Tamar Bridge and Torpoint Ferry Joint Committee

2011/12
Annual Financial Report
and
Statement of Accounts

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 2011/12 accounts the inspection period is 10 July 2012 to 6 August 2012. 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

Explanatory Foreword
from the Joint Treasurers

We are pleased to introduce the Tamar Bridge and Torpoint Ferry Joint Committee's Annual Financial Report and Statement of Accounts for 2011/12. 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 2011 to 31 March 2012 and the financial position at 31 March 2012.

1. The Financial Report and Statements

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

- **Explanatory Foreword** – from the Joint Treasurers. This provides a concise guide for the reader of the accounts of the most significant aspects of the Joint Committee's financial performance, year-end position and cash flows.
- **Independent Auditor's Report** – an independent report from the Audit Commission to the Members of the Joint Committee.
- **Statement of Accounts**
  - **Statement of Responsibilities** – this explains the different responsibilities relating to the Statement of Accounts and confirms their approval.
  - **The Main Financial Statements**
    - **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Joint Committee.
    - **Comprehensive Income and Expenditure Statement** – this statement shows the net cost in the year of providing the Joint Committee services.
    - **Balance Sheet** – the Balance Sheet shows the value at 31 March 2012 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 2011/12

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

A revised scale of tolls was implemented just over two years ago. The additional income generated by the increased tolls has brought the level of reserves above £2m, which is currently considered to be a prudent level. However, due to increasing maintenance and operating costs, this level of reserves is expected to diminish over the next few years. The previous application to increase tolls recognised that a further increase would be necessary within a few years and highlighted the critical nature of the level of financial reserves.

During 2011/12, officers and Members have held workshops to review the appropriate minimum level of reserves which will, in turn, influence the timing of any future applications for toll increases and/or identify other strategies for increasing income levels or reducing costs. This work will continue into the new financial year. The forward budget currently suggests that a small toll increase will be necessary from April 2014.

Operational expenditure in 2011/12 was £7.318m, some £0.491m less than the original budget of £7.809m for the year. The main reasons for the significant variance are; lower than anticipated expenditure on ferries and ferry infrastructure, fuel costs not having increased to the extent that was built into the original budget, fewer new Tamar Tags required as the units appear to be lasting longer than originally expected and the contribution to the Plymouth Park & Ride study being deferred until next year.

The level of revenue raised was £9.951m, which is £0.221m lower than the original budget of £10.172m. The main reason for the reduced revenue was noticeably lower levels of tolled traffic using the facilities, reflecting the current general economic situation. At the operating level, a surplus of £2.633m was achieved in 2011/12.

From its income, the Joint Committee also has to fund its capital financing costs, which amounted to £1.690m for the year, approximately 6% lower than the £1.795m budgeted. This was due to an element of slippage on the prior year’s capital programme. After taking these costs into account and a small amount of interest received on cash balances, the overall position was a surplus of £0.952m, compared to an original budgeted surplus of £0.582m.

2.1 Comparison of Outturn Figures to Approved Budget

The table overleaf provides a high level summary of the £0.952m 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	2.509	2.469	0.040
Ferry Operations	4.444	4.781	(0.337)
Corporate Expenditure	0.365	0.559	(0.194)
Sub-total	7.318	7.809	(0.491)
Operational Income			
Toll Income	(9.506)	(9.729)	0.223
Other Income	(0.445)	(0.443)	(0.002)
Sub-total	(9.951)	(10.172)	0.221
Net Operational Surplus	(2.633)	(2.363)	(0.270)
Other Expenditure			
Interest on Cornwall Council financing	0.801	0.871	(0.070)
Capital Expenditure financed from Revenue	0.021	0.015	0.006
Contribution to Cornwall Council's MRP	0.868	0.909	(0.041)
Income			
Interest on balances	(0.009)	(0.014)	0.005
Net Overall Surplus	(0.952)	(0.582)	(0.370)

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 £0.952m as reported to the Joint Committee above and the Deficit on Provision of Services of £2.986m 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 2011/12 published by CIPFA. Under the Code, there are a number of notional (non-cash) costs that the Joint Committee is required to recognise in its CIES even though it is not required to meet these costs out of its cash revenues and therefore does not budget for them out of its General Fund (usable reserves).

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

	2011/12	
	£m	**£m**
Net overall surplus per Outturn		(0.952)
Depreciation		4.901
Direct revenue funding of capital expenditure		(0.021)
IAS19 pension adjustments	(0.033)	
Pension interest cost	0.673	
Pension expected return on assets	(0.710)	
		(0.070)
Decrease in annual leave accrual		(0.004)
Contribution to Cornwall Council's MRP		(0.868)
(Surplus) or Deficit on Provision of Services		2.986

The items giving rise to the difference between the Joint Committee's reported outturn surplus for 2011/12 and the deficit on the CIES are explained below:

- Depreciation is not included in the budget outturn position but is a required charge to the CIES within the Statement of Accounts. The charge is reversed out in the Movement in Reserves Statement (MIRS) so as not to impact the Joint Committee's usable reserves.

- Direct revenue funding of the capital programme from the budget, as permitted by regulation, can not be charged to the CIES.

- A net pension credit (as defined by International Accounting Standard 19) of £0.070m has been applied to the CIES, as required by regulation.

- An accrual for short-term compensated absences (annual leave) has been applied to the CIES, as required by regulation (small net reduction from prior year).

- The Joint Committee's contribution to Cornwall Council's Minimum Revenue Provision (MRP) can not be charged to the CIES.

