Tamar Bridge and Torpoint Ferry Joint Committee

2010/11
Statement of Accounts

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Contents

Other Versions of our Accounts

This document sets out the Tamar Bridge and Torpoint Ferry Joint Committee's Statement of Accounts in the full detail and in the formats required by law and by the Code of Practice on Local Authority Accounting, which we follow. 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 2010/11 accounts the inspection period was 27 June 2011 to 22 July 2011. These dates were advertised as required in the local press.

Feedback

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

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

Statement of Responsibilities

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.

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 Treasurer's 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 2011 and of the income and expenditure for the year ended on that date and has been prepared in accordance with the Code.

Michael A Crich (Cornwall) **Adam Broome BSc, CPFA (Plymouth)**
Joint Treasurers of the Tamar Bridge and Torpoint Ferry Joint Committee
30 June 2011

The Joint Chairs' declaration

This Statement of Accounts has been approved by the Tamar Bridge and Torpoint Ferry Joint Committee on 23 September 2011.

Cllr Pearn (Cornwall) **Cllr Leaves (Plymouth)**
Joint Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee
23 September 2011

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

Opinion on the Joint Committee accounting statements

I have audited the accounting statements of the Joint Committee for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Tamar Bridge and Torpoint Ferry Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Joint Treasurers and auditor

As explained more fully in the Statement of the Joint Treasurer's Responsibilities, the Treasurer's are responsible for the preparation of the Joint Committee's 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Committee; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword with the exception of the section titled 'Looking Ahead to 2011/12 and Beyond' to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Tamar Bridge and Torpoint Ferry Joint Committee's affairs as at 31 March 2011 and of its income and expenditure 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.

Opinion on other matters

In my opinion, the information given in the explanatory foreword with the exception of the section titled 'Looking Ahead to 2011/12 and Beyond' for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Joint Committee's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Joint Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Joint Committee has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the criteria for other local government bodies published by the Audit Commission in October 2010.

I planned my work in accordance with the Code of Audit Practice . Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Joint Committee had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit commission in October 2010, I am satisfied that, in all significant respects, Tamar Bridge and Torpoint Ferry Joint Committee put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of 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.

Wayne Rickard
Officer of the Audit Commission

3-4 Blenheim Court
Lustleigh Close
Matford
Exeter
EX2 8PQ

Explanatory Foreword
from the Joint Treasurers

We are pleased to introduce the Tamar Bridge and Torpoint Ferry Joint Committee's Statement of Accounts for 2010/11. 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 2010 to 31 March 2011 and the final financial position at 31 March 2011.

1. The Financial Statements

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

- **Statement of Responsibilities** – this explains the different responsibilities relating to the Statement of Accounts and confirms their approval.
- **Independent Auditor's Report** – an independent report from the Audit Commission to the members of the Joint Committee.
- **Explanatory Foreword** – from the Joint Treasurers which 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.
- **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 the 31 March 2011 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 2010/11

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.

Until two years ago, the bridge and ferry operations had enjoyed a number of years of relatively low cost operation following the significant investment associated with the strengthening and widening of the bridge and the replacement of the ferries. However, the maintenance costs associated with both crossings have now risen, as anticipated, to a more typical ongoing level. Initially, this gave rise to year on year deficits on the Joint Committee's operations and reduced its reserve balances to an unsustainable level.

In March 2010, following a public enquiry, a revised scale of tolls was implemented. The additional income generated by the increased tolls has brought the level of reserves back above the current minimum target level of £1m. The 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. In 2011-2012, officers and Members will be reviewing the appropriate minimum level of reserves which will, in turn, influence the timing of any future applications for toll increases.

Operational expenditure in 2010/11 was £7.338m, some £1.153m less than the original budget of £8.491m for the year. The main reason for the significant variance is that the original budget included £1m for the enhancement of protective coatings on the bridge. Subsequently, it has been agreed with the auditors that these costs should be treated as capital expenditure and therefore the revenue budget was revised downwards accordingly (the programme has since been deferred by one year).

The level of revenue raised was £10.259m, which is £0.447m lower than the original budget of £10.706m. The main reason for the reduced revenue was noticeably lower levels of tolled traffic using the facilities, reflecting current high fuel prices and the general economic situation. At the operating level, a surplus of £2.921m was achieved in 2010/11.

From its income the Joint Committee also has to fund its financing costs, which amounted to £1.694m for the year, slightly lower than the £1.770m budgeted. After taking these costs into account and a small amount of interest received on balances held plus a transfer to receipt in advance, the overall position was a surplus of £1.238m, compared to an original budgeted surplus of £0.490m.

2.1 Comparison of Outturn Figures to Approved Budget

The table overleaf provides a high level summary of the £1.238m 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	2.469	3.505	(1.036)
Ferry Operations	4.473	4.535	(0.062)
Corporate Expenditure	0.396	0.451	(0.055)
Sub-total	7.338	8.491	(1.153)
Operational Income			
Toll Income	(9.741)	(10.280)	0.539
Other Income	(0.518)	(0.426)	(0.092)
Sub-total	(10.259)	(10.706)	0.447
Net Operational Surplus	(2.921)	(2.215)	(0.706)
Other Expenditure			
Interest on Cornwall Council financing	0.820	0.865	(0.045)
Capital Expenditure financed from Revenue	0.010	0.036	(0.026)
Contribution to Cornwall Council's MRP	0.864	0.869	(0.005)
Income			
Interest on balances	(0.011)	(0.045)	0.034
Net Overall Surplus	(1.238)	(0.490)	(0.748)

2.2 Comparison of outturn against the Comprehensive Income and Expenditure Statement

However, there is a fundamental difference between the outturn surplus against budget of £1.238m as reported to the Joint Committee above and the Deficit on Provision of Services of £1.752m as reported in the Comprehensive Income and Expenditure Statement (CIES) on page 15 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 2010/11 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.

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

	2010/11 £m	2010/11 £m
Net overall surplus per Outturn		**(1.238)**
Depreciation		**4.915**
IAS19 pension adjustments	(1.193)	
Pension interest cost	0.794	
Pension expected return on assets	(0.665)	
		(1.064)
Annual leave accrual		**0.003**
Contribution to Cornwall Council's MRP		**(0.864)**
(Surplus) or deficit on the provision of services		**1.752**

The items giving rise to the difference between the Joint Committee's reported outturn surplus for 2010/11 and the deficit on the Comprehensive Income and Expenditure Statement are explained below:

- Depreciation amounting to £4.915m has been included within the Cost of Services, as required by regulation.
- A net pension credit (as defined by International Accounting Standard 19) of £1.064m has been applied to the Comprehensive Income and Expenditure Statement.
- An accrual for short-term compensated absences (annual leave) has been charged to the Cost of Services, as required by regulation (net charge £0.003m).
- A contribution to Cornwall Council's MRP has not been included within the Cost of Services, as required by regulation.

Consequently, although the Comprehensive Income and Expenditure Account shows a Deficit on the Provision of Services of £1.752m for 2010/11, the Joint Committee's General Fund position has improved by the £1.238m surplus.

3. Material Items of Income or Expense

As noted above, the net pension fund adjustment applied to the Comprehensive Income and Expenditure Account for 2010/11 was a credit of £1.064m. This includes a significant credit of £1.221m arising as a result of a change, announced by the Chancellor in June 2010, under which public service pensions will be up-rated in line the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has, in effect, reduced the potential liabilities of the Joint Committee in relation to the pension scheme and in line with recent guidance from CIPFA (LAAP 89) and on the advice of the scheme actuaries, the reduction has been shown as a credit to past service costs. Owing to its exceptional nature and in order not to distort other figures in the accounts, the credit has been shown separately on the face of the CIES.

4. 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 2011 was £1.812m, down from £5.858m in March 2010. This should be considered alongside the level of general reserves of £2.038m, up from £0.800m in March 2010 and total assets less liabilities of £209.103m, up from £207.873m in March 2010.

Further information relating to the pension fund and how it has been accounted for is set out in Note 28 to the main financial statements.

5. Significant Changes in Accounting Policies

From the 2010/11 financial year, the Statement of Recommended Practice (SORP) under which the Joint Committee's accounts have previously been prepared has been replaced by the Code of Practice on Local Authority Accounting. Whereas the SORP was based on UK accounting standards, the Code is based on International Financial Reporting Standards (IFRS).

This change is a significant step towards the Government's goal of producing consolidated accounts for the whole of the UK public sector on a basis consistent with other countries and the private sector and follows earlier implementations by central government departments and the NHS.

The main changes as far as the Joint Committee is concerned are to the format of the statements and the treatment of the Tamar Bridge as a single asset. In future, the Tamar Bridge will be treated as a collection of components, defined with reference to their differing economic lives. This change has not had an impact on this year's statement of accounts since it will only be applied from the next revaluation or from when any new capital expenditure is incurred in relation to it, probably in 2011/12.

6. 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 which are intended to contribute to service provision over more than one year. This 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 strict annual budget as with revenue spending, but rather through a programme of approved schemes within a multi-year capital plan.

During 2010/11, our actual capital spending was low at just £0.086m (2009/10 £0.475m). The following table shows where the money was spent:

	Capital Outturn £m
Capital Expenditure	
Gantry chain tunnel replacement	0.076
Other De-minimis capital expenditure	0.010
Total	0.086

Of this expenditure, the majority (£0.076m) was funded through advances from Cornwall Council, one of the parent authorities.

7. 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.

8. Looking Ahead to 2011/12 and Beyond

The recent toll revision has put the Joint Committee's finances on a more sustainable footing, at least for the forthcoming financial year 2011/12. Beyond that, the current three year budget predicts a small surplus in 2012/13 followed by more significant deficits in 2013/14 and 2014/15 reflecting increased operational expenditure and capital financing costs, particularly associated with a major programme of enhancement to the protective coatings on the bridge.

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

9. Banking and Associated Financial Administration

During the year, the arrangements in place with Cornwall Council for managing the Joint Committee's banking and associated financial administration were changed to provide clearer separation between the transactions and balances attributable to the Joint Committee and those attributable to Cornwall Council (which hosts the Joint Committee's financial systems).

In particular, a new bank account dedicated to Joint Committee business was established to replace the previous system of notional separation of shares of a single bank account; and the Joint Committee's main financial ledger was separated from that of the Council. This separation has lead to a number of changes to financial processes, which in particular affect the timing of cash movements between the Joint Committee and the Council.

Previously, because the banking and accounting arrangements of the Joint Committee were integrated with those of the Council, all transactions between the two bodies were, in effect, settled instantly for cash (within the shared bank account). Under the new arrangements however, cash movements are only recorded in the accounts when actual payments are made, which has introduced a delay into the cash settlement of transactions between the two entities.

New procedures are being implemented in 2011/12 to minimise the impact of that delay (in particular by undertaking financing transactions on a more regular basis), but on 31 March 2011, there were a number of large financing transactions which had not been settled for cash and this is clearly reflected in this Statement of Accounts.

The impacts are seen most clearly in the balance sheet and cashflow statements and in their associated notes. In particular, payments to Cornwall Council for interest (£0.820m) and for the Joint Committee's contribution to its Minimum Revenue Provision (£0.864m) in respect of past advances to finance capital expenditure had not been settled as at the balance sheet date.

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	Reserve for Pension £m	Reserve Held for Accumulated Absences Account £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Notes
		16	16	16		17		
Balance at 31 March 2009		**(2.125)**	**2.226**	**0.029**	**0.130**	**(201.407)**	**(201.277)**	
Movement in reserves during 2009/10								
(Surplus) or deficit on the provision of services		5.555	-	-	5.555	-	**5.555**	
Other Comprehensive Income and Expenditure		-	3.637	-	3.637	(15.788)	**(12.151)**	
Total Comprehensive Income and Expenditure		**5.555**	**3.637**	**-**	**9.192**	**(15.788)**	**(6.596)**	
Adjustments between accounts basis & funding basis		(4.230)	(0.005)	-	(4.235)	4.235	**-**	7
Increase/Decrease in Year		**1.325**	**3.632**	**-**	**4.957**	**(11.553)**	**(6.596)**	
Balance at 31 March 2010 carried forward		**(0.800)**	**5.858**	**0.029**	**5.087**	**(212.960)**	**(207.873)**	
Movement in reserves during 2010/11								
(Surplus) or deficit on the provision of services		1.752	-	-	1.752	-	**1.752**	
Other Comprehensive Income and Expenditure		-	(2.982)	-	(2.982)	-	**(2.982)**	
Total Comprehensive Income and Expenditure		**1.752**	**(2.982)**	**-**	**(1.230)**	**-**	**(1.230)**	
Adjustments between accounts basis & funding basis		(2.990)	(1.064)	0.003	(4.051)	4.051	**-**	7
Increase/Decrease in Year		**(1.238)**	**(4.046)**	**0.003**	**(5.281)**	**4.051**	**(1.230)**	
Balance at 31 March 2011 carried forward		**(2.038)**	**1.812**	**0.032**	**(0.194)**	**(208.909)**	**(209.103)**	

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.

	2010/11 £m	Restated 2009/10 £m	Notes
Gross Expenditure	12.294	11.956	
Gross Income	(10.259)	(7.434)	
IAS19 credit to pension past service costs	(1.221)	-	5
Cost of services	**0.814**	**4.522**	
Financing and investment income and expenditure	0.938	1.033	8
(Surplus) or deficit on provision of services	**1.752**	**5.555**	
Surplus or deficit on revaluation of property, plant and equipment	-	(15.788)	
Actuarial gains/losses on pension assets/liabilities	(2.982)	3.637	28
Other comprehensive income and expenditure	**(2.982)**	**(12.151)**	
Total comprehensive income and expenditure	**(1.230)**	**(6.596)**	

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 2011 £m	Restated 31 March 2010 £m	Restated 1 April 2009 £m	Notes
Property, Plant and Equipment	229.400	234.239	223.080	9
Long Term Assets	**229.400**	**234.239**	**223.080**	
Cash and Cash Equivalents	2.532	-	0.962	
Inventories	0.679	0.359	0.476	11
Short Term Debtors	0.542	0.684	0.364	12
Current Assets	**3.753**	**1.043**	**1.802**	
Cash and Cash Equivalents	-	(1.032)	-	
Deferred Liabilities - Short Term	(1.688)	(0.865)	(0.846)	30
Short Term Creditors	(3.092)	(1.375)	(1.841)	14
Provisions - Short Term	-	(0.029)	(0.029)	15
Current Liabilities	**(4.780)**	**(3.301)**	**(2.716)**	
Deferred Liabilities - Long Term	(17.458)	(18.250)	(18.663)	30
Other Long Term Liabilities - Pensions	(1.812)	(5.858)	(2.226)	28
Long Term Liabilities	**(19.270)**	**(24.108)**	**(20.889)**	
Net Assets	**209.103**	**207.873**	**201.277**	
Usable Reserves	(0.194)	5.087	0.130	16
Unusable Reserves	(208.909)	(212.960)	(201.407)	17
Total Reserves	**(209.103)**	**(207.873)**	**(201.277)**	

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.

	2010/11 £m	2009/10 £m	Notes
Net (surplus) or deficit on the provision of services	**1.752**	**5.555**	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(5.496)	(4.363)	
Net cash flows from operating activities	(3.744)	1.192	18
Investing Activities	0.180	0.409	19
Financing Activities	-	0.393	20
Net increase or decrease in cash and cash equivalents	(3.564)	1.994	
Cash and cash equivalents at the beginning of the reporting period	1.032	(0.962)	
Cash and cash equivalents at the end of the reporting period	(2.532)	1.032	

Notes to the Main Financial Statements

Index of Notes

Note 1a

Accounting Policies

i. General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and other statutory guidance.

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. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Joint Committee's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Joint Committee's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. 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.

vii. 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. They are charged on an accruals basis 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 is making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, IFRS requires 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 5.5% based on the indicative rate of return on high quality corporate bonds (Iboxx Sterling Corporates AA).
- 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 seven components:
  - *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 service for which the employees worked
  - *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
  - *Interest cost* – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment and Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - *Expected return on assets* – the annual investment return on the fund assets attributable to the Joint Committee, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - *Gains or losses on settlements and curtailments* – the result of actions to relieve the Joint Committee of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
  - *Actuarial gains and losses* – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - *Contributions paid to the Cornwall Council 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.

viii. 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.

ix. 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.

x. 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.

xi. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula.

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.

xii. 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 Best Value Accounting Code of Practice 2010/11 (BVACOP). 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.

xiii. 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 deminimis, 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- 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), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair valued 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 a service.

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 – a percentage of the value 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

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.

xiv. Provisions

Provisions are made where an event has taken place that gives the Joint Committee a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Joint Committee becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Joint Committee settles the obligation.

xv. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Joint Committee - these reserves are explained in the relevant policies.

xvi. 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. 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 1b Meeting Disclosure Requirements under IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following section sets out the main difference between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences

Short-term accumulating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay, as laid out under International Accounting Standard 19 (IAS 19) Employee Benefits.

Employees build up their entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

Under IFRS local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn their benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating absences has resulted in the following changes being made to the 2009/10 financial statements:

Balance Sheet Extract 2009/10	Original Balance Sheet 1 Apr 2009 £m	IFRS Restatements £m	Restated Balance Sheet 1 Apr 2009 £m	IFRS Restatements £m	Restated Balance Sheet 31 Mar 2010 £m	Movement 20102011 £m	Balance Sheet 31 Mar 2011 £m
Accumulated Absences Account	-	0.029	0.029	-	0.029	0.003	0.032
Provision for Accumulated Absences	-	(0.029)	(0.029)	-	(0.029)	(0.003)	(0.032)

In relation to the 2010/11 Statement of Accounts, £0.003m has been debited from the Comprehensive Income and Expenditure Statement within the Gross Expenditure line, and both the Reserve Held for Accumulated Absences Account and the Accumulated Absences accrual are now at £0.032m.

Note 2

Accounting Standards issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets, which will need to be adopted fully by the Joint Committee in the next year's financial statements.

The Joint Committee does not hold any assets classified as heritage assets.

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 2010/11 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.

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 2011 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 particular, it is likely that in 2011/12, the Tamar Bridge will be subject to enhancement expenditure that will trigger componentisation of the asset. The carrying value of these long term assets at the end of the reporting period was £229.400m.	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 47 to the accounts. The carrying value of this long term liability was (£1.812m).	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

Material Items of Income and Expense

The Joint Committee's Comprehensive Income and Expenditure Account includes the following item which is deemed exceptional by virtue of its size and nature and which, to prevent distortion of other figures in the accounts, has therefore been separately reported.

- A past service gain of £1.221m arising in respect of the change, reported in the UK budget statement of 22 June 2010 by the Chancellor, announcing that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

  This has the effect of reducing the Joint Committee's liabilities in the Cornwall Pension Fund by £1.221m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Note 6

Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Joint Treasurers on 23 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7

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 2010/11	**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	(4.915)	4.915
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Cornwall Council Contribution to MRP	0.864	(0.864)
Adjustments primarily involving the Reserve for Pensions:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive and Expenditure Statement	0.584	(0.584)
Employer's pensions contributions and direct payments to pensioners payable in the year	0.480	(0.480)
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	(0.003)	0.003
Total Adjustments	(2.990)	2.990

Comparative Figures for 2009/10	**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	(5.103)	5.103
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Capital expenditure charged against the General Fund and HRA balances	0.022	(0.022)
Cornwall Council Contribution to MRP	0.846	(0.846)
Adjustments primarily involving the Reserve for Pensions:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive and Expenditure Statement	(0.515)	0.515
Employer's pensions contributions and direct payments to pensioners payable in the year	0.520	(0.520)
Total Adjustments	(4.230)	4.230

Note 8 Financing and Investment Income and Expenditure

	31 March 2011 £m	**31 March 2010 £m**
Interest payable and similar charges	0.820	0.853
Pensions interest cost and expected return on pensions assets	0.129	0.193
Interest receivable and similar income	(0.011)	(0.013)
Total	**0.938**	**1.033**

Note 9 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

Movements on Balances 2010/11	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Total Property, Plant and Equipment £m
Cost or Valuation				
At 1 April 2010	**224.491**	**18.201**	**0.340**	**243.032**
Additions	-	0.076	-	0.076
At 31 March 2011	**224.491**	**18.277**	**0.340**	**243.108**
Accumulated Depreciation and Impairment				
At 1 April 2010	**(3.799)**	**(4.985)**	**(0.009)**	**(8.793)**
Depreciation charge	(3.800)	(1.107)	(0.008)	(4.915)
At 31 March 2011	**(7.599)**	**(6.092)**	**(0.017)**	**(13.708)**
Net Book Value				
at 31 March 2011	216.892	12.185	0.323	229.400
at 31 March 2010	220.692	13.216	0.331	234.239

Comparative Movements in 2009/10	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Total Property, Plant and Equipment £m
Cost or Valuation				
At 1 April 2009	**227.365**	**17.898**	**0.341**	**245.604**
Additions	0.172	0.303	-	0.475
Revaluation increases/decreases recognised in the Revaluation Reserve	0.192	-	-	0.192
Other movements in cost or valuation	(3.238)	-	(0.001)	(3.239)
At 31 March 2010	**224.491**	**18.201**	**0.340**	**243.032**
Accumulated Depreciation and Impairment				
At 1 April 2009	**(18.559)**	**(3.881)**	**(0.085)**	**(22.525)**
Depreciation charge	(3.800)	(1.104)	(0.008)	(4.912)
Depreciation written out to the Revaluation Reserve	15.512	-	0.084	15.596
Other movements in depreciation and impairment	3.048	-	-	3.048
At 31 March 2010	**(3.799)**	**(4.985)**	**(0.009)**	**(8.793)**
Net Book Value				
at 31 March 2010	220.692	13.216	0.331	234.239
at 31 March 2009	208.806	14.017	0.256	223.080

Depreciation

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

- Other Land and Buildings – Tamar Bridge 60 years, 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

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 R J Perry MA MRICS, the Chief Valuer and Estate 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 £m	Total £m
Carried at historical cost	-	12.185	0.323	12.508
Valued at fair value as at:				
31 March 2011	(3.800)	-	-	(3.800)
31 March 2010	11.886	-	-	11.886
31 March 2009	(3.528)	-	-	(3.528)
31 March 2008	(3.561)	-	-	(3.561)
31 March 2007	215.895	-	-	215.895
Total Cost or Valuation	**216.892**	**12.185**	**0.323**	**229.400**

Note 10

Financial Instruments

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

	31 March 2011 £m	Current 31 March 2010 £m	1 April 2009 £m
Debtors			
Financial assets carried at contract amounts	0.542	0.684	0.364
Total Debtors	**0.542**	**0.684**	**0.364**
Cash and Cash Equivalents			
Cash and Cash Equivalents	2.532	(1.032)	0.962
Total Cash and Cash Equivalents	**2.532**	**(1.032)**	**0.962**
Creditors			
Financial liabilities carried at contract amount	(3.092)	(1.375)	(1.841)
Total creditors	**(3.092)**	**(1.375)**	**(1.841)**

Details of debtors are set out in Note 12 and creditors in Note 14.

Note 11

Inventories

	Chain & Materials		Tamar Tags		Fuel		Other		Total	
	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m
Balance outstanding at start of year	0.239	0.296	0.023	0.098	0.050	0.035	0.047	0.047	0.359	0.476
Purchases	0.576	0.450	0.550	0.124	0.206	0.175	0.194	0.145	1.526	0.894
Recognised as an expense in the year	(0.560)	(0.507)	(0.249)	(0.199)	(0.208)	(0.160)	(0.189)	(0.145)	(1.206)	(1.011)
Balance at year end	**0.255**	**0.239**	**0.324**	**0.023**	**0.048**	**0.050**	**0.052**	**0.047**	**0.679**	**0.359**

Note 12

Debtors

	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Central government bodies	0.341	0.654	0.326
Other local authorities	0.175	-	-
Other entities and individuals	0.026	0.030	0.038
Total	**0.542**	**0.684**	**0.364**

Note 13

Cash and Cash Equivalents

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

	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Cash held by the Joint Committee	0.069	0.001	0.001
Bank current accounts	2.463	(1.033)	0.961
Total Cash and Cash Equivalents	**2.532**	**(1.032)**	**0.962**

Note 14

Creditors

	31 March 2011 £m	Restated 31 March 2010 £m	Restated 1 April 2009 £m
Other local authorities	(1.146)	-	-
Other entities and individuals - Tamar Tag Account Balances	(1.223)	(1.016)	(0.990)
Other entities and individuals - Other	(0.723)	(0.359)	(0.851)
Total	**(3.092)**	**(1.375)**	**(1.841)**

Note 15

Provisions

	31 March 2011 £m	Restated 31 March 2010 £m	Restated 1 April 2009 £m
Balance as at 1 April	(0.029)	(0.029)	-
Additional provisions made in year	-	(0.029)	(0.029)
Unused amounts reversed in year	0.029	0.029	-
Balance as at 31 March	**-**	**(0.029)**	**(0.029)**

From 2010/11 the provision for accumulated absences has been reclassified as a short term creditor.

Note 16

Usable Reserves

	31 March 2011 £m	Restated 31 March 2010 £m	Restated 1 April 2009 £m
General Fund Reserve	(2.038)	(0.800)	(2.125)
Reserve for Pension	1.812	5.858	2.226
Reserve Held for Accumulated Absences Account	0.032	0.029	0.029
Total Usable Reserves	**(0.194)**	**5.087**	**0.130**

General Fund Reserve

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

General Fund Reserve	**2010/11 £m**	**2009/10 £m**
Balance at 1 April	**(0.800)**	**(2.125)**
Transfer to / (from) the Comprehensive Income and Expenditure Statement	(1.238)	1.325
Balance at 31 March	**(2.038)**	**(0.800)**

Reserve for Pensions

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 IFRS. 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, IFRS requires 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.

Reserve for Pension	2010/11 £m	2009/10 £m
Balance at 1 April	**5.858**	**2.226**
Actuarial gains or losses on pension assets and liabilities	(2.982)	3.637
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	(0.584)	0.515
Employer's pensions contributions and direct payments to pensioners payable in the year	(0.480)	(0.520)
Balance at 31 March	**1.812**	**5.858**

Reserve Held for 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, e.g. annual leave entitlement carried forward at 31 March.

Reserve Held for Accumulated Absences Account	2010/11 £m	Restated 2009/10 £m
Balance at 1 April	**0.029**	**0.029**
Settlement or cancellation of accrual made at the end of the preceding year	(0.029)	(0.029)
Amounts accrued at the end of the current year	0.032	0.029
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	0.003	-
Balance at 31 March	**0.032**	**0.029**

Note 17

Unusable Reserves

	31 March 2011 £m	Restated 31 March 2010 £m	Restated 1 April 2009 £m
Reserve Held for Revaluation	(15.200)	(15.522)	-
Reserve Held for Capital Adjustment Account	(193.709)	(197.438)	(201.407)
Total Unusable Reserves	**(208.909)**	**(212.960)**	**(201.407)**

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 provision of services 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 arsing before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	**2010/11**		**2009/10**
	£m	**£m**	**£m**
Balance at 1 April		**(15.522)**	**-**
Upward revaluation of assets	-		(15.522)
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services		**-**	**(15.522)**
Difference between fair value depreciation and historical cost depreciation	0.322		-
Amount written off to the Capital Adjustment Account		**0.322**	**-**
Balance at 31 March		**(15.200)**	**(15.522)**

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 provision. 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 as finance for the costs of acquisition, 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	**2010/11** £m	£m	**2009/10** £m
Balance at 1 April		**(197.438)**	**(201.407)**
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	4.915		5.103
Revaluation losses on Property, Plant and Equipment	-		(0.266)
		4.915	4.837
Adjusting Amounts written out of the Revaluation Reserve		(0.322)	-
Net written out amount of the cost of non-current assets consumed in the year		4.593	4.837
Capital financing applied in the year:			
Cornwall Council provision for the financing of capital investment charged against the General Fund	(0.864)		(0.846)
Capital expenditure charged against the General Fund and HRA balances	-		(0.022)
		(0.864)	(0.868)
Balance at 31 March		**(193.709)**	**(197.438)**

Note 18

Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2010/11 £m	**2009/10** £m
Interest Received	-	(0.013)
Interest Paid	-	0.853

On 31 March 2011, there were a number of large financing transactions which had not been settled for cash.

In particular, payments to Cornwall Council for interest (£0.820m) had not been settled as at the balance sheet date, hence there are no cash interest figures to be recorded.

Note 19

Cash Flow Statement – Investing Activities

	2010/11 £m	2009/10 £m
Purchase of property, plant and equipment, investment property and intangible assets	0.180	0.409
Net cash flows from investing activities	**0.180**	**0.409**

Note 20

Cash Flow Statement – Financing Activities

	2010/11 £m	2009/10 £m
Cash receipts of short and long-term borrowing	-	(0.453)
Repayments of short and long-term borrowing	-	0.846
Net cash flows from financing activities	**-**	**0.393**

Note 21

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 is recorded in the budget reports for the year is as follows:

Income and Expenditure 2010/11

	Bridge Operations £m	Ferry Operations £m	Corporate Expenditure £m	Total £m
Fees, charges and other service income	-	-	(10.263)	(10.263)
Total Income	**-**	**-**	**(10.263)**	**(10.263)**
Employee expenses	0.818	2.695	-	3.513
Other service expenses	1.619	1.746	0.396	3.761
Support service recharges	0.032	0.032	-	0.064
Total Expenditure	**2.469**	**4.473**	**0.396**	**7.338**
Net Expenditure	**2.469**	**4.473**	**(9.867)**	**(2.925)**

Income and Expenditure Comparative Figures 2009/10

	Bridge Operations £m	Ferry Operations £m	Corporate Expenditure £m	Total £m
Fees, charges and other service income	-	-	(7.434)	(7.434)
Total Income	**-**	**-**	**(7.434)**	**(7.434)**
Employee expenses	0.817	2.595	-	3.412
Other service expenses	1.489	1.710	0.374	3.573
Support service recharges	0.030	0.036	-	0.066
Total Expenditure	**2.336**	**4.341**	**0.374**	**7.051**
Net Operational Expenditure	**2.336**	**4.341**	**(7.060)**	**(0.383)**

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.

	2010/11 £m	2009/10 £m
Net expenditure in the analysis	(2.925)	(0.383)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	4.219	5.425
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(0.480)	(0.520)
Cost of services in the Comprehensive Income and Expenditure Statement	**0.814**	**4.522**

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 2010/11

	Analysis £m	Cost of Services £m	Corporate Accounts £m	Total £m
Fees, charges and other service income	(10.263)	0.004	-	(10.259)
Interest and investment income	-	-	(0.011)	(0.011)
Total Income	**(10.263)**	**0.004**	**(0.011)**	**(10.270)**
Employee expenses	3.513	(1.190)	0.129	2.452
Other service expenses	3.761	0.010	-	3.771
Support service recharges	0.064	-	-	0.064
Depreciation, amortisation and impairment	-	4.915	-	4.915
Interest payments	-	-	0.820	0.820
Total Expenditure	**7.338**	**3.735**	**0.949**	**12.022**
Surplus or deficit on the provision of services	**(2.925)**	**3.739**	**0.938**	**1.752**

Reconciliation to Subjective Analysis Comparative Figures 2009/10

	Analysis £m	Cost of Services £m	Corporate Accounts £m	Total £m
Fees, charges and other service income	(7.434)	-	-	(7.434)
Interest and investment income	-	-	(0.013)	(0.013)
Total Income	**(7.434)**	**-**	**(0.013)**	**(7.447)**
Employee expenses	3.412	(0.198)	0.193	3.407
Other service expenses	3.573	-	-	3.573
Support service recharges	0.066	-	-	0.066
Depreciation, amortisation and impairment	-	5.103	-	5.103
Interest payments	-	-	0.853	0.853
Total Expenditure	**7.051**	**4.905**	**1.046**	**13.002**
Surplus or deficit on the provision of services	**(0.383)**	**4.905**	**1.033**	**5.555**

Note 22

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.

	2010/11 £m	2009/10 £m
Traffic Management	0.298	0.332
Total amount reimbursable	**0.298**	**0.332**

Note 23

Member's Allowances

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

Note 24

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	2010/11	63,787				12,759	**76,546**
	2009/10	65,327	-	-	-	12,759	**78,086**

Remuneration Bands (£):

From	To	Number of Employees 2010/11	Number of Employees 2009/10
50,000	54,999	1	-
55,000	59,999	-	-
60,000	64,999	1	-
65,000	69,999	-	1
		2	**1**

The General Manager has been included in both tables to ensure consistency with previous years.

Note 25

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:

	2010/11 £m	2009/10 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.018	0.011
Total	**0.018**	**0.011**

Note 26

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 £0.082m and £0.043m respectively (2009/10 £0.108m and £0.038m) and contracted services of £0.420m and £0.047m (2009/10 £0.354m and £0.029m). Contracts were entered into in full compliance with the Joint Committee's standing orders.

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 28.

The interest due of £0.011m (2009/10 £0.013m) represents interest on balances held by Cornwall Council on behalf of the Joint Committee. The interest outstanding of £0.820m (2009/10 £0.853m) represents interest on capital funding provided by Cornwall Council. In addition, the Joint Committee accrued £0.864m (2009/10 £0.846m) to Cornwall Council as its contribution towards Cornwall Council's MRP charge in respect of funding for the Joint Committee's past capital expenditure.

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 27

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.

	2010/11 £m	2009/10 £m
Capital investment		
Property, Plant and Equipment	0.076	0.475
Sources of finance		
Sums set aside from revenue:		
Direct revenue contributions	-	0.022
Advance from Cornwall Council	0.076	0.453

Note 28

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 the pensions 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 2011 £m	31 March 2010 £m
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	0.509	0.322
Past Service Costs	(1.222)	-
Financing and Investment Income and Expenditure		
Interest Cost	0.794	0.652
Expected Return on Scheme Assets	(0.665)	(0.459)
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	**(0.584)**	**0.515**
Actuarial gains or losses	(2.982)	3.594
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**(3.566)**	**4.109**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	3.566	(4.109)
Actual amount charged against the General Fund Balance for pensions in the year	0.480	0.504
Employers' contributions payable to the scheme	**0.480**	**0.504**

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is £1.200m.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities	
	2010/11 £m	2009/10 £m
Opening Balance as at 1 April	**15.303**	**9.428**
Current service cost	0.509	0.322
Interest cost	0.794	0.652
Contributions by scheme participants	0.147	0.157
Actuarial (gains) and losses	(2.858)	5.180
Benefits paid	(0.490)	(0.436)
Past service costs / (gains)	(1.222)	-
Closing Balance at 31 March	**12.183**	**15.303**

Reconciliation of fair value of the scheme assets.

	Funded Scheme Assets	
	2010/11 £m	2009/10 £m
Opening Balance at 1 April	**9.445**	**7.175**
Expected rate of return	0.665	0.459
Actuarial gains and losses	0.124	1.586
Employer contributions	0.480	0.504
Contributions by scheme participants	0.147	0.157
Benefits paid	(0.490)	(0.436)
Closing balance at 31 March	**10.371**	**9.445**

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

The actual return on scheme assets in the year was £0.929m (2009/10: £2.045m).

Scheme History

	31 March 2011 £m	31 March 2010 £m	31 March 2009 £m	31 March 2008 £m	31 March 2007 £m
Present value of liabilities	(12.183)	(15.303)	(9.428)	(9.523)	(10.657)
Fair value of assets	10.371	9.445	7.175	9.234	9.311
Surplus/(deficit) in the scheme	(1.812)	(5.858)	(2.253)	(0.289)	(1.346)

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay post employment (retirement) benefits. The total liability of £1.812m (2009/10 £5.858m) has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy as the deficit on the local government scheme will be made good by contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Joint Committee in the year to 31 March 2012 are £0.462m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The 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 2010.

Discretionary payment liabilities have been calculated by Cornwall Council's Pension Fund Section.

The principal assumptions used by the actuary have been:

	Pension Arrangements	
	31 March 2011	**31 March 2010**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	21.3	20.8
Women	23.4	24.1
Longevity at 65 for future pensioners:		
Men	23.2	22.3
Women	25.6	25.7
Rate of inflation	2.8%	3.8%
Rate of increase in salaries	5.1%	5.8%
Rate of increase in pensions	6.8%	7.0%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum:		
For membership prior to 1 April 2008	40%	40%
For membership post 1 April 2008	70%	70%

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

	31 March 2011	31 March 2010
	%	%
Equity Investments	72.0	72.0
Bonds	14.0	15.0
Other Assets:		
Property	7.0	6.0
Cash	7.0	7.0
Total	**100.0**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Differences between the expected and actual return on assets	1.20	16.79	(39.25)	(8.53)	1.99
Experience gains/(losses) on liabilities	(3.00)	(0.01)	(0.39)	(1.56)	0.03

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

Note 29

Nature and Extent of Risks Arising from Financial Instruments

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 30

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).

		2010/11 £m	2009/10 £m
Balance at 1 April		**19.115**	**19.509**
New Advances		0.076	0.452
Repayments Due		(0.865)	(0.846)
Plus Interest accrued at Year End		0.820	
Total		**19.146**	**19.115**
Of Which:	Due within one year	(1.688)	(0.865)
	Due after more than one year	(17.458)	(18.250)

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.

Best Value Accounting 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.

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 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.

Operational Assets
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 Contributions to Capital Expenditure
The amount of capital expenditure financed directly from the annual revenue budget.

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

Statement of Recommended Practice (SORP)
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 section gives the results of our annual assessment of how well we are managing and controlling risks to achieve our aims and meet the responsibilities we have in law. The statement applies to the combined operations of the Tamar Bridge and Torpoint Ferry, referred to in this statement 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 2011 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.

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 performance using quantitative performance indicators that are reported to the Joint Committee and such reports are subsequently placed in the public domain.

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 and environmental conditions. Most vehicle breakdowns are handled with the undertaking's own contracted resources, and the time to undertake recovery is recorded and reviewed.

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

Facility availability is updated every 30 minutes on the Undertaking's website using a colour-coded traffic condition statement. This is supported by webcam views of the crossing in both directions which are updated every 30 seconds. Motorists on the adjacent road network are also advised of exceptional traffic conditions using up to twelve variable message signs on the A38 and adjoining local roads. It is planned to enhance the measurement of performance by installation of technology at the Bridge in 2011-12 to measure journey time to provide a more universally meaningful measure of service delivery.

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 decade maintenance requirements have steadily built up and a range of improvement requirements have arisen.

During 2010-11 the procurement methods for these elements have been developed and implementation is planned to commence in 2011-12.

In order to improve safety and traffic management, a capital project has been approved to install illuminated lane studs in the carriageway on the Bridge to supplement overhead traffic control signals and these are scheduled for installation in 2011/12. This project will be jointly procured through a partnering arrangement with the Highways Agency.

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

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

In response to identified increasing queuing problems on many Fridays during the reporting period, the Joint Committee has resolved to increase service provision by offering three ferries throughout the day on Fridays. The opportunity will be taken to make minor modifications to the service schedule on weekends and bank holidays to more closely match demand. The cost of these changes will for the most part be offset by improved management of off-peak maintenance activities and modified training arrangements. These changes will be introduced in June 2011.

Facility availability is updated every 30 minutes on the Undertaking's website using a colour-coded traffic condition statement. This is supported by webcam views of the waiting areas in both directions which are updated every 30 seconds. Motorists on the adjacent road network are also advised of exceptional traffic conditions using up to twelve variable message signs on the A38 and adjoining local roads. In addition, traffic updates on traffic conditions are provided to local radio stations usually every 30 mins. It is planned to enhance the measurement of performance by installation of technology at the Ferry in 2011-12 to measure journey time to provide a more universally meaningful measure of service delivery.

The ferry operation as a whole and the ferries themselves are subject to the regulatory requirements of the Maritime and Coastguard Agency (MCA), which include the vessels being taken to dry-dock facilities periodically for inspection, and this affects service provision. The Undertaking also voluntarily maintains the vessel to meet the requirements of a recognised classification society, Lloyds Register, giving further reassurance to the public, insurers and the owners. Certain maintenance activities can only be undertaken satisfactorily and/or economically in dry conditions, and these are undertaken as a periodic refit in conjunction with the MCA and Lloyds inspections. The programming of refit work and inspections is planned to maximise value and maintain compliance. This is relatively high value work and a procurement exercise was undertaken in the reporting period to cover three refits in the period 2011-2012 with options for two subsequent refits. The timing of this activity is governed by suitable weather conditions and is chosen to minimise risk to service delivery. Contractual provisions provide a bonus for early completion of refit work, and a penalty for late completion. In the report period, one refit was undertaken in September /October 2010 and was completed early, and another refit was commenced in March 2011.

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

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

- Highways Agency – partnering on the operation of the Tamar Bridge/Saltash Tunnel Tidal Flow Corridor
- Department for Transport (DfT) – General Manager is member of DfT's Interoperability Forum Operators' Sub-Committee which represents UK current and potential toll operators - also general partnering on exchange of traffic information and other data
- GoSkills – industry representation on development of national occupational standards
- Devon and Cornwall Police – general partnering, emergency planning, emergency response and facilities surveillance
- Cornwall Fire and Rescue Service – joint working on rescue procedures and emergency planning
- Devon and Somerset Fire and Rescue Service - joint working on rescue procedures and emergency planning
- UK Bridge Operators, UK Toll Operators and UK Chain and Cable Ferry Operators – joint working on shared documents and standards, benchmarking and other exchange of information
- International Cable Supported Bridge Owners/Operators - benchmarking and other exchange of information

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

CC provides support and specialist advice on procurement and general structural engineering, and a term consultant is employed to advise on the Tamar Bridge structure. A four-year contract for this structural term consultancy was procured during the reporting period, with options for two subsequent years.

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.

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.

The Joint Committee may also meet to consider specific urgent issues at Special Meetings if required by extraordinary circumstances. One such meeting was held in the reporting period to consider a major ferry maintenance contract, in order to preserve the maintenance programme and thereby deliver the scheduled ferry service. Other ad hoc informal meetings or workshops are convened from time to time but none have taken place in the reporting period.

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.

Governance of the undertaking has been under review since 2009, and in June 2010, the Joint Committee resolved to adopt formal Terms of Reference which set out responsibilities and procedures related to the Joint Committee and the Undertaking and define the role of respective Cabinets and responsible Directors. These terms of reference were subsequently ratified by the full councils of the Joint Authorities.

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 full councils. The role of Cabinets in approving significant changes to approved budgets or major capital expenditure has also been established.

A Business Planning approach was adopted by the Undertaking in 2009, and in the reporting period the first four-year Business Plan has been produced covering the period 2011- 2015.

Risk Management

As an operator of a busy front line service to the public, which is dependent on key elements of infrastructure and a ring-fenced income stream derived primarily from tolls, the undertaking faces significant risks. These have been handled competently, but the lack of a formal risk register or business continuity plan has previously been highlighted in internal and external audit reports, and it was recognised that these shortcomings needed to be addressed.

During the reporting period, a formal risk register has been produced, and from that, twelve strategic risks have been identified and incorporated in the Business Plan. The internal management team has also been working with business continuity colleagues in the Joint Authorities to ensure that the strategic risk presented by the Undertaking is recognised and documented within the Joint Authorities' respective business continuity frameworks. A formal comprehensive Business Continuity Plan for the Undertaking will be developed in 2011-2012.

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

Management Assurance

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

Ad hoc management groups are established from time to time to suit ongoing requirements. In particular, management individuals or teams generally take on the roles of project director and/or project manager for key projects to ensure that client requirements and interests are adequately covered. The nature of the facility is such that bespoke solutions are preferred in many areas, and it is considered essential that client representatives have a strong position in developing solutions.

Financial Management

Treasury, accountancy and payroll functions are provided by CC under service level agreements. The accountancy team works closely with TBTF management, providing monthly monitoring reports and attending regular meetings, typically quarterly, to review budget variances and prepare future budgets and forecasts.

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

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

Tolls were increased in March 2010 in order to put the Undertaking's finances on a sustainable footing for the short term. The application to increase tolls recognised that a further increase would be necessary within a few years. The toll revision process highlighted the criticality of the level of financial reserves and in 2011-2012 officers and Members will be reviewing the appropriate minimum level of reserves which will in turn influence the timing of any future applications for toll increases.

At the start of the calendar year 2011, the undertaking's banking arrangements changed. Historically, the undertaking's balances and transactions were processed through Cornwall Council's County Fund. From 1 January 2011, separate operating and reserve accounts have been established for the organisation improving the transparency of the undertaking's position and increasing the accountability of Officers.

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. Absence management is a key priority, with a clear goal of reducing absence. Sickness absence is managed and acted upon with occupational health advice procured through an external consultancy.

During the reporting period various policies and procedures has been reviewed and the following significant changes have been implemented:

- Revised smoking restrictions for staff
- Extension of random drugs and alcohol testing to all safety critical roles
- Refinement of recruitment procedures
- Training on customer services and first line supervision

Quality Management
The undertaking strives to continuously improve quality.

Increased human resources input has allowed HR policies and procedures to be given increased priority during the reporting period, with more sophisticated recruitment interviewing processes, and faster response to day-to-day staff issues. In particular, continued improvement has been achieved on absence management.

A staff appraisal system is operated, and tailored training programmes are in place for the majority of operational staff. Other staff attend training courses or events to suit contemporary organisational or development needs, and two managers are being supported on MBA courses. 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. The policy for whistleblowing is based on the principles used by the Joint Authorities but a specific policy for the Undertaking will be prepared in 2011-12. No whistleblowing or code of conduct issues have arisen in the reporting period.

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.

Audit and Regulation
Cornwall Council 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.

The Audit Commission performs an external audit of the Undertaking each year and provides opinions on internal control and governance systems.

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

- Maritime and Coastguard Agency (MCA) – the MCA undertakes a programme of health & safety inspections of the vessels and their operation. Its report comments on the overall organisation and documentation relating to health & safety and on the material condition of the Torpoint Ferries. Any deficiencies identified in their report are rectified.
- The Domestic Passenger Ship Safety Management Code (DSMC) – this is a quality system bringing together various areas of health & safety into one code
- Lloyds Register – the undertaking also subscribes voluntarily to regulation by Lloyds classification society – the programme of inspections ensures that each of the Torpoint Ferries is maintained in class
- Health and Safety Executive (HSE) – the HSE issue guidance and inform on regulations relating to health & safety issues - these are acted on where appropriate.
- Insurance inspections – our insurers arrange for engineering inspections to be made on a regular basis and produce a written report, and any defects identified are dealt with accordingly

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

As set out in the Annual Assurance Statement and Annual Governance Statement 2009-10, the Joint Committee has recognised the need for a programme of improvements to the system of internal control. The majority of those improvements have been progressed and implemented in 2010-11 namely:

- terms of reference - adopted and in public domain
- risk register - adopted and in public domain
- business plan - adopted and in public domain
- management resources - vacant posts filled

The development of a formal business continuity plan is a key delivery action for 2011-12. Further definition of delegated powers is also necessary to support the Terms of Reference.

Significant External Issues
The revision of tolls in 2010 was essential to ensure the financial sustainability of the undertaking. The toll revision process had not been undertaken since 1994, and with the addition of the Inquiry process, served not only to expose the undertaking to broad and deep scrutiny but also crystallised and underlined the key issues and risks for the undertaking for officers and Members alike. While onerous, it provided a uniquely complete audit of the undertaking, and following the process the opportunity was taken to hold a workshop for Members and officers to review the experience and findings. The proposal to seek more frequent but smaller increases in toll in the future will result in more frequent exposure to this scrutiny.

The only significant source of income for the undertaking is from tolls, and in the reporting period the combined tolled traffic for the two crossings reduced by 2% compared to the previous year. This reduction mirrors conditions experienced in the region and nationally and is believed to be for the most part to be the result of economic conditions including escalating fuel prices. Typically, some 60% of toll transactions are made using the discounted pre-paid TamarTag electronic payment system, and it is notable that the biggest reduction in traffic was in the cash payment sector.

This reduction in traffic, and therefore income, presents a significant external threat. The business model developed in 2008 and utilised to justify the toll revision application used zero traffic growth into the future for the purposes of forecasting income, and this has proved to have been a reasonably prudent approach. In developing budgets for 2011-12 and the four-year Business Plan 2011-2015, it has been assumed that traffic will fall a further 2% in 2011-12 and remain static thereafter.

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 2011-12 and these are summarised below:

- development of a comprehensive business continuity plan
- improved technology to measure and publish performance
- commencement of significant improvement and maintenance projects
- review appropriate level of financial reserves
- a formal scheme of delegation to the management team

Kevin Lavery
Joint Clerk and Chief Executive (Cornwall)

Barry Keel
Joint Clerk and Chief Executive (Plymouth)

Cllr Pearn (Cornwall)

Cllr Leaves (Plymouth)

Joint Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee