

Tamar Bridge and Torpoint Ferry Joint Committee

2005-2006 Statement of Accounts



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Explanatory Foreword

Introduction from the Joint Treasurers

We are pleased to introduce the Tamar Bridge and Torpoint Ferry Joint Committee's Statement of Accounts for 2005-2006. This publication incorporates all the financial statements and disclosure notes required by statute.

The operation, maintenance and control of the Tamar Bridge and the Torpoint Ferries is carried out by the Tamar Bridge and Torpoint Ferry Joint Committee on behalf of Cornwall County Council and Plymouth City Council.

Explaining the Main Accounting Statements

The accounts are split into three sections:

The Financial Statements

The main financial statements comprise the revenue account, the balance sheet, the statement of total movement in reserves and the cashflow statement.

The **revenue account** shows how much the Joint Committee has spent during the year on the Undertaking. Any surplus or deficit on this account is transferred to the Joint Committee's general fund reserve.

The **balance sheet** shows a snap shot at the financial year end of all the Joint Committee's assets and liabilities. Assets include both the value of the fixed assets such as buildings, land, equipment etc, and the current assets such as money owed to the Joint Committee, stocks and investments. Liabilities mainly relate to money owed by the Joint Committee. The balance of the assets and liabilities is represented on the balance sheet by the Joint Committee's reserves.

The **statement of total movement in reserves** brings together all of the movements in the Joint Committee's reserves. The statement also splits the reserves between those which can be used to support future revenue expenditure and those which are of a capital nature.

The **cashflow statement** shows the Joint Committee's cash transactions over the year, indicating the sources of cash income received and actual cash spent. The cash transactions are split between those which are of a revenue nature, those which are capital, and those which are in respect of the Joint Committee's borrowing.

Notes to the Financial Statements

The second section covers the requirement under the Accounting Code of Practice to produce certain additional financial information by way of disclosure notes. The aim of this additional information is to inform the reader of specific financial issues, which are not readily identifiable from the other financial statements.

Statement of Accounting Policies

The **Statement of Accounting Policies** section explains the accounting principles used to produce the figures in the accounts. These accounting principles are set nationally and ensure accounts from different organisations are consistent and comparable.

The 2005-2006 Budget

The net operational budget agreed by the Tamar Bridge and Torpoint Ferry Joint Committee on 3 December 2004 and updated on the 11 March 2005 for the 2005-2006 financial year estimated an surplus of £2.506m. The budget, revised on 2 December 2005 forecast that this would show an operational surplus of £2.569m.

Comparison of 2005-2006 Revenue Outturn with the Revised Budget

	Revised Budget	Actual	Variation Above/(Below) Budget
	£'000	£'000	£'000
Expenditure			
Bridge Operations	1,266	1,175	(91)
Ferry Operations	2,763	2,719	(44)
Other Expenditure	115	101	(14)
	4,144	3,995	(149)
Income			
Toll Income	(6,409)	(6,386)	23
Other Income	(304)	(347)	(43)
	(6,713)	(6,733)	(20)
Net Operational Surplus	(2,569)	(2,738)	(169)

Reserves and Balances

The Joint Committee's General Balances, currently standing at £3.622m, are normally used to meet general rather than specific future expenditure requirements.

There is, in addition, a Provision for Liabilities with a balance of £0.500m. This provision is to cover the difference between the value of Concessionary Vouchers sold and the value of those redeemed.

Capital

Capital Spending

There is a continuing need for the Joint Committee to invest in capital spending to continue providing a cost effective service. Capital expenditure for 2005-2006 totalled £7.297m as detailed below.

<u>Capital Schemes in 2005-2006</u>	£'000
Bridge Strengthening & Widening	(444)
Bridge Public Toilets upgrade	41
Ferry Infrastructure Works	3,452
New Ferries	2,934
Electronic Toll Collection system	1,274
Telescopic Handler	40
	7,297

Capital Receipts and Revenue Financing

In 2005-2006, capital receipts totalling £0.020m were used to finance capital spending. In total, £0.268m was funded from within the revenue budget rather than from borrowing.

Borrowing

Total external borrowing in support of the capital programme in 2005-2006 amounted to £7.009m (2004-2005 £7.925m).

Introductory Statements

Statement of Responsibilities & Certification of the Statement of Accounts

Statement of Responsibilities for the Statement of Accounts

The following statement describes the respective responsibilities of Cornwall County Council, Plymouth City Council and the Joint Treasurers for the accounts of the Tamar Bridge and Torpoint Ferry Joint Committee.

The Joint Treasurers are responsible for:

- the preparation of the Joint Committee's Statement of Accounts so as to present fairly the financial position at the accounting date and its income and expenditure for the year
- selecting suitable accounting policies and then applying them consistently
- making reasonable and prudent judgements and estimates
- complying in all material aspects with the Code of Practice on Local Authority Accounting in Great Britain
- keeping proper, up to date, accounting records
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Cornwall County Council and Plymouth City Council are responsible for:

- making appropriate arrangements for the proper administration of its financial affairs ensuring that the nominated officers, namely the Joint Treasurers, have responsibility for them
- managing the Joint Committee's affairs so as to ensure the economic, effective and efficient use of resources and the safeguarding of assets
- approving the Statement of Accounts.

Certification by the Joint Treasurers

We certify that, in our opinion, the Statement of Accounts presents fairly the financial position of the Tamar Bridge and Torpoint Ferry Joint Committee at 31 March 2006, and its income and expenditure for the year ended 31 March 2006.



Frank Twyning MBA, FCCA, CPFA
Joint Treasurer (Cornwall)
Date: 29 June 2006



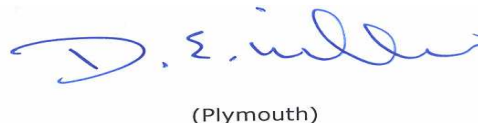
Adam Broome BSc, CPFA
Joint Treasurer (Plymouth)
Date: 29 June 2006

Certification by Joint Chairmen of Tamar Bridge and Torpoint Ferry Joint Committee

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



(Cornwall)
Chairmen of Tamar Bridge and Torpoint Ferry Joint Committee
Date: 30 June 2006



(Plymouth)

Further Information

Further information about the accounts is available from the County Treasurers' Department, Cornwall County Council, New County Hall, Truro, TR1 3AY.

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. For the 2005-2006 accounts the inspection period was 17 July 2006 to 11 August 2006. These dates were advertised in the local press and on the Council's website.

The statement of accounts was authorised for issue by the Tamar Bridge and Torpoint Ferry Joint Committee on 30 June 2006, having considered any events that occurred since 31st March 2006.

Statement on Internal Control

Scope of Responsibility

The Tamar Bridge and Torpoint Ferry Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Joint Committee also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Joint Committee is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Joint Committee's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Tamar Bridge and Torpoint Ferry Joint Committee for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

The Internal Control Environment

The internal control environment comprises all the processes and procedures in place for the sound running and well being of the Joint Committee. It is designed with the intention of:

- establishing and monitoring the achievement of the Joint Committee's objectives
- the facilitation of policy and decision-making
- ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the Joint Committee, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty
- the financial management of the Joint Committee and the reporting of financial management, therefore incorporating the previously required statement on internal financial control, and
- the performance management of the Joint Committee and the reporting of performance management.

Sources of Assurance

The following sources of assurance are currently in place:

- Maritime and Coastguard Agency (MCA) – the MCA undertake a full health & safety inspection on an annual basis. Their 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

- Health and Safety Executive (HSE) – the HSE are responsible for the regulation of almost all the risks to health and safety arising from work activity in Britain. They issue guidance and inform on regulations relating to health & safety issues. These are acted on where appropriate to the Tamar Bridge and Torpoint Ferry Undertaking
- Audit Commission – the Audit Commission audit the financial accounts on an annual basis to ensure that the accounting policies are appropriate to the Joint Committee’s circumstances, consistently applied and adequately disclosed. The auditor signs an annual report which gives an opinion on whether the financial statements present fairly the financial position of the Tamar Bridge and Torpoint Ferry Joint Committee and its income and expenditure for the year then ended
- Cornwall County Council Internal Audit – it is the responsibility of internal audit to review, appraise and report on the adequacy of the systems of managerial, financial and operational control of their effectiveness in practice. Their recommendations are put into practice where appropriate
- Insurance Inspections – our insurers arrange for engineering inspections to be made on a regular basis and produce a written report. Any defects identified are dealt with accordingly
- Consultants are employed to monitor the condition of the Bridge and conduct periodic inspections and produce associated reports and advice
- Management Reporting Structure – there is a procedure in place where issues are reported via the hierarchy of command and thus to the Joint Committee through the General Managers quarterly report
- Staff Review Process – an appraisal system is in place to facilitate an annual review of all staff
- Initiating Act of Parliament – this Act appointed the Joint Committee and effectively set up its constitution and delegated powers to the Joint Committee to discharge the functions of the constituent authorities in matters relating to the operation of the undertaking
- Budget – a budget is set and approved by the Joint Committee on an annual basis. The management of the budget is delegated to the General Manager in conjunction with the Joint Treasurers. Performance against the budget is monitored and reported upon monthly to the General Manager and quarterly to the Joint Committee.

Review of Effectiveness

The Tamar Bridge and Torpoint Ferry Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.

The review of effectiveness of the system of internal control is informed by the work of Cornwall County Council’s internal auditors and the managers within the Joint Committee who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the control environment is monitored through a variety of different ways:

- the Joint Committee
- Cornwall County Council and Plymouth City Council
- internal audit
- the Maritime and Coastguard Agency
- other explicit review/assurance mechanisms
- ad hoc benchmarking
- performance and budget monitoring

Significant Internal Control Issues

Historically, the Joint Committee has, as indicated, relied upon a variety of methods for monitoring the effectiveness of its activities and ensuring adequate control is exercised over all its processes. The first review for 2004/2005 indicated that a more consistent and comprehensive process of assurance was necessary to support this statement in future. This is still being developed. There are therefore some specific improvements which we plan to develop to facilitate internal controls, as follows:

- a formal set of standing orders appropriate to the undertaking
- a formal set of financial regulations appropriate to the undertaking
- a formal constitution appropriate to the Joint Committee
- comparing this undertaking with other comparable ones on an annual basis
- a more comprehensive and coherent approach to risk assessment
- a fully documented more consolidated long term business plan is required to ensure that the undertaking could continuously improve the safety, efficiency and effectiveness of the service.

It should be noted that in the interim period, the Joint Committee are using Cornwall County Council's standing orders and financial regulations in the absence of an alternative. It is anticipated that these issues will be resolved during 2006/2007.



Sheila Healy
Joint Clerk (Cornwall)
Date: 12 July 2006



Barry Keel
Joint Clerk (Plymouth)
Date: 3 July 2006



(Cornwall)
Chairmen of Tamar Bridge and Torpoint Ferry Joint Committee
Date: 30 June 2006



(Plymouth)

J.M. Mepstead (Cornwall)
Chairmen of Tamar Bridge and Torpoint Ferry Joint Committee
Date: 30 June 2006

D.E. Williams (Plymouth)

Asset Valuation of Freehold Properties – Valuation Certificate

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

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

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

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

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

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

Based on the conditions, restrictions and assumptions set out in the Certificate, I am of the opinion that the aggregate value of all the freehold land and buildings held by the Tamar Bridge and Torpoint Ferry Joint Committee listed below, above the de minimis level and subject to the conditions and assumptions set out in this Certificate, as at 1st April 2005, is fairly represented in the sum of £220,656,868 (two hundred and twenty million six hundred and fifty six thousand eight hundred and sixty eight pounds).

Tamar Bridge	£220,350,938
Tamar Bridge Offices, Car Parks and Land	£95,000
Torpoint Ferry Offices, Workshops, Car Parks Land and Waiting Room	£210,930
TOTAL	£220,656,868

R J Perry MA MRICS
Chief Valuer
Planning, Transportation and Estates
Cornwall County Council

11 May 2006

CONDITIONS AND ASSUMPTIONS

Impairment of Fixed Assets

Under the requirements of FRS 15 an Impairment Review of Fixed Assets during the financial year 2003-2004 has been carried out. The Joint Committee's revised depreciation policy and building lives is in line with recommended Best Practice advocated by the Association of Chief Estates Surveyors. No further changes to asset values are required for any impairment of land and building assets.

Furniture and Equipment

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

Plant and Machinery

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

Statutory Liabilities

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

State of Repair

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

Realisation of Value

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

Publication

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

Limit of Responsibility

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

Date of Certificate

This Certificate is dated 11 May 2006.

Valuer

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

Independent Auditor's Report

Opinion on the financial statements

I have audited the financial statements of the Tamar Bridge and Torpoint Ferry Joint Committee for the year ended 31 March 2006 under the Audit Commission Act 1998 which comprises the Revenue Account, the Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Chief Finance Officer and Auditors

The Joint Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Joint Committee in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

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

Basis of audit opinion

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

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Joint Committee as at 31 March 2006 and its income and expenditure for the year then ended.

Certificate

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

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

Date: September 2006

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

Joint Committee's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for other local government bodies specified by the Audit Commission and published in July 2005, in all significant respects, the Tamar Bridge & Torpoint Ferry Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006

Certificate

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

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

Date: September 2006

Financial Statements

Revenue Account

This statement sets out the net cost of the service for which the Tamar Bridge and Torpoint Ferry Joint Committee is responsible, and appropriations to and from reserves.

2004-2005		2005-2006		Note No:
Net Expenditure £'000		Net Expenditure £'000		
15,940	Gross Expenditure	16,506		
(6,621)	Gross Income	(6,733)		
9,319	Net Cost of Service	9,773		
	Other Operating Expenditure			
(413)	FRS17 Interest Cost (Pensions)	478		16
416	FRS17 Expected Return on Assets (Pensions)	(469)		16
(139)	Interest Received	(342)		
7,600	Transfer from asset management revenue account	(7,282)		1
1,583	Net Operating Expenditure	2,158		
	Appropriations			
	Contributions to/(from) Capital Financing Account:-			
508	- Financing of Capital Expenditure	268		2
(7)	- Deferred Charges Funding	-		
(4,186)	- Minimum Revenue Provision Depreciation adjustment	(4,406)		
(26)	Impairment	-		
44	Contributions to/(from) FRS17 Pensions Reserve	(27)		10
(2,084)	(Surplus)/Deficit for Year	(2,007)		
469	General Reserve Balance as at 1 April	(1,615)		
(1,615)	General Reserve Balance as at 31 March	(3,622)		

Balance Sheet

The Balance Sheet summarises the financial position of the Tamar Bridge and Torpoint Ferry Joint Committee. It shows the value of the Joint Committee's assets and liabilities at the end of the financial year (31 March 2006).

	2005 £'000	2006 £'000	2006 £'000	Note No:
Fixed Assets				
Operational Assets				
Other land and buildings	216,975	216,264		2
Vehicles, plant, furniture & equipment	10,500	14,413		2
Infrastructure	290	281		2
Non-operational assets				
- Assets under construction	2,996	1,392		2
Total Fixed Assets	230,761		232,350	
Current Assets				
Stocks and Work in Progress	25	192		4
Debtors	224	475		5
Payments in advance	-	12		6
Cash in hand and in transit	2,094	6,239		
Total Current Assets	2,343		6,918	
Total Assets	233,104		239,268	
Current Liabilities				
Creditors	(230)	(1,111)		7
Loans due within one year	(520)	(1,136)		9
Total Current Liabilities	(750)		(2,247)	
Total Assets less Current Liabilities	232,354		237,021	
Long Term Liabilities				
Loans due after one year	(12,084)	(20,162)		9
FRS17 Pensions Liability	(2,145)	(2,087)		16
Provisions	(500)	(500)		8
Total Long Term Liabilities	(14,729)		(22,749)	
Total Assets less Liabilities	217,625		214,272	
Financed by:				
FRS17 Pensions Reserve	(2,145)	(2,087)		10
Fixed Asset Restatement Account	191,885	190,585		10
Capital Financing Account	26,270	22,152		10
Revenue Balances				
General Reserve	1,615	3,622		10
Total Net Worth	217,625		214,272	

Statement of Total Movements in Reserves

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the Joint Committee during the period and identifies those which have and have not been recognised in the Revenue Account. The statement separates the movements between revenue and capital reserves.

	2004-2005 £'000	2005-2006 £'000	Note No:
Surplus/(deficit) for the year	2,084	2,007	
Movement on FRS17 Pensions Reserve	(44)	(27)	10
FRS17 Actuarial Gain/Loss	(447)	85	16
Total increase/(decrease) in revenue resources	1,593	2,065	
Total increase/(decrease) in realised capital resources	-	-	10
Gains/(losses) on revaluation of fixed assets	142,782	867	2
Impairment loss on fixed assets due to change in price	(11)	-	
De Minimus Capital Expenditure	(2)	-	
Total increase/(decrease) in unrealised value of fixed assets	142,769	867	
Value of assets sold, disposed of or decommissioned	(4,333)	(2,167)	10
Revenue resources set aside	(3,773)	(4,118)	10
Total increase/(decrease) in amounts set aside to finance capital investment	(3,773)	(4,118)	
Total recognised gains and losses	136,256	(3,353)	

Cash Flow Statement

Cash Flow Statement for the year ended 31 March

	2005 £'000	2006 £'000	2006 £'000	Note No:
Revenue Activities				
Cash Outflows				
Cash Paid to and on behalf of employees	2,300	2,541		
Other operating costs	1,539	1,741		
	3,839		4,282	
Cash Inflows				
Cash received from goods and services	(6,431)		(6,470)	
Revenue activities net cash flow	(2,592)		(2,188)	11
Servicing of Finance				
Cash Inflows				
Interest Received	(139)	(342)		
Cash Outflows				
Interest Paid	361	805		
			463	
Capital Activities				
Cash Outflows				
Purchase of Fixed Assets	9,308	6,296		11
Cash Inflows				
Disposal of Fixed Assets	(40)	(20)		
			6,276	
Net cash inflow/(outflow) before financing	6,898		4,551	11
Financing				
Cash Outflows				
Repayments of amounts borrowed	6,102	806		
Cash Inflows				
New Loans raised	(13,000)	(9,500)		
			(8,694)	
Net (Increase)/Decrease in Cash	0		(4,143)	11

Notes to Financial Statements

Note 1 Transactions on the Asset Management Revenue Account

Revenue Accounts are charged with depreciation (representing the drop in value of an asset due to wear and tear and age), impairment (representing loss in the value of an asset) and a capital financing charge calculated by applying a notional interest rate to the amount at which the asset is included in the balance sheet (representing the cost of tying up financial resources in the asset). The purpose of the Asset Management Revenue Account is to ensure that the Joint Committee is charged only with the actual capital financing costs. The amount is summarised below:

	31 March 2005 £'000	31 March 2006 £'000
Income		
Charges for the use of assets	(12,173)	(12,493)
	(12,173)	(12,493)
Expenditure		
Provision for depreciation	4,186	4,406
External Interest	361	805
Impairment loss	26	0
	4,573	5,211
Surplus transferred to Revenue Account	(7,600)	(7,282)

Note 2 Fixed Assets

	Land and Buildings £'000	Infrastr'ure £'000	Vehicles, Plant & Equipment £'000	Work in Progress £'000	Total £'000
Gross Book value as at 31 March 2005	220,657	341	11,873	2,996	235,867
Accumulated Depreciation	(3,682)	(51)	(1,374)		(5,107)
Net Book Value at 31 March 2005	216,975	290	10,499	2,996	230,760
Movement in 2005-2006					
Additions	3,049		2,974	1,274	7,297
Disposals			(2,167)		(2,167)
Transfers	9		2,868	(2,878)	(1)
Depreciation on Disposals etc			867		867
Depreciation in year	(3,769)	(9)	(628)		(4,406)
Net book value at 31 March 2006	216,264	281	14,413	1,392	232,350

The total Capital Expenditure and Financing was:

	2004-2005 £'000	2005-2006 £'000
Expenditure		
Operational Assets	6,402	6,023
Non-Operational Assets **	2,062	1,274
Deferred Charges	7	-
De Minimus *	2	-
	8,473	7,297
Financing		
Direct revenue Financing	508	268
Borrowing	7,925	7,009
Capital receipts	40	20
	8,473	7,297

* De Minimus expenditure on Vehicles, Plant & Equipment is written off to revenue and funded by way of transfer from the Capital Financing Account.

** Non-Operational Assets is expenditure on capital items that are work in progress. The expenditure in 2005-2006 is on the Electronic Toll Collection System (2004-2005 New Ferry).

Note 3 Deferred Charges

	£'000
Balance as at 1 April 2005	-
Capital Expenditure not resulting in an asset	-
Amounts written off to Consolidated Revenue Account	-
Balance as at 31 March 2006	-
Funded by:	
Transfer from Capital Financing Account	-

Note 4 Stocks

As at the 31 March 2006, the Joint Committee held stocks to the value of £0.192m. The stocks are analysed by category as follows:

	31 March	
	2005 £'000	2006 £'000
General Materials	10	101
Fuel	15	25
Chain	-	57
Uniforms and Workwear	-	7
Cleaning Materials	-	2
Total	25	192

Note 5 Analysis of Debtors

The Joint Committee's Balance Sheet represents the financial position at the end of the financial year. There will be outstanding monies owed to the Joint Committee at that date which were yet to be received as cash.

The following analysis shows the amounts owed to the Joint Committee which had not been received at 31 March 2006.

	31 March	
	2005 £'000	2006 £'000
Amounts falling due within one year:		
Government Departments	220	472
Sundry debtors	4	3
Total	224	475

Note 6 Analysis of Payments in Advance

The Joint Committee's Balance Sheet represents the financial position at the end of the financial year. There will be monies paid by the Joint Committee at that date which relate to the next financial year.

The following analysis shows the amounts paid by the Joint Committee which relate to the 2006-2007 financial year.

	31 March	
	2005 £'000	2006 £'000
Advance Payments:		
For rates	-	12
Total	-	12

Note 7 Analysis of Creditors

The Joint Committee's Balance Sheet represents the financial position at the end of the financial year. There will be outstanding monies owed by the Joint Committee at that date which are yet to be paid.

The following analysis shows the amounts owed by the Joint Committee which have not been paid at 31 March 2006.

	31 March	
	2005 £'000	2006 £'000
Creditors:		
Capital Creditor	102	1,001
Sundry Creditors	128	110
	230	1,111
Long Term Borrowing repayable within one year	520	1,136
Total	750	2,247

Note 8 Provisions

Provisions are required for any financial liabilities or losses which are likely or certain to be incurred but the amounts or the dates on which they arise are uncertain. This provision was set up to provide for the potential cost of the concessionary vouchers that have yet to be redeemed being cashed in. After an analysis of the records of vouchers sold and redeemed, it has been decided that the sum currently held is sufficient to cover future liabilities.

	Balance as at 1 April 2005 £'000	Receipts £'000	Payments £'000	Balance as at 31 March 2006 £'000
Provision for liability (toll vouchers)	500	0	0	500

Note 9 Long Term Borrowing

The table below shows the Joint Committee borrowing by lender and by maturity

Source of Loan	Rates of Interest payable %	Total Outstanding as at 31 March	
		2005 £'000	2006 £'000
Cornwall County Council	4.00 – 5.00	12,604	21,298
Total Long Term borrowing		12,604	21,298
Analysis of loans by maturity			
Maturity in more than 10 years		12,604	21,298
		12,604	21,298
Payable within one year		520	1,136
Payable between two and five years		2,080	4,544
Payable between five and ten years		3,120	6,816
Payable in ten years and more		6,884	8,802
		12,604	21,298

Note 10 Statement of Total Movements in Reserves

a) Movements in Revenue Reserves

	General Fund Reserve £'000	Pensions Reserve £'000
Surplus/(Deficit) for 2005/2006	2,007	
Appropriations to/from revenue		27
Actuarial Gains/Losses relating to Pensions		(85)
	2,007	(58)
Balance brought forward at 1 st April 2005	1,615	2,145
Balance carried forward at 31st March 2006	3,622	2,087

b) Movements in Realised Capital Reserves

	Usable capital receipts £'000
Amounts received in year	(20)
Amounts applied to finance new capital investment in year	20
Total increase/(decrease) in realised capital resources during year	-
Balance brought forward at 1 st April 2005	-
Balance carried forward at 31st March 2006	-

c) Movements in unrealised value of fixed assets

	Fixed Asset Restatement Account £'000
Net Gain/Loss on revaluation of assets in year	-
De Minimus Capital Expenditure	-
Total increase/(decrease) in unrealised capital resources in year	-

d) Value of assets sold or disposed of

Amount written off asset balances for disposals in year	(2,167)
Depreciation written off asset balances for disposals in year	867
Net value of assets sold, disposed of in year	(1,300)
Balance brought forward at 1 st April 2005	191,885
Balance carried forward at 31st March 2006	190,585

e) Amounts set aside to finance capital investment

	Capital Financing Account £'000
Revenue resources set aside in year	
2005-2006 Capital Financing-Direct Revenue Financing	268
Financing of Deferred Charge	-
Financing of Depreciation	(4,406)
Capital Receipt used to fund Capital Expenditure	20
Total revenue resources set aside in year	(4,118)
Balance brought forward at 1 st April 2005	26,270
Balance carried forward at 31st March 2006	22,152

Revenue Reserves

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

For additional information, a detailed analysis of the transactions against the Fixed Asset Restatement Account and Capital Financing Account appear below:

Fixed Asset Restatement Account

	£'000
Balance as at 1 April 2005	191,885
De Minimus Capital Expenditure	-
Revaluations	-
Net Disposals	(1,300)
Balance as at 31 March 2006	190,585

Capital Financing Account

The Capital Financing Account contains the amounts of capital expenditure financed from revenue, capital receipts and capital grants.

	£'000
Balance as at 1 April 2005	26,270
2005-2006 Capital Financing-Direct Revenue Financing	268
Financing of Deferred Charge	-
Capital Receipt used to fund Capital Expenditure	20
Minimum Revenue Provision Depreciation adjustment	(4,406)
Balance as at 31 March 2006	22,152

Usable Capital Receipts Reserve

Income from the sale of fixed assets is credited to the Usable Capital receipts Reserve. These receipts can be used to pay for new capital expenditure. Any balances remain in this account.

	£'000
Balance as at 1 April 2005	-
Capital Receipts in Year	20
	20
Capital Receipts applied to finance Capital Expenditure	(20)
Balance as at 31 March 2006	-

Other Reserves

	Balance as at 1 April 2005 £'000	Receipts £'000	Payments £'000	Balance as at 31 March 2006 £'000
General Reserve	1,615	2,007	0	3,622
Total Other Reserves	1,615	2,007	0	3,622

Note 11 Cash Flow Statement

The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes and as such shows how the Joint Committee financed the difference between its total expenditure and income.

(a) Reconciliation of revenue cash flow

	2004-2005 £'000	2005-2006 £'000	2005-2006 £'000
Surplus/(Deficit) for Year	2,084		2,007
Add/(Deduct)			
Interest Received	(139)	(342)	
Interest Payable	361	805	
Prior Year Adjustment	(101)	-	
Appropriation to CFA	(4,187)	(4,406)	
Contributions to capital outlay	508	268	
Depreciation	4,187	4,406	
	629		731
Increase/(decrease) in debtors and payments in advance	(190)	(263)	
(Increase)/decrease in creditors	5	(120)	
Increase/(decrease) in stock and work in progress	64	(167)	
	(121)		(550)
Revenue activities net contributions	2,592		2,188

(b) Reconciliation of capital cash flow

	2004-2005 £'000	2005-2006 £'000
Gross capital expenditure	9,308	6,398
Less Previous Years Creditors	(835)	(102)
	8,473	6,296

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

	2004-2005 £'000	2005-2006 £'000
Increase/(Decrease) in cash in the period	(6,102)	(4,143)
Cash inflow from increase in debt financing	13,000	8,694
Movement in net funds in the period	6,898	4,551
Net funds as at 1 April	3,611	10,509
Net Funds as at 31 March	10,509	15,060

(d) Analysis of net debt

	Balance as at 1 April 2005 £'000	Cash Flow £'000	Balance as at 31 March 2006 £'000
Cash in hand	2,095	4,143	6,238
Debt due after one year	(12,084)	(8,078)	(20,162)
Debt due within one year	(520)	(616)	(1,136)
	(10,509)	(4,551)	(15,060)

Note 12 Publicity Expenditure

The Joint Committee is required by Section 5.1(1) of The Local Government Act 1986 to provide details of its spending on publicity.

The Act does not provide a clear definition of publicity, the following analysis shows the element of expenditure which is judged by the Joint Committee to be relevant.

	2004-2005 £'000	2005-2006 £'000
Advertising		
Recruitment	4	2
Promotional & Other Advertising	2	1
	6	3

Note 13 Agency Service

Under a number of statutory powers, the Joint Committee completes certain works on behalf of other bodies. All expenditure is fully reimbursed by the entities concerned.

The Joint Committee undertakes the traffic management of the Saltash Tunnel on behalf of the Department of Transport and the Regions. The following analysis shows the amount of expenditure which is fully reimbursed by the DETR:

	2004-2005 £'000	2005-2006 £'000
Traffic Management	220	253
Total amount reimbursable	220	253

Note 14 Significant Commitments under Capital Contracts as at 31 March

	2005 £'000	2006 £'000
Expenditure approved and contracted		
Replacement Ferries	3,451	405
Ferry Infrastructure Works	2,850	151
Electronic Tolling	3,700	2,888

Note 15 Pension Costs

The Accounting Code of Practice requires the costs of providing pensions to be charged to the accounts in accordance with the statutory requirements covering the respective funds to which the employees belong. The disclosures required cover the nature of the scheme, the pension costs charged, details of any discretionary payments, the pension costs that would have been charged to the accounts on a FRS17 basis, details of the latest actuarial valuation and capital costs of any discretionary increases in pension payments.

In 2005-2006 the Joint Committee paid an employers contribution of £0.304m into the Pension Fund representing 18.10% of pensionable pay (£0.274m in 2004-2005). Contributions are set to meet 100% of the overall liabilities of the fund. At 31 March 2006 there was an overall shortfall of £2.087m which means that the fund has assets equivalent to 80.20% of its liabilities. To make up the deficit requires an additional employer's contribution of 1.80% of pensionable pay to meet the cost to the fund of any early retirements before the next actuarial valuation.

Note 16 FRS17 Pension Scheme Assets and Liabilities

In accordance with the requirements of Financial Reporting Standard Number 17 – Retirement Benefits (FRS 17) the Joint Committee has to disclose its share of assets and liabilities related to Pension Schemes for its employees. The Joint Committee is a scheduling body contributing to the Cornwall County Council Pension Fund. Details on the Cornwall County Council Pension Scheme are included within the County Council’s Statement of Accounts.

In 2005-2006 pension costs have been charged to the revenue account on the basis of contributions payable for the year to the Cornwall County Council Pension Scheme (based on a formal actuarial valuation for 31 March 2005) and the pensions payable in the year to retired officers. However, at 31 March 2006, the Joint Committee had the following overall assets and liabilities for pensions that have not been included in the Balance Sheet.

The net liability of £2.087m should be considered alongside the Joint Committee’s total assets less liabilities of £214.273m as at 31 March 2006 and not along side the reserve of £3.622m.

Liabilities have been assessed on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The liabilities have been valued by Hymans Robertson and Company, an independent firm of actuaries. The main assumptions used in the calculations are:

	Discretionary Payments Arrangements 2006	Discretionary Payments Arrangements 2005	Cornwall County Pension Scheme 2006	Cornwall County Pension Scheme 2005
Rate of inflation	3.1%	2.9%	3.1%	2.9%
Rate of increase in salaries	5.1%	4.9%	5.1%	4.9%
Rate of increase in pensions	3.1%	2.9%	3.1%	2.9%
Proportion of employees opting to take a commuted lump sum			0.0%	n/a
Rate for discounting scheme liabilities	4.9%	5.4%	4.9%	5.4%

The Joint Committee’s share of Assets in the County Council Fund are valued at fair value, principally market value for investments, and consists of the following categories, by proportion:

	31 March	
	2005 %	2006 %
Equity Investments	72.0	74.0
Bonds	15.0	13.0
Other Assets: Property	10.0	10.0
Cash	3.0	3.0
	100.0	100.0

The Joint Committee’s Assets and Liabilities are:

	Discretionary Payments £’000	County Council Pension Scheme £’000	Total £’000
The Joint Committee’s share of assets and liabilities are:			
Estimated liabilities in County Council Fund	-	(10,460)	(10,460)
Estimated liabilities for discretionary payments	(81)	-	(81)
Total Liabilities	(81)	(10,460)	(10,541)
Share of assets in County Council Fund	-	8,454	8,454
Net Pensions Liability	(81)	(2,006)	(2,087)

The movement in the net pensions deficit for the year can be analysed as follows:

	Discretionary Payments £'000	Cornwall County Council Fund £'000	Total £'000
Net deficit at beginning of year	(48)	(2,097)	(2,145)
Movement in year:			
Current Service cost		(328)	(328)
Contributions		304	304
Past service costs		6	6
Impact of settlements and curtailments			
Finance income			
- expected return on Pension Fund assets		469	469
- interest on pension liabilities		(478)	(478)
Actuarial adjustment			
Actuarial gain/loss (see below)		85	85
Net pension deficit at end of year	(48)	(2,039)	(2,087)
The actuarial gain/loss can be further analysed as follows:			
Differences between the expected and actual return on pension fund assets			1,267
Percentage of assets			15.0%
Differences between actuarial assumptions about liabilities and actual experience			(1,182)
Actuarial Gains/Losses recognised in Statement of Total Movement in Reserves			85
Percentage of the present value of liabilities			0.8%

Note 17 Related Party Transactions

The Joint Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Committee or to be controlled or influenced by the Committee. Disclosure of these transactions allows readers to assess the extent to which the 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 Committee.

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

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

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

The interest received as disclosed elsewhere in this statement represents interest on the cash balances held by Cornwall County Council on behalf of the joint Committee.

Note 18 Audit Commission Fees

Fees payable to the Audit Commission with regard to:

	2004-2005 £'000	2005-2006 £'000
External audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with Section 5 of the Audit Commission Act, 1998	11	11

Note 19 Officer Emoluments

Under the Accounts and Audit Regulations, the Authority is required to disclose the number of staff, whose remuneration falls within the following ranges.

Remuneration includes all amounts paid to or receivable by an employee including sums due by way of expense allowances and the estimated monetary value of any other benefits received by an employee otherwise than in cash (e.g. through a leased car).

Remuneration:	2004-2005 Number of Staff	2005-2006 Number of Staff
£50,001 - £60,000	0	1

Note 20 Post Balance Sheet Events**Changes to the Local Government Pension Scheme**

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently, the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change in the pension scheme.

Note 21 Statement of Accounts – Authorisation for issue

The Statement of Accounts was authorised for issue by the Joint Treasurers on 30 September 2006.

Statement of Accounting Policies

The Statement of Accounts summarises the Joint Committees transactions for the 2005/2006 financial year and its position at the year end of 31st March 2006. It has been prepared in accordance with the Code of Practice on Local Authority Accounting, in the United Kingdom - a Statement of Recommended Practice 2005 (the SORP) issued by the Chartered Institute of Public Finance and Accountancy. The accounts comply with the Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS's) appropriate to local authorities also taking into account the guidance note issued by the Accounting Standards Board.

The accounting convention adopted is historical cost modified by the revaluation of fixed assets.

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

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

A. Accounting Concepts

i) Qualitative Characteristics of Financial Information

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

Relevance

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

Reliability

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

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

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

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

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

deliberately overstate liabilities or expenditure, because this would mean that the financial statements are not neutral and therefore not reliable.

Comparability

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

Understandability

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

ii) Materiality

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

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

- a) the item's size, judged in the context of both the financial statements as a whole and of such other information available as would affect consideration of the financial statements (for example consideration of how the item affects the evaluation of trends)
- b) the item's nature, in relation to:
 - i) the transactions or other events giving rise to it
 - ii) the legality, sensitivity, normality and potential consequences of the event or transaction
 - iii) the identity of the parties involved
 - iv) the particular headings or disclosures affected.

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

iii) Pervasive Accounting Concepts

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

Accruals

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

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

- a) Customer and Client receipts
- b) Employee related costs
- c) Interest payable and income
- d) Cost of supplies and services
- e) Capital income and expenditure

Going Concern

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

Primacy of Legislative Requirements

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

B. Accounting Policies

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

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

Fixed Assets

All expenditure on the purchase, creation or enhancement of fixed assets has been capitalised on an accruals basis. This includes any assets acquired under finance leases which have been capitalised and included in the balance sheet on the basis of the outstanding obligation to make future rental payments.

Operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value.

Infrastructure assets and community assets have been included in the balance sheet at historical cost, net of depreciation, where appropriate.

The current asset values in the accounts are based upon a certificate issued by Cornwall County Council's Valuation Officer as at 31 March 2006. Additions since that date are included in the accounts at their cost of acquisition.

Deferred Charges

Deferred charges represent expenditure which may be properly capitalised but which does not represent tangible fixed assets. The Joint Committee operates a policy of charging 100% of such expenditure to service revenue accounts, along with any matching funds i.e. grants or contributions. If no matching funding is available, any outstanding deferred charge expenditure will be from the Capital Financing Reserve.

De Minimus Capital Expenditure

This is the expenditure on individual items which may be properly capitalised as part of the Joint Committee's Capital Programme but falls below the £10,000 de minimus level set for Capital Accounting. Items above this level are added to the Joint Committee's Balance Sheet. Those items below the de minimus level are charged to the revenue account in place of capital charges. These charges will be reflected in the net cost of services, along with any matching funding i.e. grants or contributions. If no matching funding is available, any outstanding de minimus capital expenditure will be met from the Capital Financing Reserve.

Financial Reporting Standard 15 'Tangible Fixed Assets'

FRS15 sets out the principles of accounting for tangible fixed assets, with the exception of investment properties, which are dealt with in SSAP 19 'Investment Properties' which it will supersede in due course. The FRS acknowledges that in a limited number of cases, depreciation charges will not be made on the grounds that they are immaterial. Where this is the case, or where depreciation is calculated on a basis that assumes that the useful economic life of an asset is longer than fifty years, annual impairment reviews are performed, to ensure that the value of the asset is not overstated.

The Joint Committee's policy is to depreciate all building assets where required and to complete annual impairment reviews.

Basis of Charges for Capital

The capital charges made to service revenue accounts, central support services and Trading Services equate to the sum of depreciation, plus a notional interest charge. The interest charge is based on the net amount at which the fixed asset was included in the balance sheet at 31 March 2006. The notional rates of interest used are 4.625% for infrastructure assets, community assets and 3.5% for those assets included in the balance sheet at current value.

Capital Receipts

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

Depreciation

Assets, other than land, are being depreciated as required by FRS 15 over their useful economic lives, except where the Joint Committee is making regular repairs and maintenance to extend the asset's life in its existing use so that any depreciation would not be material. The majority of the Joint Committee's buildings have been depreciated over a 35 year life. Where depreciation is provided for, assets are being depreciated using the straight line method over the following periods:

Buildings (where appropriate)	0-100 years
Infrastructure	40 years
Motor Vehicles and Plant	3-25 years

Debtors and Creditors

The accounts have been prepared on an accruals basis which means that sums due to or from the Joint Committee are included whether or not the cash has actually been received or paid in the year. A provision for bad debts is also included in the accounts where appropriate.

Stocks and Works in Progress

Stocks and works in progress are normally valued at cost price (first in – first out).

A provision for obsolete stocks is not included in the accounts.

Provisions and Reserves

Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

The Joint Committee provides for any liabilities or losses which are likely to be incurred, or will be incurred, but where the amounts or the dates on which they will arise is uncertain.

Reserves

Amounts set aside for purposes falling outside the definition of provisions should be considered as reserves.

The Joint Committee's reserves are generally established from trading surpluses or amounts set aside for specific future expenditure. Reserves are maintained for the replacement or acquisition of capital items, repairs and renewals and other earmarked items.

Accounting for Value Added Tax (VAT)

The Tamar Bridge and Torpoint Ferry Joint Committee forms part of the VAT registration of Cornwall County Council. VAT is separately accounted for in accordance with SSAP5 and is not included as expenditure of the Joint Committee, except where it is not recoverable.

Grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to a Government Grants Deferred Account. Amounts are released from the Government Grants Deferred Account to off set any provision for depreciation charges to the revenue account in respect of assets to which the grants relate.

Redemption of Debt

External borrowings are generally repaid at maturity. In accordance with the Local Government and Housing Act 1989, a minimum revenue provision, calculated at 4%, is set aside annually in order to repay these borrowings.

When writing off debt, restructuring premium costs the Joint Committee takes a prudent view with the costs being written off over the shortest period. This could be over the life of the old replaced debt or the new borrowings. This differs from recommended practice (ACOP) which states the write off should be over the life of the new replacement borrowings.

Pensions

The Joint Committee is a scheduling body contributing to the Cornwall County Council Pension Fund.

Employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension contributions that are charged to the Joint Committee's accounts in respect of these employees are paid into the pension fund and costs are met from the fund. Further costs arise in respect of an element of pensions paid to certain retired employees on an unfunded basis. (See also notes to the Revenue Account.)

Contingent Assets

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

Contingent Liabilities

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

Foreign Currency Translation

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

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

Financial Reporting Standards 17 (Accounting for pension costs)

The Joint Committee's policy is to comply with the FRS 17 requirements by including in the Joint Committee's Statement of Accounts, actuarial valuation data for the purposes of FRS 17, as supplied by Cornwall County Council's Actuaries.

Leases

The Joint Committee has a policy of disclosing information on those leases which have annual lease payments of £1,000 per annum or above.

Glossary of Financial Terms

Accounting Policies

Those principles, bases, conventions, rules and practice applied by the Tamar Bridge and Torpoint Ferry Joint Committee that specify how the effects of transactions and other events are to be reflected in its financial statements through

- (i) recognising
- (ii) selecting measurement bases for, and
- (iii) presenting

assets, liabilities, gains, losses and changes to revenue.

Accounting policies define the process whereby transactions and other events are reflected in financial statements.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (ii) the actuarial assumptions have changed

Asset Management Revenue Account (AMRA)

This account records the capital charges that have been made to the service revenue accounts, comprising of depreciation and notional interest charges for the use of assets, the depreciation charge for the year, external interest charges and the amount of capital grants that have been amortised in line with depreciation. The resulting surplus/deficit is credited/debited below the net cost of services line in the revenue account to zero the effect of the capital charge. In other words, the net impact is nil.

Balance Sheet

The accounting statement which sets out the Joint Committee's total net assets and how they were financed

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

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

Capital Financing Account

In respect of capital transactions (expenditure and disposals) this account shows the statutory element of the capital receipts set aside, the amount of capital receipts that have been used to finance capital expenditure and the amount of revenue monies used to finance capital expenditure.

It also records the amount of money, as adjusted for depreciation, required to repay debt (the minimum revenue provision – see separate note below) and the amount of Government Grants amortised.

This reserve is purely a mechanism for recording capital accounting transactions and is therefore not able to support spending.

Capital Programme

The Joint Committee's plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, design fees and the acquisition of vehicles and major items of equipment.

Capital Receipts

Income from the sale of land and buildings which can only be used to finance other capital expenditure or repay outstanding debt on assets financed from loan.

Capital Reserves

An internal fund set up to finance capital expenditure as an alternative to external borrowing. Income to the reserve is derived from annual contributions or notional instalments of principal and interests.

Cash Flow Statement

Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.

Class of Tangible Fixed Assets

The classes of tangible fixed assets required to be included in the accounting statements are:

Operational Assets

- Land and Buildings
- Vehicles, plant, furniture and equipment
- Infrastructure Assets
- Community Assets

Non-Operational Assets

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

Community Assets

Assets that the authority intends to hold in perpetuity, that have no determinable and useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

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

Contingency

A condition which exists at the balance sheet date, where the outcomes will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Deferred Charges

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

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

De Minimus Expenditure

This is the term given to expenditure incurred by authorities that does not fall within the Code of Practice's definition of fixed assets but is classified as expenditure for capital purposes with respect to capital controls i.e. part of an authority's approved capital programme expenditure.

A de minimus of £10,000 has been set for capital accounting purposes. This will result in expenditure on items under £10,000, that are included in the approved capital control programme, being classified as revenue and charged to service revenue accounts.

Direct Revenue Financing

The amount of capital expenditure financed directly from revenue.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately, by virtue of their size or incidence, to give fair presentation of the accounts.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fixed Asset Restatement Account

The Fixed Asset Account records the deficits or surpluses arising on the revaluation of assets, and is written down by the net book value of assets as they are disposed of. This account is purely a mechanism for recording capital accounting transactions and is therefore not available to support spending.

Fixed Assets

Tangible assets that yield benefits to the authority and the services it provides for the period of more than one year.

General Reserve

Amounts set aside to meet future commitments and unforeseen or exceptional demands.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future and, in particular, that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Government Grants Deferred Account

This account shows the government grants and contributions which have been received by the authority and the extent to which they have been applied to the revenue account. An allocation is made to the Asset Management Revenue Account (AMRA) over the life of the assets being financed in the same way that depreciation is applied to the life of an asset.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by the continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments which do not meet the above criteria should be classed as current assets.

Minimum Revenue Provision (MRP)

Represents the statutory minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Operational Assets

Fixed assets held by the authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Lease

A lease other than a finance lease.

Operational Assets

Fixed assets held, occupied, used or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee services in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.

Prior Year Adjustments

Those material adjustments, applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision for Credit Liabilities

The Provision for Credit Liabilities (memorandum account) is credited with sums set aside from revenue, the reserved proportion of capital receipts and European Union capital grants. The total amount credited is then available to repay external borrowings or meet new capital expenditure justified by the use of credit approval.

Provisions

Provisions are set up from annual revenue contributions to meet any liabilities or losses which are likely to be incurred, or will be incurred, but the amount or the dates on which they will arise is uncertain. A Provision is maintained for unredeemed concessionary toll vouchers.

Prudential Code for Capital

This is the first year of the Prudential Code for Capital Finance in Local Authorities. The Prudential Code is a code of practice that has been written by CIPFA (The Chartered Institute of Public Finance and Accountancy). It sets out the accounting standards in relation to capital investment for councils.

It means that local authorities are free to invest in capital projects as long as the spending plans are affordable, prudent and sustainable in the long term.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Reserves

Reserves are established by the Joint Committee by transfers from the revenue account, in order to meet future commitments such as capital charges and unforeseen or exceptional expenditure demands.

Revenue Account

An account that records the authority's day to day expenditure and income on such items as salaries and wages, running costs of services and the financing of capital expenditure.

Specific Grants

Central Government grants towards specific services, usually calculated on a fixed percentage basis for particular services.

Stocks

Comprise the following categories:

- (a) goods or other assets purchased for resale
- (b) consumable stores
- (c) raw materials and components purchased for incorporation into products for sale
- (d) products and services in intermediate stages of completion
- (e) long term contract balances, and
- (f) finished goods

Useful Life

The period over which the local authority will derive benefits from the use of a fixed asset.