Consequently, although the CIES shows a deficit on the provision of services of £2.986m for the year, the Joint Committee's usable reserves position has improved by the £0.952m surplus shown in the outturn position, as shown in the Movement in Reserves Statement on page 14.

3. Pensions Assets and Liabilities

The Joint Committee participates in the Local Government Pension Scheme, administered locally by Cornwall Council. This is a funded defined benefit final salary scheme, meaning that the Joint Committee and its employees pay contributions into a fund, calculated at a level intended to balance pension liabilities with investment assets. The joint authorities are liable as employers for any deficit in the funding of the pension scheme.

The Joint Committee has fully adopted the provisions of International Accounting Standard 19 (IAS 19) in relation to accounting for post employment benefits. On the basis of valuation required by IAS 19, the Joint Committee's net pension liability at 31 March 2012 was £2.789m, up from £1.812m in March 2011. This should be considered alongside the level of usable reserves of £2.990m, up from £2.038m in March 2011 and total assets less liabilities of £205.070m, down from £209.103m in March 2011.

Further information relating to the pension fund and how it has been accounted for is set out in Note 27 to the main financial statements.

4. Significant Changes in Accounting Policies

Since the 2010/11 accounts were published, the manner in which the Joint Committee's accounts should be reflected in the accounting statements of the two parent authorities has been clarified, along with the basis for classification of the Joint Committee's reserves between usable and unusable. The change in classification of reserves has required a change in accounting policy by the Joint Committee and a partial restatement of last year's accounts as set out below.

The Joint Committee has five reserves. Their classification in this year's and last year's accounts is set out below:

Reserve	***2011/12***	***2010/11***
General Fund	Usable	Usable
Pensions Reserve	Unusable	Usable
Accumulated Absences Account	Unusable	Usable
Revaluation Reserve	Unusable	Unusable
Capital Adjustment Account	Unusable	Unusable

The change in treatment of the Pensions Reserve and the Accumulated Absences Accounts is based on the consideration that neither can, in practice, be used to fund Joint Committee expenditure. The treatment of these reserves in the Joint Committee's accounts also now mirrors the treatment of those reserves in the accounts of the parent authorities.

The overall impact of the change is to reclassify £1.844m from usable to unusable reserves as at 31 March 2011 (£5.887 at 1 April 2010). The necessary restatements are identified on the statements and relevant notes.

The other aspect of this change relates to the treatment of the Joint Committee in the accounts of the parent authorities. The Joint Committee is classified for accounting purposes as a joint venture operating though jointly controlled assets. On this basis, its accounts have been incorporated into the "single entity" accounts of both parent authorities, each including half of the Joint Committee's accounts on a line by line basis. Previously, the Joint Committee's accounts were only incorporated into the group accounts of the parent authorities. This does not have any impact on the Joint Committee's own accounts.

There are no significant other changes to the Joint Committee's accounting policies for the 2011/12 financial year. The most significant change to CIPFA's Code of Practice on Local Authority Accounting is the requirement to value heritage assets – assets held primarily for their contribution to knowledge and culture. The Joint Committee does not hold heritage assets with a value material to the accounts.

5. Capital Expenditure and Funding

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

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

During 2011/12, our actual capital spending was £1.378m (2010/11 £0.076m). The following table shows where the money was spent:

Capital Expenditure	2011/12 £m
Gantry chain tunnel replacement	0.089
Bridge resurfacing work	0.673
Illuminated road studs	0.595
Ferry car park improvements	0.021
Total	1.378

Of this expenditure, the majority (£1.357m) was funded through advances from Cornwall Council, one of the parent authorities.

6. 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.

7. Looking Ahead to 2012/13 and Beyond

The toll revision which came into effect in March 2010 has helped to increase the Joint Committee's reserves to what is currently considered to be an appropriate level. However, decreases in traffic flow, mainly due to the current economic climate, has seen income at a much lower level than was anticipated at the time of the toll review. The current four year budget predicts a small surplus in 2012/13 followed by more significant deficits from 2013/14 to 2015/16, even with a further small toll increase being provisionally built into the budget from April 2014. The deficit also reflects 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 has recently commenced a process to plan its future strategy with regard to the most appropriate methods for increasing its income levels. The committee will also continue to monitor its expenditure and overall financial position closely to ensure that it continues to deliver its services in a cost effective manner.

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

Opinion on the Authority accounting statements

I have audited the financial statements of Tamar Bridge and Torpoint Ferry Joint Committee for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Accounting in the United Kingdom 2011/12.

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 Treasurers Responsibilities, the Joint Treasurers are responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require 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 financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Joint Treasurers; and the overall presentation of the financial statements. I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial 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 financial statements:

- give a true and fair view of the financial position of Tamar Bridge and Torpoint Ferry Joint Committee as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects

Other matters on which I am required to conclude

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

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of the following my review of the annual governance statement;

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

Stephen Taylor
District Auditor / Engagement Lead

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

28 September 2012

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 Treasurers' declaration

This Statement of Accounts presents a true and fair view of the financial position of Tamar Bridge and Torpoint Ferry Joint Committee on 31 March 2012 and of the income and expenditure for the year ended on that date and has been prepared in accordance with the Code.

Cath Robinson (Cornwall)

Adam Broome BSc, CPFA (Plymouth)

Joint Treasurers of the Tamar Bridge and Torpoint Ferry Joint Committee
15 June 2012

The Joint Chairs' declaration

This Statement of Accounts has been approved by the Tamar Bridge and Torpoint Ferry Joint Committee on 28 September 2012.

Cllr Trubody (Cornwall)

Cllr Coker (Plymouth)

Joint Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee
28 September 2012

Main Financial Statements

Movement in Reserves Statement

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

	Notes	General Fund Balance £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Notes
		15		16		
Balance at 31 March 2010 (Restated)		**(0.800)**	**(0.800)**	**(207.073)**	**(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)**	
Total Comprehensive Income and Expenditure		**1.752**	**1.752**	**(2.982)**	**(1.230)**	
Adjustments between accounts basis & funding basis		(2.990)	(2.990)	2.990	**-**	6
Increase/Decrease in Year		**(1.238)**	**(1.238)**	**0.008**	**(1.230)**	
Balance at 31 March 2011 carried forward (Restated)		**(2.038)**	**(2.038)**	**(207.065)**	**(209.103)**	
Movement in reserves during 2011/12						
(Surplus) or deficit on the provision of services		2.986	2.986	-	**2.986**	
Other Comprehensive Income and Expenditure		-	-	1.047	**1.047**	
Total Comprehensive Income and Expenditure		**2.986**	**2.986**	**1.047**	**4.033**	
Adjustments between accounts basis & funding basis		(3.938)	(3.938)	3.938	**-**	6
Increase/Decrease in Year		**(0.952)**	**(0.952)**	**4.985**	**4.033**	
Balance at 31 March 2012 carried forward		**(2.990)**	**(2.990)**	**(202.080)**	**(205.070)**	

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.

	2011/12 £m	2010/11 £m	Notes
Gross Expenditure	12.181	12.294	
Gross Income	(9.950)	(10.259)	
IAS19 credit to pension past service costs	-	(1.221)	
Cost of services	**2.231**	**0.814**	
Financing and investment income and expenditure	0.755	0.938	7
(Surplus) or deficit on provision of services	**2.986**	**1.752**	
Surplus or deficit on revaluation of property, plant and equipment	-	-	
Actuarial (gains)/losses on pension assets/liabilities	1.047	(2.982)	27
Other comprehensive income and expenditure	**1.047**	**(2.982)**	
Total comprehensive income and expenditure	**4.033**	**(1.230)**	

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 2012 £m	Restated 31 March 2011 £m	Restated 1 April 2010 £m	Notes
Property, Plant and Equipment	225.877	229.400	234.239	8
Long Term Assets	**225.877**	**229.400**	**234.239**	
Cash and Cash Equivalents	2.408	2.532	-	12
Inventories	0.445	0.679	0.359	10
Short Term Debtors	0.509	0.542	0.684	11
Current Assets	**3.362**	**3.753**	**1.043**	
Cash and Cash Equivalents	-	-	(1.032)	12
Deferred Liabilities - Short Term	(1.126)	(1.688)	(0.865)	29
Short Term Creditors	(2.360)	(3.092)	(1.375)	13
Provisions - Short Term	-	-	(0.029)	14
Current Liabilities	**(3.486)**	**(4.780)**	**(3.301)**	
Deferred Liabilities - Long Term	(17.894)	(17.458)	(18.250)	29
Other Long Term Liabilities - Pensions	(2.789)	(1.812)	(5.858)	27
Long Term Liabilities	**(20.683)**	**(19.270)**	**(24.108)**	
Net Assets	**205.070**	**209.103**	**207.873**	
Usable Reserves	(2.990)	(2.038)	(0.800)	15
Unusable Reserves	(202.080)	(207.065)	(207.073)	16
Total Reserves	**(205.070)**	**(209.103)**	**(207.873)**	

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.

	2011/12 £m	2010/11 £m	Notes
Net (surplus) or deficit on the provision of services	**2.986**	**1.752**	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(4.283)	(5.496)	
Net cash flows from operating activities	(1.297)	(3.744)	17
Investing Activities	1.378	0.180	18
Financing Activities	0.043	-	19
Net increase or decrease in cash and cash equivalents	0.124	(3.564)	
Cash and cash equivalents at the beginning of the reporting period	(2.532)	1.032	
Cash and cash equivalents at the end of the reporting period	(2.408)	(2.532)	

Notes to the Main Financial Statements

Index of Notes

Note 1

Accounting Policies

i. General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Joint Committee is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and other statutory guidance issued under section 12 of the 2011 Act.

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

ii. Accruals of Income and Expenditure

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

- Revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- Revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable and payable is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

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

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

iv. 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 and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Joint Committee is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

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

- The liabilities of the Cornwall Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% 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, on a “first in, first out” (FIFO) basis.

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

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 Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

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 de minimis, the amounts will be charged as revenue to the Comprehensive Income and Expenditure Statement in place of capital charges.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Assets included in the Balance Sheet at fair 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 service expenditure.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over the useful life of the asset

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.

The Joint Committee maintains five reserves which are classified as follows:

Reserve	
General Fund	Usable
Pensions Reserve	Unusable
Accumulated Absences Account	Unusable
Revaluation Reserve	Unusable
Capital Adjustment Account	Unusable

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 2

Accounting Standards issued, Not Adopted

The amendments to IFRS 7-Financial Instruments: Disclosures (transfers of financial assets, issued October 2010, adopted by Cornwall Council 1 April 2012), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. However, CIPFA is of the view that the transfers described by the standard do not occur frequently in local authorities. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

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 2011/12 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.

- Treatment of the Pensions Reserve and Accumulated Absences Accounts

  The change in treatment of the Pensions Reserve and the Accumulated Absences Accounts is based on the consideration that neither can, in practice, be used to fund Joint Committee expenditure. The treatment of these reserves in the Joint Committee's accounts also now mirrors the treatment of those reserves in the accounts of the parent authorities

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 2012 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 2012/13, 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 £225.877m.	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 27 to the accounts. The carrying value of this long term liability was (£2.789m).	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES. These changes do not have an impact on the Joint Committee's usable reserves as the Joint Committee is not required to pay for such charges out of its revenues

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

Note 5 Events after the Balance Sheet Date

The Statement of Accounts will be authorised for issue by the Joint Treasurers on 28 September 2012. Events taking place after this date will not be reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6

Adjustments between Accounting Basis and Funding Basis under Regulations

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

Adjustments in 2011/12	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	(4.901)	4.901
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Capital expenditure charged against the General Fund	0.021	(0.021)
Contribution to Cornwall Council MRP	0.868	(0.868)
Adjustments primarily involving the Reserve for Pensions:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(0.444)	0.444
Employer's pensions contributions and direct payments to pensioners payable in the year	0.514	(0.514)
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	0.004	(0.004)
Total Adjustments	(3.938)	3.938

Comparative Figures for 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:		
Contribution to Cornwall Council 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 Income 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

Note 7 Financing and Investment Income and Expenditure

	2011/12 £m	2010/11 £m
Interest payable and similar charges	0.801	0.820
Pensions interest cost and expected return on pensions assets	(0.037)	0.129
Interest receivable and similar income	(0.009)	(0.011)
Total	**0.755**	**0.938**

Note 8 Property, Plant and Equipment

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

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

Movements on Balances 2011/12	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m
Cost or Valuation					
At 1 April 2011	**224.491**	**18.277**	**0.340**	**-**	**243.108**
Additions	0.694	0.089	-	0.595	1.378
At 31 March 2012	**225.185**	**18.366**	**0.340**	**0.595**	**244.486**
Accumulated Depreciation and Impairment					
At 1 April 2011	**(7.599)**	**(6.092)**	**(0.017)**	**-**	**(13.708)**
Depreciation charge	(3.812)	(1.081)	(0.008)	-	(4.901)
At 31 March 2012	**(11.411)**	**(7.173)**	**(0.025)**	**-**	**(18.609)**
Net Book Value					
at 31 March 2012	213.774	11.193	0.315	0.595	225.877
at 31 March 2011	216.892	12.185	0.323	-	229.400

Comparative Movements in 2010/11 **Cost or Valuation**	**Other Land and Buildings £m**	**Vehicles, Plant, Furniture and Equipment £m**	**Infrastructure Assets £m**	**Total Property, Plant and Equipment £m**
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

Depreciation

The following useful lives and depreciation 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 Karen Potter RICS, the Asset Valuation and Rating Manager of Cornwall Council. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Assets Under Construction £m	Total £m
Carried at historical cost	-	11.193	0.315	0.595	12.103
Valued at fair value as at:					
31 March 2012	-	-	-	-	-
31 March 2011	-	-	-	-	-
31 March 2010	213.774	-	-	-	213.774
31 March 2009	-	-	-	-	-
31 March 2008	-	-	-	-	-
Net Book Value - Valuation Movements	**213.774**	**11.193**	**0.315**	**0.595**	**225.877**

Note 9

Financial Instruments

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

	Current 31 March 2012 £m	31 March 2011 £m
Debtors		
Financial assets carried at contract amounts	0.509	0.542
Total Debtors	**0.509**	**0.542**
Cash and Cash Equivalents	2.408	2.532
Total Cash and Cash Equivalents	**2.408**	**2.532**
Creditors		
Financial liabilities carried at contract amount	(2.360)	(3.092)
Total creditors	**(2.360)**	**(3.092)**

Details of debtors are set out in Note 11 and creditors in Note 13.

Note 10

Inventories

	Chain & Materials		Tamar Tags		Fuel		Other		Total	
	2011/12 £m	2010/11 £m	2011/12 £m	2010/11 £m	2011/12 £m	2010/11 £m	2011/12 £m	2010/11 £m	2011/12 £m	2010/11 £m
Balance outstanding at start of year	0.255	0.239	0.324	0.023	0.048	0.050	0.052	0.047	0.679	0.359
Purchases	0.357	0.576	0.001	0.550	0.253	0.206	0.155	0.194	0.766	1.526
Recognised as an expense in the year	(0.395)	(0.560)	(0.208)	(0.249)	(0.242)	(0.208)	(0.155)	(0.189)	(1.000)	(1.206)
Balance at year end	**0.217**	**0.255**	**0.117**	**0.324**	**0.059**	**0.048**	**0.052**	**0.052**	**0.445**	**0.679**

Note 11

Debtors

	31 March 2012 £m	31 March 2011 £m	1 April 2010 £m
Central government bodies	0.114	0.341	0.654
Other local authorities	0.321	0.175	-
Other entities and individuals	0.074	0.026	0.030
Total	**0.509**	**0.542**	**0.684**

Note 12

Cash and Cash Equivalents

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

	31 March 2012 £m	31 March 2011 £m	1 April 2010 £m
Cash held by the Joint Committee	0.077	0.069	0.001
Bank current accounts	2.331	2.463	(1.033)
Total Cash and Cash Equivalents	**2.408**	**2.532**	**(1.032)**

Note 13

Creditors

	31 March 2012 £m	31 March 2011 £m	1 April 2010 £m
Other local authorities	(0.682)	(1.146)	-
Other entities and individuals - Tamar Tag Account Balances	(1.297)	(1.223)	(1.016)
Other entities and individuals - Other	(0.381)	(0.723)	(0.359)
Total	**(2.360)**	**(3.092)**	**(1.375)**

Note 14

Provisions

	31 March 2012 £m	31 March 2011 £m
Balance as at 1 April	-	(0.029)
Additional provisions made in year	-	-
Unused amounts reversed in year	-	0.029
Balance as at 31 March	**-**	**-**

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

Note 15

Usable Reserves

	31 March 2012 £m	Restated 31 March 2011 £m	Restated 1 April 2010 £m
General Fund Reserve	(2.990)	(2.038)	(0.800)
Total Usable Reserves	**(2.990)**	**(2.038)**	**(0.800)**

General Fund Reserve

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

	2011/12 £m	2010/11 £m
Balance at 1 April	**(2.038)**	**(0.800)**
Transfer to / (from) the Comprehensive Income and Expenditure Statement	(0.952)	(1.238)
Balance at 31 March	**(2.990)**	**(2.038)**

Note 16

Unusable Reserves

	31 March 2012 £m	Restated 31 March 2011 £m	Restated 1 April 2010 £m
Revaluation Reserve	(14.821)	(15.200)	(15.522)
Capital Adjustment Account	(190.076)	(193.709)	(197.438)
Pensions Reserve	2.789	1.812	5.858
Accumulated Absences Account	0.028	0.032	0.029
Total Unusable Reserves	**(202.080)**	**(207.065)**	**(207.073)**

Revaluation Reserve

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

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

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

Revaluation Reserve	**2011/12**		**2010/11**
	£m	**£m**	**£m**
Balance at 1 April		**(15.200)**	**(15.522)**
Difference between fair value depreciation and historical cost depreciation	0.379		0.322
Amount written off to the Reserve Held for Capital Adjustment Account		**0.379**	**0.322**
Balance at 31 March		**(14.821)**	**(15.200)**

Capital Adjustment Account

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

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

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

Capital Adjustment Account	**2011/12**		**2010/11**
	£m	**£m**	**£m**
Balance at 1 April		**(193.709)**	**(197.438)**
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		4.901	4.915
Adjusting amounts written out of the Reserve Held for Revaluation		(0.379)	(0.322)
Net written out amount of the cost of non-current assets consumed in the year		4.522	4.593
Capital financing applied in the year:			
Cornwall Council provision for the financing of capital investment charged against the General Fund	(0.868)		(0.864)
Capital expenditure charged against the General Fund	(0.021)		-
		(0.889)	(0.864)
Balance at 31 March		**(190.076)**	**(193.709)**

Pensions Reserve

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

Pensions Reserve	2011/12 £m	2010/11 £m
Balance at 1 April	**1.812**	**5.858**
Actuarial gains or losses on pension assets and liabilities	1.047	(2.982)
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	0.444	(0.584)
Employer's pensions contributions and direct payments to pensioners payable in the year	(0.514)	(0.480)
Balance at 31 March	**2.789**	**1.812**

Accumulated Absences Account

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

Accumulated Absences Account	2011/12 £m	2010/11 £m
Balance at 1 April	**0.032**	**0.029**
Settlement or cancellation of accrual made at the end of the preceding year	(0.032)	(0.029)
Amounts accrued at the end of the current year	0.028	0.032
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.004)	0.003
Balance at 31 March	**0.028**	**0.032**

Note 17

Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2011/12 £m	2010/11 £m
Interest Received	(0.020)	-
Interest Paid	1.416	-

Note 18

Cash Flow Statement – Investing Activities

	2011/12 £m	2010/11 £m
Purchase of property, plant and equipment, investment property and intangible assets	1.378	0.180
Net cash flows from investing activities	**1.378**	**0.180**

Note 19

Cash Flow Statement – Financing Activities

	2011/12 £m	2010/11 £m
Cash receipts of short and long-term borrowing	(1.472)	-
Repayments of short and long-term borrowing	1.515	-
Net cash flows from financing activities	**0.043**	**-**

Note 20

Amounts Reported for Resource Allocation Decisions

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

In particular:

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

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

Income and Expenditure 2011/12

	Bridge Operations £m	Ferry Operations £m	Corporate Expenditure £m	Total £m
Fees, charges and other service income	-	-	(9.951)	(9.951)
Total Income	**-**	**-**	**(9.951)**	**(9.951)**
Employee expenses	0.794	2.739	-	3.533
Other service expenses	1.663	1.667	0.329	3.659
Support service recharges	0.052	0.038	0.036	0.126
Total Expenditure	**2.509**	**4.444**	**0.365**	**7.318**
Net Expenditure	**2.509**	**4.444**	**(9.586)**	**(2.633)**

Income and Expenditure Comparative Figures 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	0.370	3.735
Support service recharges	0.032	0.032	0.026	0.090
Total Expenditure	**2.469**	**4.473**	**0.396**	**7.338**
Net Expenditure	**2.469**	**4.473**	**(9.867)**	**(2.925)**

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.

	2011/12 £m	2010/11 £m
Net expenditure in the analysis	(2.633)	(2.925)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5.378	4.219
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(0.514)	(0.480)
Cost of services in the Comprehensive Income and Expenditure Statement	**2.231**	**0.814**

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 2011/12

	Analysis £m	Cost of Services £m	Corporate Accounts £m	Total £m
Fees, charges and other service income	(9.951)	-	-	(9.951)
Interest and investment income	-	-	(0.009)	(0.009)
Total Income	**(9.951)**	**-**	**(0.009)**	**(9.960)**
Employee expenses	3.533	(0.037)	(0.037)	3.459
Other service expenses	3.659	-	-	3.659
Support service recharges	0.126	-	-	0.126
Depreciation, amortisation and impairment	-	4.901	-	4.901
Interest payments	-	-	0.801	0.801
Total Expenditure	**7.318**	**4.864**	**0.764**	**12.946**
Surplus or deficit on the provision of services	**(2.633)**	**4.864**	**0.755**	**2.986**

Reconciliation to Subjective Analysis Comparative Figures 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	3.735	0.010	-	3.745
Support service recharges	0.090	-	-	0.090
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**

Note 21

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.

	2011/12 £m	2010/11 £m
Traffic Management	0.303	0.298
Total amount reimbursable	**0.303**	**0.298**

Note 22

Members' Allowances

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

Note 23

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	**2011/12**	62,680				10,504	**73,184**
	2010/11	63,787				12,759	**76,546**

Remuneration Bands (£):

From	To	Number of Employees 2011/12	Number of Employees 2010/11
50,000	54,999	-	1
55,000	59,999	-	-
60,000	64,999	1	1
		1	**2**

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

Note 24

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:

	2011/12 £m	2010/11 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.015	0.018
Total	**0.015**	**0.018**

Note 25

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 £0.077m and £0.037m respectively (2010/11 £0.082m and £0.043m) and contracted services of £1.055m and £0.042m (2010/11 £0.420m and £0.047m). The significant increase in services contracted from Cornwall Council is mainly due to work carried out by CORMAC on the bridge resurfacing capital project.

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 27.

The interest charge of £0.801m (2010/11 £0.820m) represents interest on capital funding provided by Cornwall Council. In addition, the Joint Committee paid £0.868m (2010/11 £0.864m) to Cornwall Council as its contribution towards Cornwall Council's MRP charge in respect of funding for the Joint Committee's past capital expenditure. New advances in the year total £1.357m (2010/11 £0.076m) as shown in Note 29.

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 26

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.

	2011/12 £m	2010/11 £m
Capital investment		
Property, Plant and Equipment	1.378	0.076
Sources of finance		
Sums set aside from revenue:		
Direct revenue contributions	0.021	-
Advance from Cornwall Council	1.357	0.076

Note 27

Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make is based on the cash payable in the year, so the real cost of post employment / retirement benefits is adjusted out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Pension Arrangements	
	31 March 2012 £m	31 March 2011 £m
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	0.481	0.509
Past Service Costs	-	(1.222)
Financing and Investment Income and Expenditure		
Interest Cost	0.673	0.794
Expected Return on Scheme Assets	(0.710)	(0.665)
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	0.444	(0.584)
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:		
Actuarial (gains) and losses	1.047	(2.982)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	1.491	(3.566)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(0.444)	0.584
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	0.514	0.480

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is £2.234m.

Assets and Liabilities in Relation to Retirement Benefits

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

	Funded Liabilities	
	2011/12 £m	2010/11 £m
Opening Balance as at 1 April	**12.183**	**15.303**
Current service cost	0.481	0.509
Interest cost	0.673	0.794
Contributions by scheme participants	0.161	0.147
Actuarial (gains) and losses	0.550	(2.858)
Benefits paid	(0.526)	(0.490)
Past service costs / (gains)	-	(1.222)
Closing Balance at 31 March	**13.522**	**12.183**

Reconciliation of fair value of the scheme assets:

	Funded Scheme Assets	
	2011/12 £m	2010/11 £m
Opening Balance at 1 April	**10.371**	**9.445**
Expected rate of return	0.710	0.665
Actuarial gains and (losses)	(0.497)	0.124
Employer contributions	0.514	0.480
Contributions by scheme participants	0.161	0.147
Benefits paid	(0.526)	(0.490)
Closing balance at 31 March	**10.733**	**10.371**

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 £0.216m (2010/11: £0.929m).

Scheme History

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 £2,789m (2010/11 £1.812m) 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 2013 are £0.485m.

	31 March 2012 £m	31 March 2011 £m	31 March 2010 £m	31 March 2009 £m	31 March 2008 £m
Present value of liabilities	(13.522)	(12.183)	(15.303)	(9.428)	(9.523)
Fair value of assets	10.733	10.371	9.445	7.175	9.234
Surplus/(deficit) in the scheme	(2.789)	(1.812)	(5.858)	(2.253)	(0.289)

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.

The principal assumptions used by the actuary have been:

	Pension Arrangements 31 March 2012	31 March 2011
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.2%	7.5%
Bonds	4.0%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	21.3	21.3
Women	23.4	23.4
Longevity at 65 for future pensioners:		
Men	23.2	23.2
Women	25.6	25.6
Rate of inflation	3.3%	2.8%
Rate of increase in salaries*	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	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%

* Salary increases are assumed to be 1% pa until 31 March 2015 reverting to the long term assumption shown thereafter (comparative date for 2010/11 assumptions 31 March 2013).

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

	31 March 2012 %	31 March 2011 %
Equity Investments	68.0	72.0
Bonds	16.0	14.0
Other Assets:		
Property	7.0	7.0
Cash	9.0	7.0
Total	**100.0**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2011/12 %	2010/11 %	2009/10 %	2008/09 %	2007/08 %
Differences between the expected and actual return on assets	(4.63)	1.20	16.79	(39.25)	(8.53)
Experience gains/(losses) on liabilities	0.87	(3.00)	(0.01)	(0.39)	(1.56)

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

Note 28 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 29 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).

		2011/12 £m	2010/11 £m
Balance at 1 April		**19.146**	**19.115**
New Advances		1.357	0.076
Repayments Due		(1.688)	(0.865)
Plus Interest accrued at Year End		0.205	0.820
Total		**19.020**	**19.146**
Of Which:	Due within one year	(1.126)	(1.688)
	Due after more than one year	(17.894)	(17.458)

Glossary

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS
International Financial Reporting Standards

Inventory
Previously referred to as 'stock'.

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

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

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

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

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 2012 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 key performance indicators (KPIs) that are reported to the Joint Committee and such reports are subsequently placed in the public domain. For some of the parameters measured by KPIs, 2011/12 will be the base year and work has been undertaken to ensure the availability of baseline data.

As set out in the Business Plan, the undertaking will also undergo an external efficiency review in 2012/13 which will examine the cost-effectiveness of service delivery.

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.

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. A suitable system to measure journey time has been identified and it is intended that this will be installed in the summer of 2012 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.

In the years 2010 and 2011, the condition of a significant section of the Bridge main deck surfacing had deteriorated to the extent that a compelling business case developed for major resurfacing. As a result, during 2011/12 the first major resurfacing was undertaken on the Bridge main deck since 2001. In contrast to previous surfacing, the material was laid in greater thickness and by machine as opposed to hand laying, resulting in a stronger surfacing layer that will complement the function of the steel structure, extend future life and gives better ride quality.

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. This project has been jointly procured through a partnering arrangement with the Highways Agency, and the first phase in the HA section was completed in early 2011. The second phase on the Bridge is scheduled for installation in June 2012.

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

The performance of the bridge toll collection function is monitored in terms of speed, accuracy, integrity and quality. Speed is monitored by the continuous supervision of traffic throughput. Accuracy is measured by daily reconciliation of takings and errors above a threshold are investigated, generally commencing on the same day. Integrity is controlled by separation of duties, system access controls, continuous recorded video surveillance, toll system vehicle recognition data and frequent random unannounced searches.

Customer complaints are all investigated in accordance with the undertaking's complaints procedure. Complaint trends are reviewed at management meetings and appropriate action taken. Meetings with the toll collection contractor are held monthly to discuss performance.

The term contract for toll collection was tendered in 2011-2012 and a new contract was signed in March 2012. This new contract covers the period 2012-2016 with an option for a year's extension.

At the Torpoint Ferry, the service provision is measured primarily in terms of the percentage of scheduled crossings achieved. This is based on supervisors' daily logs of down time and is collated weekly and reviewed by the Ferry Manager and the General Manager. Ferry availability is reported quarterly to Members at Joint Committee Meetings. Both planned and unplanned down-time 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 month's performance is posted in a public area on each ferry, and on the web site.

In response to identified increasing queuing problems in the middle part of the day on Fridays, an increased service frequency (every 10 mins rather than 15 mins) was introduced from 0930 to 1400 in what has historically been regarded as the off-peak period. The opportunity was taken to make minor modifications to the service schedule on weekends and bank holidays to more closely match demand. The cost of these changes was largely offset by improved management of off-peak maintenance activities and modified training arrangements.

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. As at the Bridge, a suitable system to measure journey time has been identified and it is intended that this will be installed in the summer of 2012, 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. In the report period, one refit was undertaken in March 2011 within budget and within the forecast duration.

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
- 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

In the reporting period the Ferry has been visited by delegations from both the Swedish and Norwegian national highway authorities which operate navigable and chain/cable ferries of a similar size to those at Torpoint. During these visits valuable new relationships were established for sharing experience, technical knowledge and benchmarking data.

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.

Cornwall Council (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.

Terms of Reference set out responsibilities and procedures related to the Joint Committee and the Undertaking and define the role of respective Cabinets and responsible Directors. As a result of the introduction of the Terms of Reference, respective portfolio holders are now briefed on the annual business plan and proposed budgets in advance of presentation to full councils. The role of Cabinets in approving significant changes to approved budgets or major capital expenditure has also been established.

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

The Joint Committee meets quarterly to consider current issues and undertake specific statutory tasks including the approval of the Statement of Accounts. At these quarterly meetings, Members receive reports allowing them to monitor the operations and financial position of the Undertaking, hold officers to account and review the progress of any specific on-going projects or issues. All reports to the Joint Committee are circulated in draft form to relevant officers of the Joint Authorities prior to finalisation and presentation and any legal or financial considerations are specifically signed off as part of that process. The Joint Chairmen are briefed on proposed agenda items typically two to three weeks in advance of quarterly meetings.

The Joint Committee may also meet to consider specific urgent issues at Special Meetings if decisions are required due to extraordinary circumstances, but no such meetings were held in the reporting period.

From time to time Member/Officer workshops may also be convened to allow detailed and extended discussion of topical issues and agree a direction for progress between formal meetings. In the reporting period a workshop was undertaken to address the financial reserves position and another to consider forecast income shortfall.

A Business Planning approach was adopted by the Undertaking in 2009, and in the reporting period the second four-year Business Plan has been drafted pending approval of future budgets. The Business Plan covering the period 2012- 2016 will be presented to the June 2012 meeting of the Joint Committee.

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. A formal risk register has been in place since 2010 and is subject to officer review every six months. At the end of the reporting period the most significant strategic risks have been identified and incorporated in the updated Business Plan. The internal management team also works with business continuity colleagues in the Joint Authorities to ensure that the strategic risks presented by the Undertaking are recognised and documented as appropriate within the Joint Authorities' respective business continuity frameworks. A formal comprehensive Business Continuity Plan is under preparation and is scheduled for presentation to the June 2012 meeting of the Joint Committee in conjunction with the updated Risk Register and Business Plan.

In the meantime, the recognition and management of risk continues to be a fundamental driver of day to day management and steers the development of specifications and procedures.

Management Assurance
Bi-monthly management group meetings covering both crossings are held to review policies, procedures, projects and common operational issues. These are supplemented by regular meetings at each crossing addressing crossing-specific operational and project issues. These may be weekly, monthly, or driven by project requirements.

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

Financial Management
Treasury, accountancy and payroll functions are provided by CC under service level agreements. The accountancy team works closely with TBTF management, providing 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 and appropriate controls.

Tolls were increased in March 2010 in order to put the Undertaking's finances on a sustainable footing for the short term, but the application to increase tolls recognised that a further increase would be necessary within a few years and had assumed that traffic levels would not fall – this issue is covered later in Significant External Issues. The toll revision process highlighted the criticality of the level of financial reserves and in 2011/12 officers and Members and officers have attended two workshops to consider the appropriate levels of reserves and develop a strategy for achieving the levels of future income required to meet planned expenditure.

During the course of 2011/12, Cornwall Council has been progressing the replacement of existing payroll, purchasing, payment and accountancy systems with integrated Enterprise Resource Planning (ERP) software with a view to full implementation at the start of financial year 2012-2013. For much of 2011/12, the impact of ERP on systems of control and responsibilities on the undertaking has been unclear, and this uncertainty has limited progress towards formal delegation of management responsibilities, which remains as an outstanding internal control issue.

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

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

Sickness absence is managed and acted upon with occupational health advice procured through an external consultancy. Absence management has been a key priority in the reporting period. Several long term sickness episodes have had a significant effect on attendance, and causes have been analysed. An ergonomic review and workshop has been undertaken for ferry operations in an effort to minimise the occurrence of certain injury types and minor accidents.

A staff appraisal system is operated, and tailored training programmes are in place for the majority of operational staff. Part of the appraisal process involves relating each post to the mission and key objectives set out in the Business Plan, identifying relevant key performance indicators.

Line reporting arrangements below supervisor level have been reviewed and some changes will be implemented in 2012/13.

Staff attend training courses or events to suit contemporary organisational or development needs and one manager has completed an MBA course. 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. An Anti-Fraud and Corruption Policy and a Whistleblowing Policy have been drafted and should be issued in June 2012. No whistleblowing or code of conduct issues have arisen in the reporting period.

Quality Management

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

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

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 2010/11, the Joint Committee recognised the need for a programme of improvements to the system of internal control. Those improvements have been progressed in 2011/12 as follows:

- *development of a comprehensive business continuity plan* – plan under preparation for presentation to June 2012 meeting of Joint Committee

- *improved technology to measure and publish performance* - technology identified and budget to be sought at June 2012 meeting of Joint Committee
- *commencement of significant improvement and maintenance projects* – there has been slippage in some projects but Phase 1 Bridge resurfacing has been completed, illuminated lane studs on Bridge scheduled for installation in June 2012 and Bridge re-coating strategy being finalised
- *review appropriate level of financial reserves* – workshop undertaken and further workshops scheduled
- *a formal scheme of delegation to the management team* – under review and affected by introduction of ERP system

The above issues are all being actively progressed but continue to be significant internal control issues for the undertaking, and all are planned to be resolved in 2012/13.

In addition a review of employment contract documentation has highlighted a lack of clarity in respect of the identity of the employer, and this issue will also be addressed in 2012/13.

Significant External Issues
As stated earlier, the revision of tolls in 2010 was essential to ensure the financial sustainability of the undertaking in the short term, but the application to increase tolls recognised that a further increase would be necessary within a few years. The business case for the 2010 toll increase made several assumptions/forecasts regarding external factors:

- ***no traffic growth*** – in fact traffic has fallen approximately 5% since the application was submitted in May 2009, representing approximately £1 million reduction from forecast income from then to date
- ***cost inflation 2.5%*** - inflation for costs of goods and services had exceeded this forecast, but pay inflation has been less so on balance this has not materially affected the forecast position to date
- **cost of borrowing 4.5%** - this has proved to be close to actual cost
- **interest on deposits 4.5%** - actual interest rates have been around 0.5% so this has adversely affected the position.
- **minimum level of reserves** – this sets a trigger for any future toll revision applications and has historically been set at £1 million, but this is now considered to be low and the undertaking is considering setting a higher minimum level

The continued reduction in traffic levels was highlighted in the Annual Assurance Statement and Annual Governance Statement 2010/11 and is believed for the most part to be the result of economic conditions including escalating fuel prices. Around 60% of toll transactions in 2011/12 were made using the discounted pre-paid TamarTag electronic payment system and it is notable that the biggest reduction in traffic continues to be in the cash payment sector.

This reduction in traffic and therefore income, continues to present a significant external threat. The business model developed in 2008 and utilised to justify the last toll revision application had used zero traffic growth into the future for the purposes of forecasting income. This was considered at the time to have been conservative but has now proved to have been optimistic. This income position has triggered a new programme of reserves and income workshops for Members and officers commencing in December 2011, to address the future income strategy.

In developing budgets for 2012/13 and the four-year Business Plan 2012-2016, it has been assumed that traffic levels have reached a plateau and will now remain static.

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 2012/13 and these are summarised below:

- finalisation of the business continuity plan
- introduction of improved technology to measure and publish performance
- progress significant improvement and maintenance projects
- establish appropriate level of financial reserves
- establish future income strategy
- establish a formal scheme of delegation to the management team
- clarify employer identity in employment contracts

This statement was adopted by the Joint Committee at its meeting on 15 June 2012.

Kevin Lavery
Joint Clerk and Chief Executive (Cornwall)

Bob Coomber
Joint Clerk and Interim Chief Executive (Plymouth)

Cllr Pearn (Cornwall)

Cllr Coker (Plymouth)

Joint Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee