastructure	0.000	0.188	0.000	0.086
Equities	0.000	8.526	0.000	1.511
Bonds	0.000	1.915	0.000	2.124
Hedge Funds	0.000	0.177	0.000	0.148
Sub total other investment funds	**0.000**	**10.806**	**0.000**	**3.869**
Derivatives:				
Forward foreign exchange contracts	**0.000**	**0.000**	**(0.043)**	**0.000**
Inflation	**0.000**	**0.941**	**0.000**	**0.412**
Total assets	**0.189**	**13.047**	**6.653**	**5.822**

Following the implementation of a new investment strategy by the Cornwall Pension Fund during the year 2013/14, the Fund moved all previously segregated equities into Funds. The Pension Fund therefore has no direct holdings in equities. What it does hold is units in Funds of Global Equities, Emerging Markets and Frontier market Funds run by various investment managers.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Cornwall Council pension scheme liabilities have been valued by Hymans Robertson and Company, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Pension Arrangements	
	2013/14	2012/13
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.3%	4.5%
Bonds	4.3%	4.5%
Other	4.3%	4.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2 years	21.3 years
Women	24.4 years	23.4 years
Longevity at 65 for future pensioners:		
Men	24.4 years	23.2 years
Women	26.8 years	25.6 years
Rate of inflation	2.8%	2.8%
Rate of increase in salaries*	4.6%	5.1%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%

* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £m	Decrease in Assumption £m
Longevity (increase or decrease in 1 year)	0.557	(0.557)
Rate of inflation (increase or decrease by 0.5%)	1.101	(1.101)
Rate of increase in salaries (increase or decrease by 0.5%)	0.669	(0.669)
Rate of increase in pensions (increase or decrease by 0.5%)	1.101	(1.101)
Rate for discounting scheme liabilities (increase or decease by 0.5%)	1.806	(1.806)

Asset and Liability Matching (ALM) Strategy

The Pensions Committee of Cornwall Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (52% of scheme assets in March 2014; 60% in March 2013) and bonds (21% in March 2014; 19% in March 2013). The scheme also invests in alternative asset classes (e.g. property unit trusts and diversified growth funds) as a part of the diversification of the scheme's investments. The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Joint Committee's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Cornwall Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an quarterly basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Joint Committee anticipated to pay £0.539m expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years, 2013/14 (17.9 years 2012/13).

Further information can be found in the Pension Fund Annual Report, which is available upon request from County Hall, Truro, TR1 3AY.

Nature and Extent of Risks Arising from Financial Instruments

Note 27

Credit Risk

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.

Note 28

Deferred Liabilities

The Joint Committee has 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).

		2013/14 £m	2012/13 £m
Balance at 1 April		**18.312**	**19.020**
	New Advances	0.405	0.418
	Repayments Due	(0.939)	(1.126)
Total		**17.778**	**18.312**
Of Which:	Due within one year	(0.955)	(0.939)
	Due after more than one year	(16.823)	(17.373)

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Glossary

Glossary

This section helps explains some of the more technical terms used in the Statement of Accounts.

Accounting Policies
The policies, concepts and conventions used in the preparation of the accounts.

Accruals
Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31st March.

Actuarial Gains and losses
Employees of the Joint Committee are members of defined benefit pension schemes. Actuarial gains and losses arise because events have not coincided with actuarial assumptions made in the previous valuation or because the actuarial assumptions have changed.

Assets held for sale
These are long-term assets which are surplus to the Joint Committee's operational needs and are being actively marketed for sale.

Capital Expenditure
Expenditure on the acquisition of a long-term asset or expenditure which adds to and not merely maintains the value on an existing long-term asset.

Capital Expenditure Charged against the General Fund
The amount of capital expenditure financed directly from the annual revenue budget.

Capital Financing Costs
The costs of financing long-term assets, being the interest costs of external loans and monies used to repay debt.

Capital Receipts
Income received from the sale of long-term assets.

Contingent Asset
A contingent asset is a possible asset which could arise following the occurrence of a future event outside the Joint Committee's control.

Contingent Liability
A contingent liability is a possible liability which could arise following the occurrence of a future event outside the Joint Committee's control or is a present obligation where it is not possible to measure the outcome with sufficient reliability.

Creditors
Amounts owed by the Joint Committee for work done, goods received or services provided, but for which payment has not been made by the 31st March.

Curtailment
Within the defined benefit schemes impacting on the financial results of the Joint Committee, curtailment will arise if an event occurs reducing the expected future service of employees. Normally, this arises from redundancy or early retirement or if there is an amendment to terms impacting on current employees.

Debtors
Debtors represent amounts due to the Joint Committee which are unpaid at 31st March.

Defined Benefit Scheme
Defined benefit pension schemes prescribe the amounts members will receive as a pension regardless of contributions and investment performance. Employers are obliged to fund any shortfalls.

Depreciation
Depreciation is the fall in value of an asset, as recorded in the financial records, due to wear and tear, age and obsolescence.

Expected Rate of Return on Pensions Assets
The expected rate of return on pensions' assets is the average return expected during the remaining period of pension obligations.

Finance Leases
This is where the eventual benefit of the asset will pass from the leasing company to the Council. Annual payments are a combination of interest and the purchase of the asset.

IFRS
International Financial Reporting Standards

Inventory
Previously referred to as 'stock'.

Long-Term Assets
Long-term assets are tangible assets intended to be used for several years.

Minimum Revenue Provision
The amount set aside to repay external debt.

Plant, Property and Equipment
These are long-term assets held by the Joint Committee required to support the provision of services.

Operating Leases
This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the Comprehensive Income & Expenditure Account.

Past Service Costs
Where pension scheme members receive enhanced or new benefits, the increase in the present value of future liabilities will be accounted for as past service costs.

Provisions
These are sums set aside to meet liabilities or losses that are likely to be or will be incurred, but the dates on which they will arise are not fully known at the date that the Statement of Accounts is approved.

Reserves
Amounts set aside to meet the cost of specific future expenditure.

Revenue Expenditure Funded From Capital Under Statute
Capital expenditure for which no tangible long-term asset exists therefore is transferred to revenue

Service Reporting Code of Practice
This code of practice details standard definitions of services and total cost to enable spending comparisons to be made with other public bodies.

The Code
This relates to the Code of Practice on Local Authority accounting that is published by the Chartered Institute of Public Finance and Accountancy.

Annual Governance Statement

Annual Governance Statement

This is a draft version as it is an agenda item on the 20 June 2014 Committee meeting.

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 2014 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 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. The Undertaking's Annual Governance Statement is also referred to by the Audit Committees of the Joint Authorities.

In September 2013 the Joint Authorities commissioned PricewaterhouseCoopers (PwC) to carry out an independent Efficiency Review of the undertaking. The report is currently at a draft stage and once this has been finalised, the findings will be reported to the Joint Committee.

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 organisation's mission is the provision of safe, reliable and efficient crossings of the River Tamar. The organisation measures aspects of its performance using key performance indicators (KPIs) that are reported to the Joint Committee in comparison to pre-determined targets, and such reports are subsequently placed in the public domain. KPIs are reviewed annually to assess their suitability in light of performance and changing circumstances.

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 is 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, environmental conditions or reasonable requirements of partner organisations particularly the Highways Agency. Most vehicle breakdowns are handled with the undertaking's own contracted resources, and the time to undertake recovery is recorded and reviewed.

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. In addition since June 2013 the undertaking has been using Facebook and Twitter to publicise current traffic conditions at the Bridge and any planned events affecting service. 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. A suitable system to measure journey time has been identified but its introduction has been postponed to optimise opportunities for sharing procurement and data with Cornwall Council (CC). It is anticipated that this system will be installed in April 2014.

Following the major project to strengthen and widen the Bridge in 1999-2001, the structure enjoyed a period of relatively low maintenance. Over the subsequent years maintenance requirements have steadily built up and a range of improvement requirements have arisen.

In particular the corrosion protection of the bridge structure has become a key priority, and a recoating strategy was finalised in 2013 that aimed at preserving the structure using a range of treatments including going back to bare metal in some areas, but gaining further value from existing paint systems in areas where these had useful remaining life. A phased approach has been chosen which addresses priority locations and also incorporates trial areas to inform further design and prioritisation. The contract for Phase 1 bridge recoating is scheduled to be tendered in April 2014.

In 2013 a contract was awarded to design and install a range of access improvements to the bridge structure. These include walkways and platforms that will assist both inspections and maintenance in terms of efficiency, effectiveness and safety.

The staff performing toll collection are procured through a term contract which is tendered periodically. The term contract for toll collection covers the period 2012-2016 with an option for a year’s extension.

Toll lane availability is 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.
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 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 primarily 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 Ferry Manager and the General Manager. Ferry availability is reported quarterly to Members at Joint Committee Meetings. Both planned and unplanned down-time is 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 month’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. In addition since June 2013 the undertaking has been using Facebook and Twitter to publicise current traffic conditions at the Ferry and any planned events affecting service. 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 minutes. A suitable system to measure journey time has been identified but as at the Bridge its introduction has been postponed to optimise opportunities for sharing procurement and data with CC. It is anticipated that the system will be installed in April 2014.

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.

Following a review of the ferry refit programme and discussions with the MCA and Lloyds, it has been determined that a move from a three-year cycle to a five-year cycle would produce significant savings and also reduce disruption to the service, and TBTFJC approved this change at its June 2013 meeting. As a result the refits for 2013, 2014 and 2015 have been re-specified with a five year life span for corrosion protection and certain key wear elements on the vessels. In the report period, one refit was undertaken in September 2013 within budget and within the forecast duration. During this refit a replacement sewage treatment plant was fitted to the vessel to eliminate environmental issues.

The performance of the ferry toll collection function is also monitored in terms of speed, accuracy, integrity and quality. Collection of tolls at the ferry takes place onboard by directly employed staff who are also part of the operational and safety team. 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.

In 2013 a trial using up to two contracted staff to back up ferry crewing resources proved effective and efficient, and it is proposed to continue that arrangement for the foreseeable future.

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
- 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 specialist 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 largely delegated by the Joint Authorities to a Joint Committee. Five councillors are nominated by each of the Joint Authorities as Members of the Joint Committee, and Joint Chairmen are elected annually.

Terms of Reference set out responsibilities and procedures related to the Joint Committee and the Undertaking and define the role of respective Cabinets and responsible Directors. As a result of the introduction of the Terms of Reference, respective portfolio holders are now briefed on the annual business plan and proposed budgets in advance of presentation to Cabinets and Full Councils. Although not TBTFJC members, relevant portfolio holders of both Joint Authorities regularly attend TBTFJC meetings and workshops.

Certain powers are delegated to Chief Officers of the Joint Authorities or the General Manager through Financial Regulations or by specific authority from the Joint Committee.

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 on-going projects or issues. All reports to the Joint Committee are circulated in draft form to relevant officers of the Joint Authorities prior to finalisation and presentation, and any legal or financial considerations are specifically signed off as part of that process. The Joint Chairmen are briefed on proposed agenda items typically two to three weeks in advance of quarterly meetings and these briefings are usually attended by relevant portfolio holders of both Joint Authorities.

The Joint Committee may also meet to consider specific urgent issues at Special Meetings if decisions are required due to extraordinary circumstances, and one such meeting was convened on 31 March 2014 to consider TBTFJC's response to the Department for Transport's consultation on the simplifying the process for revising tolls.

From time to time Member/Officer workshops may also be convened to allow detailed and extended discussion of topical issues and agree a direction for progress between formal meetings. In the reporting period two such workshops were arranged to examine income strategy options to address the forecast shortfall.

A Business Planning approach was adopted by the Undertaking in 2009. The second four-year Business Plan covering the period 2013-2017 was published in 2013, and is available on the undertaking's website.

An outstanding organisational issue is the clarification of the identity of the employer of staff delivering the service, as the present uncertainties present a risk in terms of governance generally and human resources management in particular. The Joint Authorities are addressing this issue and it is anticipated that it will be resolved in 2014.

Business Continuity and Risk Management

The recognition and management of risk continues to be a fundamental driver of day-to-day management and steers the development of specifications and procedures. 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. A formal risk register has been in place since 2010 and is subject to officer review every six months. A covering Risk Management Framework document was prepared and approved in 2012. At the end of the reporting period the most significant strategic risks have been identified and incorporated in the updated Business Plan. The internal management team also works with business continuity colleagues in the Joint Authorities to ensure that the strategic risks presented by the Undertaking are recognised and documented as appropriate within the Joint Authorities' respective business continuity frameworks.

A comprehensive Business Continuity Management System (BCMS) is in place and in the main document is in the public domain, but for security and confidentiality reasons the individual business continuity plans and incident management plans are restricted. These response plans are subject to periodic review and testing, and a specific toll software system rebuild exercise from source codes was undertaken successfully in October 2013.

In 2013 the undertaking's Health Safety and Environment Manager took on the responsibilities for emergency planning that were previously shared by operational manages at each crossing. This role also includes representing the undertaking on the Local Resilience Forum. The undertaking is developing multi-agency emergency response plans in conjunction with the significant risks detailed on the risk register, and it is planned to undertake table-top and live emergency exercises in 2014 and 2015 respectively.

Management Assurance

Bi-monthly management group meetings covering both crossings are held to review policies, procedures, projects and common operational issues. These are supplemented by regular 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 on-going requirements. In particular, managers 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 periodic monitoring reports and attending regular meetings, typically quarterly, to review budget variances and prepare future budgets and forecasts.

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 Accountancy Teams to maintain adequate and appropriate controls.

Tolls were last increased in March 2010 in order to put the Undertaking's finances on a sustainable footing for the short term, but at that time the application to increase tolls recognised that a further increase would be necessary within a few years and had assumed that traffic levels would not fall – this issue is covered later in Significant External Issues. The undertaking's financial model is regularly updated with outturn results, income forecasts and expenditure forecasts. In 2012 the model was already predicting that reserves would fall below the £2 million minimum desired level and therefore through 2013/14 income strategy has been the primary financial concern. The model predicted the requirement for approximately £0.5 million additional income from April 2014, and possible solutions were based around toll increases income from users of the undertaking's pre-paid electronic toll payment scheme, TamarTag. Following a series of workshops, in September 2013 TBTFJC resolved to recommend to respective Cabinets that additional income is gained by introducing an 80p monthly fee to each TamarTag account, and assuming some resulting account closures this should not only generate the required additional income but also facilitate the management of dormant and very low usage accounts. This proposal was subject to public consultation and both Cabinets and Full Councils subsequently approved this strategy for implementation in April 2014.

In line with CIPFA guidance (Statement on the Role of the Chief Financial Officer in Local Government), the Joint Treasurers contribute to the effective leadership and corporate management of the Joint Committee, supporting effective governance through the development of corporate governance arrangements and corporate decision making, leading and promoting change programmes and supporting the development of the Business Plan and annual budgeting processes.

Human Resources Management

Operational and strategic Human Resources advice and support is provided by Plymouth City Council (PCC) under a service level agreement, and the part-time HR Adviser is integrated as part of the management team.

Sickness absence is managed and acted upon with occupational health advice procured through an external consultancy. Absence management has continued to be a key priority in the reporting period. Several long term sickness episodes in 2013/14 have had a significant effect on attendance, and causes have been analysed, the majority being attributable to surgery and recovery.

In 2013 responsibility for appraising line reports has been extended to ferry controllers to strengthen team management and performance. Six-monthly reviews have also been added to improve responsiveness. Part of the appraisal process involves relating each post to the mission and key objectives set out in the Business Plan, identifying relevant key performance indicators.

Tailored training programmes are in place for the majority of operational staff.
Staff attend training courses or events to suit contemporary organisational or development needs. Attendance at networking and user group forums is also supported.

The Undertaking holds its own policies and procedures for the majority of functional areas including a Code of Conduct for staff, and otherwise the policies of one of the two Joint Authorities is adopted as a template. No whistleblowing or code of conduct issues have arisen in the reporting period.

The clarification of employer status is an outstanding issue that presents some risk and could affect employment contracts. It is anticipated that this clarification will be achieved in 2014.

Health and Safety

Safety is held as paramount in service delivery. All managers and supervisors at both crossings have completed the IOSH Managing Safely course. The current Health and Safety Management System (HSG65) is under review in comparison with international standard ISO18001 and TBTFJC is aiming to be accredited to ISO18001 by late 2014.

All staff with direct or indirect safety-related roles including managers are subject to random drugs and alcohol testing and all tests in the year have been negative. In 2013 the threshold for alcohol compliance has been tightened for safety critical roles to match that used in the rail industry, and testing is now based on urine sampling in line with industry trends to improve reliability.

Environmental Management

The baseline data for addressing environmental issues was established in 2012-2013 and the undertaking will be working towards ISO14001 accreditation by late 2014.

Additional recycling arrangements have been put in place for waste materials at the ferry facility matching arrangements at the bridge. A capital project to install new sewage treatment plants in each of the three Torpoint Ferries commenced in 2012 and will be completed in 2014.

Quality Management

The undertaking strives to continuously improve the quality of service delivered to the public. The establishment of a range of KPIs has facilitated a more thorough monitoring regime.

For externally sourced supplies, services and works, 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.

The costs and benefits of pursuing ISO 9001 accreditation are under consideration.

Audit and Regulation

CC Internal Audit Services perform an internal audit of the Undertaking each year, focussing on key financial systems but also taking into consideration any areas of perceived high risk.

An external audit of the Undertaking is undertaken byCC's external auditor each year and this provides opinions on internal control and governance systems.

The undertaking is also subject to external certification, regulation or scrutiny by the following agencies:

- Maritime and Coastguard Agency (MCA) – the MCA undertakes annual inspection and certification to ensure compliance with the MCA Code of Practice for Chain Ferries - the Code of Practice sets standards for the material state of the vessel together with the training and operating standards of crew.

- 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.

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

Significant Internal Control Issues

Historically, the Joint Committee has relied upon a variety of methods for monitoring the effectiveness of its activities and making sure that adequate control is exercised over all of 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.

As set out in the Annual Assurance Statement and Annual Governance Statement 2012-13 the Joint Committee recognised the need for a programme of improvements to the system of internal control. Those improvements have been progressed in 2013-14 as follows:

- *introduce improved technology to measure and publish performance* - contract awarded and installation scheduled for April 2014
- *establish and progress future income strategy* – determined and approved February 2014 and with implementation commencing April 2014
- *progress significant improvement and maintenance projects* – bridge access improvements in progress on site, bridge recoating contract tendering in April 2014, ferry sewage treatment plants to be completed by May 2014, but slippage on other capital projects
- *establish a formal scheme of delegation to the management team* – the ERP system sets out a structure of financial limits – other delegation provisions remain outstanding
- *clarify employer identity and incorporate in employment contracts* – under consideration by Joint Authorities

The above issues remain partially outstanding and are all being actively progressed. They continue to be the significant internal control issues for the undertaking, and all are planned to be resolved in 2014-15.

Significant External Issues

As stated above, an income strategy was developed to resolve a forecast shortfall in income threatening reserves level. The financial model on which the strategy was developed made certain assumptions/forecasts regarding external factors:

- ***no traffic growth*** – during the second half of 2013 traffic levels flattened, with the last quarter showing a modest increase
- ***cost inflation 2.0%* p.a.**- inflation for costs of goods and services has historically exceeded this forecast but pay inflation continues to be below this figure and on balance it continues to be close to overall cost inflation for the undertaking
- ***cost of borrowing 4.5%*** - this has proved to be very close to actual cost
- ***interest on deposits 0.6%*** - actual interest rates have been around 0.6%

Traffic levels and payment method are monitored closely at both crossings to identify any developing trends, and this data is supplemented with intelligence from networking and benchmarking with other operators. In particular, the introduction of the TamarTag account fee will affect payment preference for some users, and the response will need to be monitored closely.

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. These indicators will continue to be monitored on a monthly basis.

Conclusion

This statement has identified certain issues of control and risk that we plan to address in 2014-2015 and these actions are summarised below:

- introduction of improved technology to measure and publish performance
- progress improvement and maintenance projects
- introduce tag account fee and monitor user response
- complete a formal scheme of delegation to the management team
- clarify employer identity and incorporate in employment contracts

This statement was adopted by the Joint Committee at its meeting on 20 June 2014.

Andrew Kerr
Joint Clerk and Chief Executive (Cornwall)

Tracey Lee
Joint Clerk and Chief Executive (Plymouth)

Cllr Austin (Cornwall) **Cllr Wheeler (Plymouth)**
Joint Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee