

HUMBER BRIDGE BOARD



STATEMENT OF ACCOUNTS

2016-17

CONTENTS

	Page
1. Narrative Report	3 - 10
2. Statement of Responsibilities for the Statement of Accounts	11 - 12
3. Core Financial Statements:	
• Comprehensive Income and Expenditure Account	13 - 14
• Movement in Reserves Statement	15
• Balance Sheet	16
• Cash Flow Statement	17
• Notes to the Core Financial Statements	18 - 45
4. Definition of Financial Terms	46 - 47
5. External Audit Opinion	48
6. Annual Governance Statement	49 - 54

The following is a statement of the Board's accounts for 2016-17.

John Butler
Treasurer to the Board

1. NARRATIVE REPORT

1 Introduction

- 1.1 A permanent crossing over the River Humber had been talked about as early as the 1860's and became a reality on 24th June 1981 when the first vehicle crossed the Humber Bridge, at the time, the world's largest single span suspension bridge. The approval for the construction of the bridge was granted with the passing of the Humber Bridge Act in 1959 following the promotion of a parliamentary bill by the then Kingston upon Hull Corporation. This provided for the creation of the Humber Bridge Board with the powers to construct and afterwards operate and maintain the bridge and approach roads; to acquire the necessary land and to borrow such sums as necessary to build the bridge and take tolls from vehicle users.
- 1.2 The construction began in 1972 and took 9 years to complete. The protracted timescale and high inflation of the period saw the eventual cost of the bridge spiral from the original estimate of £28m to £98m. By the time the bridge opened to traffic, interest charges incurred during the construction period left the Board with a debt of £151m.
- 1.3 The debt continued to rise, due to further borrowing to meet the subsequent interest charges, until it reached £439m in 1992. By 2012 the debt had fallen to £332m but this was largely due to the very considerable grants received from the Government during that period. However, in March 2012 the Government agreed to write off a further £150m of the debt to the Department of Transport (DfT), reducing it to £182m, and to charge a fixed interest rate of 4.25% for the remaining life of the loan, in return for which the Board and the four local authorities agreed to -
- (1) A reduction in the toll for cars from £3.00 to £1.50 and significant reductions in the tolls for the other classes of vehicle.
 - (2) A radical reform of the Bridge Board to bring in new expertise and give it a sharper commercial focus, so that costs are controlled and opportunities to bring in new revenue are seized.
 - (3) The local authorities taking on full responsibility for the remaining lower level of debt, and sharing it out much more broadly and realistically between them.

1.4 On 1 April 2012 the tolls were reduced as shown in the table below –

Class	Description	Toll @ 01/10/11	Toll @ 01/04/12
		£	£
1	Motorcycles	1.30	Free
2	Cars & Light Vans	3.00	1.50
3	Cars & Light Vans with Trailers & Light Goods	5.40	4.00
4	Heavy Goods Vehicles – 2 Axles	12.10	4.00
5	Heavy Goods Vehicles – 3 Axles	16.20	12.00
6	Heavy Goods Vehicles – 4 Axles	20.30	12.00

1.5 The Humber Bridge Act 2013 came into force on 15 January 2014. This enabled amongst other things –

- The two observers from the private sector to become full directors of the Board.
- The Board to promote the economic development of the Humber area.
- The Board to provide economic, social, cultural and environmental benefits to the residents of and visitors to the area.
- The Board to carry over any net deficit for up to two years which, if it cannot be made good, is recoverable from the four constituent local authorities in equal proportions.
- The Board to exercise a new general borrowing power for any relevant purpose.
- The Board to amend tolls but requires consultation with the Secretary of State, users and the local population if a proposed increase is more than inflation as measured by the retail prices index.

1.6 On 1 April 2015 the Board took out a Public Works Loans Board (PWLB) loan of £166.6m at a fixed interest rate of 2.54% for a period of 23 years and repaid the Department of Transport Debt. Repayments of the PWLB loan in the year totalled £7.243m thus bringing the loan outstanding at 31 March 2017 to £152.113m.

1.7 This year also saw the completion of a major capital scheme – the Toll Collection System Replacement projects which is the UK's first hybrid tolling system. This has replaced the pre-paid tickets available with the previous system by TAGs which enable holders to use the open road lanes without having to stop to pay as their accounts are automatically debited with the amount due. The new system has changed the relationship with customers to a more proactive one for TAG account holders and a responsive for people who violate. This has significantly increased the volume of enquiries.

Currently (1 June 2017) 43473 tags have been issued to 16609 account holders.

- 1.8 The number of vehicle crossings in the year were 9,388,344 which generated £18,350,450 in toll income.
- 1.9 The Board's accounts for the year ended 31 March 2017 are set out on pages 13 to 53 following this narrative report.
- 1.10 This narrative report provides an explanation of the financial aspects of the Board's activities and indicates the main characteristics of the Board's financial position.

2 Content and Purpose of the Statements

2.1. The statements included are as follows:-

(2) Statement of Responsibilities for the Statement of Accounts

This statement explains the responsibilities of the Treasurer and the Board with regard to its financial affairs and the preparation and approval of this Statement of Accounts.

(3) Core Financial Statements

Under the revised Code of Practice on Local Authority Accounting in the United Kingdom 2006, all the financial statements relating to the activity of the Board during 2016-17 are grouped together under the heading of "Core Financial Statements". The simplified statements are intended to make the accounts easier for users to understand as they now look similar to the accounts of other types of public and private sector organisations.

The Core Financial Statements are made up of the following:

- **Comprehensive Income and Expenditure Accounts** - This statement shows the net cost for the year of the Board's activities providing an analysis of the income received from tolls, investment interest etc. and how the money has been expended on loan interest payments, employees, repair and maintenance etc.
- **Movement in Reserves Statement** –This statement is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing the different reserves into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves' (i.e. those that cannot be applied to fund expenditure).

- **Balance Sheet** – This statement sets out the financial position of the Board at 31 March 2017. It shows the Board's long-term indebtedness, the net current assets employed in its operations together with summarised information on the fixed assets held.
- **Cash Flow Statement** – This statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- **Notes to the Core Financial Statements** – These explain the basis and provide further information behind the figures shown on the financial statements.

(4) **Definition of Financial Terms**

This provides an explanation of the financial terminology used in the Statement of Accounts.

(5) **External Audit Opinion**

This sets out the independent auditor's report to the Directors on the financial statements for the year ended 31 March 2017.

(6) **Annual Governance Statement**

The Annual Governance Statement sets out the Board's arrangements for managing its business.

3 Revenue Spending in 2016-17

3.1 The following statement shows the difference between the actual income and expenditure for the year compared with the probable budget:

Income and Expenditure Account	£	£	£
Income			
Tolls, Sales, Fees & Charges	18,590,884	18,086,000	504,884
Interest	23,725	25,000	(1,275)
	<u>18,614,609</u>	<u>18,111,000</u>	<u>503,609</u>
Expenditure			
Operating Costs	5,044,994	5,275,000	230,006
Maintenance Fund Expenditure	1,186,185	738,000	(448,185)
Net Operating Surplus	<u>12,383,430</u>	<u>12,098,000</u>	<u>285,430</u>
Capital Financing Costs			
Revenue Contributions	2,198,770	-	(2,198,770)
Minimum Revenue Provision	3,491,000	3,491,000	-
Interest	4,001,660	4,001,660	-
Net Pension Costs (After Appropriations)	98,000	-	(98,000)
Contribution from Maintenance Fund	(1,186,185)	(738,000)	448,185
Contribution to Maintenance Fund			-
Surplus For The Year	<u>3,780,185</u>	<u>5,343,340</u>	<u>(1,563,155)</u>
Reserve Fund Balance as at 31st March	<u>7,815,880</u>	<u>9,379,035</u>	<u>(1,563,155)</u>

3.2 The actual surplus for the year was less favourable than the budgeted deficit due to higher than anticipated capital expenditure in year.

4 Maintenance Fund

4.1 The Humber Bridge (Debts) Order 1998 was based on financial projections which took into account items of major maintenance including periodic carriageway resurfacing and deck hanger replacement. Following agreement with the DfT, and under provisions contained within the Humber Bridge Acts, it was decided to periodically set aside amounts from operating surpluses in order for sufficient funds to be available to meet significant items of major maintenance as they arose. There were no contributions to the Maintenance Fund from revenue during 2016-17 and after expenditure of £1.186m in the

year, the balance as at 31 March 2017 was £3.983m (31 March 2016 £5.169m).

5 Loan Debt

- 5.1 On 1 April 2015, a new loan of £166.600m, repayable over 23 years at a fixed rate of interest of 2.54%, was obtained from the Public Works Loans Board.
- 5.2 During the year £7.243m was repaid leaving £152.113m outstanding at 31 March 2017 (31 March 2016 £159.357m).
- 5.3 Interest at the fixed rate of 2.54% paid during the year totalled £4.002m.

6 Pensions

- 6.1 As part of the Board's terms and conditions of employment, retirement benefits are offered to its employees through the East Riding of Yorkshire Council's pension scheme which provides members with defined benefits related to pay and service. This is a funded scheme to which both the Board and its employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets. The Board's contribution rate is determined by the Fund's Actuary based on triennial valuations, and under Pension Fund Regulations the contribution rates are set to meet 100% of the overall liabilities of the Fund.
- 6.2 Pension calculations have been undertaken by Hymans Robertson LLP for the purpose of complying with IAS 19 Employee Benefits for the period ending 31 March 2016. The calculations and advice were carried out in accordance with the Pensions Technical Actuarial Standards adopted by the Board for Actuarial Standards which came into effect on 1 January 2013. The calculations constitute a "valuation exercise".
- 6.3 The objective of IAS19 is to ensure the Board's financial statements reflect at fair value the future Pension Fund liabilities which have been incurred, and the extent to which assets have already been set aside to fund them. The liabilities show the underlying commitments that the Board has in the long-run to pay retirement benefits. The deficit of £3.935m will be made good by increased employer's contributions over the next 20 years as assessed by the Fund's Actuary.
- 6.4 Post-employment benefits are accounted for in accordance with IAS 19.

7 Employee Benefits

7.1 Benefits Payable during Employment

- 7.1.1 Benefits payable during employment can be separated into two categories:
- Short term
 - Other long term

- 7.1.2 Short-term employee benefits are those due to be settled within 12 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 Board.
- 7.1.3 Other long term employee benefits are employee benefits (other than post-employment benefits and termination benefits) not expected to be settled wholly before 12 months after the year-end in which the employees rendered the service to the Board. Other long term benefits would include:
- Long term paid absences such as long service or sabbatical leave
 - Other long service benefits
 - Long term disability benefits
 - Bonuses

8 Financial Outlook

- 8.1 In the five years since 1 April 2012, when tolls were reduced, traffic has increased by 52.3% (8.7% in 2012-13, 7.0% in 2013-14, 8.9% in 2014-15, 10.0% in 2015-16 and 6.9% in 2016-17) and toll income by 50.3% (12.7% in 2012-13, 6.9% in 2013-14, 7.1% in 2014-15, 6.9% in 2015-16 and 10.3% in 2016-17), which is thought to be largely a direct consequence of the reduction in tolls. Future increases in traffic of 2% per annum are forecast. The expectation is that tolls will be held at the present level until 2041-42.
- 8.2 This is reflected in the Financial Forecast approved by the Board in August 2015 which projected income and expenditure over the next 26 years based on various assumptions. The Board also considered possible risks and opportunities arising from what it considered to be a relatively cautious forecast. Nevertheless, it does demonstrate that traffic growth of 2% per annum will generate sufficient income to meet all of the Board's outgoings without having to increase tolls.
- 8.3 Changes to the management and operational staffing structure are expected to take place in 2017-18,.
- 8.4 The on-going global economic recession combined with the uncertainties arising from the referendum decision to leave the European Community will affect both the national and local economy. Whilst there has been a significant increase in traffic following the reduction in tolls on 1 April 2012 the potential for any further economic down turn, alongside public sector spending cuts, means that the Board will need to continue maintaining its tight prudent financial management. The Board continues to incur significant expenditure maintaining the Bridge's infrastructure and toll collection system which has been planned and budgeted for.

9 How can you give us your feedback on the content of these accounts?

9.1 The Statement of Accounts is intended to give the users, employees and Board Directors of the Humber Bridge clear information about its finances. Whilst the Accounts have to include large elements of technical data to comply with Accounting Standards, we believe that it is vital that we make it as easy as possible for people to read regardless of their background. Further information about the Accounts is available from Andy Dalby, Interim Head of Finance , Humber Bridge Board, Administration Building, Ferriby Road, Hessle, East Yorkshire, HU13 0JG.

10 Concluding Remarks

10.1 I would like to take the opportunity to thank all the staff who have contributed to the completion of the Statement of Accounts. Given the continual development of accounting standards and their complex nature, producing the accounts ready for approval by the end of June is a considerable achievement.

.....
John Butler
Treasurer to the Board

2. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. The Board's Responsibilities

1.1 The Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the Board that officer is the Treasurer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts

I certify that this Statement of Accounts shows the true and fair position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2017.

Signed for and on behalf of the Board:

.....
Chris Matthews
Chair of the Board

2. The Treasurer's Responsibilities

2.1. The Treasurer is responsible for the preparation of the Board's Statement of Accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present the true and fair financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2017

2.2. In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were responsible and prudent;
- complied with the applicable parts of the Code.

2.3. The Treasurer has also:

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

I certify that this draft Statement of Accounts shows the True and Fair position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2017.

.....
John Butler
Treasurer to the Board

3. CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

Comprehensive Income and Expenditure Statement				
For The Year Ended 31 March 2017				
	Notes	2016/17	2015/16	
		£	£	
Income				
Tolls		(18,173,468)	(16,678,090)	
Sales		(47,800)	(650)	
Fees and Charges		(365,113)	(102,316)	
Total Income		(18,586,382)	(16,781,056)	
Expenditure				
Employees				
Direct Pay		2,901,417	2,724,962	
Indirect Expenses		30,754	27,681	
Premises Related Expenses				
Repairs & Maintenance				
Buildings		44,555	32,575	
Bridges & Roads		356,496	159,572	
Major Maintenance Programme	22	1,186,185	3,464,676	
Humber Bridge Experience		2,198,770	0	
Toll Equipment		6,598	0	
Maintenance of Grounds		33,280	40,403	
Energy Costs		267,837	209,180	
Non Domestic Rates		37,239	36,939	
Water Services		8,225	6,306	
Fixtures & Fittings		9,741	1,313	
Cleaning Materials & Services		5,560	4,223	
Insurances		22,872	21,298	
Transport Related Expenses				
Repairs & Maintenance		12,075	8,881	
Running Costs		3,901	3,217	
Contract Hire & Operating Lease		4,006	8,316	
Transport		3,184	3,125	
Car Allowances		1,523	567	
Insurances		6,687	6,823	
Supplies & Services				
Equipment, Furniture & Materials				
Purchases		75,600	30,443	
Repairs		352,202	41,135	
Hire		9,351	5,912	
Materials		2,279	14,439	
Catering		7,504	6,989	
Clothing & Uniform		11,965	9,741	
Printing, Stationery & Office Expenses		36,974	51,309	
Legal & Professional Fees		276,647	87,495	
Audit Fee	25	7,500	9,000	
Communications & Computing		48,420	47,552	
Financial & Other Support Services		93,473	118,088	
Travel, Subsistence & Conf. Expenses		255	1,475	
Grants & Subscriptions		5,206	6,527	
Miscellaneous				
Other Insurances e.g. Public Liability		2,971	4,249	
Marketing & Events		52,296	65,080	
Bank Charges		228,386	145,389	
Depreciation	7	4,654,196	4,548,974	
Total Expenditure		13,006,130	11,953,853	
Net Income of Continuing Operations		(5,580,253)	(4,827,203)	

**COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT FOR THE YEAR
ENDED 31 MARCH 2017 (CONTINUED)**

	Notes	2016/17 £	2015/16 £
Net Income of Continuing Operations Brought Forward From Previous Page		(5,580,253)	(4,827,203)
Other Operating Expenditure ((Gain)/Loss on Disposal of Non Current Asset)		(4,500)	0
Financing & Investment Income & Expenditure (Interest Paid/Rec'd & Pensions)	3	2,239,934	4,582,508
Minimum Revenue Provision	5	(3,490,679)	0
(Surplus) / Deficit on Provision of Services		(6,835,498)	(244,695)
Surplus on Revaluation of Property, Plant & Equipment Assets	7	0	0
Remeasurement of the Net Defined Benefit Liability	14	1,317,000	(1,771,000)
Other Comprehensive (Income) & Expenditure		1,317,000	(1,771,000)
Total Comprehensive (Income) & Expenditure		(5,518,498)	(2,015,695)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Note	Revenue Reserve	Maintenance Fund	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Total Unusable Reserves	Total Reserves
		£	£	£	£	£	£	£	£
Balance as at 31 March 2015	2/16/17	4,566,350	4,633,871	9,200,221	83,103,489	100,675,918	(5,814,000)	177,965,407	187,165,628
Movement in Reserves During 2015/16									
Surplus on the Provision of Services		244,695	0	244,695	0	0	0	0	244,695
Other Comprehensive Income and Expenditure		0	0	0	0	0	1,771,000	1,771,000	1,771,000
Total Comprehensive Income and Expenditure		244,695	0	244,695	0	0	1,771,000	1,771,000	2,015,695
Adjustments Between Accounting Basis & Funding Basis Under Regulations	2/16/17	(240,026)	0	(240,026)	(1,352,359)	2,003,385	(411,000)	240,026	0
Net Increase/(Decrease) Before Transfers To Earmarked Reserves		4,669	0	4,669	(1,352,359)	2,003,385	1,360,000	2,011,026	2,015,695
Transfers To/From Earmarked Reserves	2/16/17	(535,324)	535,324	0	0	0	0	0	0
Increase/(Decrease) in Year		(530,655)	535,324	4,669	(1,352,359)	2,003,385	1,360,000	2,011,026	2,015,695
Balance as at 31 March 2016	2/16/17	4,035,695	5,169,195	9,204,890	81,751,130	102,679,303	(4,454,000)	179,976,433	189,181,323
Movement in Reserves During 2016/17									
Surplus on the Provision of Services		6,835,498	0	6,835,498	0	0	0	0	6,835,498
Other Comprehensive Income and Expenditure		0	0	0	0	0	(1,317,000)	(1,317,000)	(1,317,000)
Total Comprehensive Income and Expenditure		6,835,498	0	6,835,498	0	0	(1,317,000)	(1,317,000)	5,518,498
Adjustments Between Accounting Basis & Funding Basis Under Regulations	2/16/17	(750,498)	0	(750,498)	(1,457,517)	372,015	1,836,000	750,498	0
Net Increase/(Decrease) Before Transfers To Earmarked Reserves		6,085,000	0	6,085,000	(1,457,517)	372,015	519,000	(566,502)	5,518,498
Transfers To/From Earmarked Reserves	2/16/17	1,186,185	(1,186,185)	0	0	0	0	0	0
Increase/(Decrease) in Year		7,271,185	(1,186,185)	6,085,000	(1,457,517)	372,015	519,000	(566,502)	5,518,498
Balance as at 31 March 2017	2/16/17	11,306,880	3,983,010	15,289,890	80,293,613	103,051,318	(3,935,000)	179,409,931	194,699,821

BALANCE SHEET

	Notes	31/03/17 £	31/03/16 £
Property, Plant & Equipment	7 & 8		
Land and Buildings		5,857,886	5,874,193
Operational Infrastructure		340,742,385	345,365,738
Vehicles, Plant, Furniture and Equipment		94,602	31,123
Long Term Assets		346,694,873	351,271,054
Inventories	9	144,178	140,275
Short Term Debtors	10	391,416	225,168
Investments	11	1,000,000	1,000,000
Cash and Cash Equivalents	12	1,355,840	2,592,022
Current Assets		2,891,434	3,957,465
Short Term Creditors	13	(9,572,600)	(9,480,153)
Current Liabilities		(9,572,600)	(9,480,153)
Liabilities Relating to Pension Scheme	14	(3,935,000)	(4,454,000)
Long Term Borrowing	15	(141,378,886)	(152,113,043)
Long Term Liabilities		(145,313,886)	(156,567,043)
Net Assets		194,699,821	189,181,323
Usable Reserves	16		
Revenue Account Balance		11,306,880	4,035,695
Maintenance Fund		3,983,010	5,169,195
Unusable Reserves	17		
Revaluation Reserve		80,293,613	81,751,130
Capital Adjustment Account		103,051,318	102,679,303
Pension Reserve		(3,935,000)	(4,454,000)
Total Reserves		194,699,821	189,181,323

CASH FLOW STATEMENT

	Notes	2016/17 £	2015/16 £
Net (Surplus) / Deficit on the Provision of Services		6,835,498	244,695
Adjustments to Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements	18	(613,257)	4,928,066
Adjustments for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing and Financing Activities		(127,295)	52,394
Net Cash Flows from Operating Activities	19	6,094,946	5,225,155
Investing Activities	20	(87,650)	3,947,606
Financing Activities		(7,243,478)	(12,443,478)
Net Decrease in Cash & Cash Equivalents		(1,236,182)	(3,270,717)
Cash & Cash Equivalents as at 1 April		2,592,022	5,862,739
Cash & Cash Equivalents as at 31 March	12	1,355,840	2,592,022

(Note - As per the Code guidelines, the Board has elected to choose the indirect method of presentation of the cash flow statement).

Notes to the Core Financial Statements

1. Accounting Policies

1.1 General Principles

1.1.1 'True and fair'

The Statement of Accounts summarises the Bridge Board's transactions for the year 2016-17 and its financial position at the 31 March 2017. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 and the Service Reporting Code of Practice supported by International Financial Reporting Standards (IFRS) and statutory guidance issued. Compliance with the Code results in financial statements that achieve a true and fair presentation.

1.1.2 Accruals of Income & Expenditure

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

- Fees, charges and rents due from tenants and Bridge users are accounted for as income at the date the Bridge provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stock on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest due but not received at the year-end is included as a debtor in the Balance Sheet.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or a creditor for the relevant amount is recorded in the Balance Sheet.

1.2 Cash and Cash Equivalents

- 1.2.1 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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change of value.

1.3 **Exceptional Items**

1.3.1 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 Account or in these Notes, depending on how significant they are to an understanding of the Board's financial performance.

1.4 **Changes in Accounting Policies and Estimates and Errors**

1.4.1 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 Board'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.

1.5 **Employee Benefits**

1.5.1 Benefits Payable during Employment

1.5.1.1 Benefits payable during employment can be separated into two categories:

- Short term
- Other long-term.

1.5.1.2 Short term employee benefits are those due to be settled within 12 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 Board.

1.5.1.3 Other long term employee benefits are employee benefits (other than post-employment benefits and termination benefits) not expected to be settled wholly before 12 months after the year-end in which the employees rendered the service to the Board. Other long term benefits would include:

- Long term paid absences such as long service or sabbatical leave
- Other long service benefits
- Long term disability benefits
- Bonuses

1.5.2 Termination Benefits

1.5.2.1 Termination benefits are amounts payable as a result of a decision by the Board 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 in the Comprehensive Income and Expenditure Statement.

1.5.3 Post-Employment Benefits

1.5.3.1 The Local Government Pension Scheme is accounted for as a defined benefits scheme.

1.5.3.2 The liabilities of the East Riding Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis.

1.5.3.3 Liabilities are discounted to their value at current prices.

1.5.3.4 The assets of the East Riding Pension Fund attributable to the Board are included in the Balance Sheet at their fair value.

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

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

- Remeasurement comprising:
 - The return on plan assets – excluding the amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to East Riding of Yorkshire Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

1.5.4 Discretionary Benefits

1.5.4.1 The Board also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the East Riding of Yorkshire Pension Scheme.

1.6 **Events After the Balance Sheet Date**

1.6.1 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, a disclosure is made in the notes of the nature of the events and their estimated financial effect.

1.7 **Financial Instruments**

1.7.1 A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. Typical financial instruments are:

Assets

- bank deposits
- trade receivables
- loans receivable

Liabilities

- trade and other payables
- borrowings
- financial guarantees

1.7.2 A financial asset or a financial liability is only recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provisions of the instrument.

1.8 **Reserves**

1.8.1 Revenue Account Balance

Represents revenue reserves built up from operating surpluses following the payment of debt, appropriations etc.

1.8.2 Maintenance Fund

Represents amounts set aside from operating surpluses to help meet future major maintenance commitments. The Fund was established in 1998-99 to create a reserve to fund works which would be too expensive to be funded from current revenues.

1.8.3 Revaluation Reserve

The Revaluation Reserve was created on the 1 April 2007 and records the net gain (if any) from the revaluation of fixed assets after that date. Annual depreciation on the revalued element of fixed assets is written out of the reserve.

1.8.4 Capital Adjustment Account

The Capital Adjustment Account was created on the 1 April 2007 and reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The opening balance at the 1 April 2007 was the combined total of the brought forward balances of the Fixed Asset Restatement Account and the Capital Financing Account with these accounts now being redundant.

1.8.5 Pension Reserve

Created in the Board's accounts in 2003-04 following the full adoption of Financial Reporting Standard (FRS 17) on retirement benefits and represents the net pension liability of the Board relating to the Local Government Pension Scheme. The current net liability will be addressed by increased employer's contributions over the next 20 years as assessed by the Fund's Actuary.

1.9 Capital Expenditure

1.9.1 Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts and has a de minimis level of £5,000.

1.9.2 Fixed assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

1.9.3 Balances at 31 March 2017 are stated in the Balance Sheet at open market value or existing use value with the exception of the actual Bridge and associated bridges and roads which have been valued on a depreciated replacement cost basis.

1.9.4 Revaluation of fixed assets take place at five yearly intervals and the assets were revalued in 2012-13 - as at the 31 March 2013. The next revaluation will be carried out in 2017-18. During the interim period material changes to asset valuations are included as they occur. Vehicles, plant, furniture and equipment are not revalued.

1.10 Capital Financing Charges

1.10.1 The borrowing policy currently comprises the 23 year PWLB fixed interest loan topped up as required with temporary loans from public sector bodies at variable rates of interest. Repayments of the PWLB loan in the year totalled £7.243m thus reducing the loan outstanding at 31 March 2017 to £152.113m. Interest paid during the year amounted to £4.002m.

1.10.2 The Board is required to set aside an amount which it considers to be prudent for the repayment of debt, known as the minimum revenue provision (MRP). The Board is also required to approve a statement on its policy on making MRP for the year and agreed that option 3 – the asset life method (annuity) - would be used for all capital expenditure incurred from 1 April 2015 financed by borrowing. This is a change in the accounting treatment of such expenditure.

1.11 Capital Receipts

1.11.1 Any capital receipts arising from the sale of assets are used to finance capital expenditure – there have been no material capital receipts during 2016-17.

1.12 Capital Disposals

1.12.1 When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

1.13 Depreciation

1.13.1 Depreciation is provided for on all property, plant and equipment with a finite useful life in accordance with the following policy:

- (i) Newly acquired assets are depreciated from the mid-point of the year.
- (ii) Depreciation is calculated over various periods according to the assets estimated life using the straight line method. Buildings and roads are recorded in the accounts as having a remaining useful life of 84 years (44 for the cafeteria building) and the Bridge structure and other components have remaining useful lives ranging from 21

years to 188 years as at the 31 March 2017. All other assets are given an estimated anticipated useful life on acquisition, the length of which is dependent on the individual asset.

(iii) Land is not depreciated.

1.13.2 Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total of the item, the components are depreciated separately.

1.14 **Investments**

1.14.1 As at 31 March 2017 the Board has no investments other than surplus monies held on short term deposit.

1.15 **VAT**

1.15.1 All income and expenditure exclude amounts relating to VAT as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

1.16 **Debtors and Creditors**

1.16.1 The revenue transactions of the Board are recorded in the Accounts on an accruals basis. This means that sums due to or from the Board during the year are included whether or not the cash has actually been received or paid in the year.

1.16.2 The figure for pre-paid ticket income in advance is based upon the actual number of unused tickets still in circulation as at 31 March up to three years old and is based on the discount value of the tickets at the time they were sold.

1.16.3 A bad debt provision has been set up as a reserve against the future recognition of certain accounts receivable as being uncollectible.

1.17 **Stocks**

1.17.1 Stocks held at the year-end are valued at a price not exceeding the lower of the cost or net realisable value.

1.18 **Insurances**

1.18.1 Directors, employees, officials, third parties and most assets are fully insured for all risks. Due to difficulties in obtaining appropriate cover, and the fact that the Government has said that it would be responsible if a catastrophic event were to occur, the actual Bridge structure is not insured.

1.19 **Officers' Remuneration**

1.19.1 The Statement of Accounts is accompanied by a note of the number of employees in the year whose remuneration falls in a bracket of a scale in multiples of £5k starting with £50k. Remuneration means all amounts paid to or receivable by an employee, including expenses, allowances and all other benefits that are chargeable to UK tax.

1.20 Critical Judgements in Applying Accounting Policies

1.20.1 In applying the accounting policies set out above the Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Pre-Paid Ticket Liability – The Board has made a creditor of £0.518m for the unredeemed pre-paid tickets as per IAS18. This is based on a calculation spanning 3 financial years and as such faces an uncertainty relating to unredeemed tickets. The pre-paid ticket liability is based on ticket issue price as exchanges and refunds (due to toll price changes) are still occurring at the price at which they were bought. The difference in the liability at the start and end of the financial year is reflected in revenue for the year.

2. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	Notes	2016/17 £	2015/16 £
(Surplus)/Deficit on Provision of Services		(6,835,498)	(244,695)
Amounts included in the CI&ES but required to be excluded when determining the Movement on the Revenue Balance			
Depreciation of Non Current Assets	7	(4,654,196)	(4,548,974)
Taxation and Non Specific Grants - MRP		3,490,679	0
Net Charges Made For Retirement Benefits in Accordance With IAS 19	14	1,326,000	(919,000)
Amounts not included in the CI&ES but required to be included when determining the Movement on the Revenue Balance			
Capital Expenditure Charged In-Year to the Revenue Account		78,015	0
Employer's Contributions Payable to the Pension Fund	14	510,000	508,000
Transfers from the Revenue Account that are required to be taken into account when determining the Movement on the Revenue Balance			
Repayment of Debt		0	5,200,000
Adjustments Between Accounting Basis & Funding Basis Under Regulations			
Transfer to Maintenance Fund		0	4,000,000
Transfer from Maintenance Fund		(1,186,185)	(3,464,676)
Transfers from Earmarked Reserves		(1,186,185)	535,324
Net additional amount required to be credited to the Revenue Account for the year			
		(435,687)	775,350
Decrease/(Increase) in Revenue Balance for the Year		(7,271,185)	530,655
Revenue Account Balance as at 1 April		(4,035,695)	(4,566,350)
Revenue Account Balance as at 31 March		(11,306,880)	(4,035,695)

3. Financing and Investment Income & Expenditure

	2016/17 £	2015/16 £
Interest Payable	4,001,660	4,185,644
Interest Received	(23,725)	(36,136)
Interest Cost on Pension Obligations	155,000	186,000
Expected Return on Pension Assets	(1,893,000)	247,000
	2,239,934	4,582,508

4. Capital Expenditure Charged To Revenue

4.1 There was no capital expenditure charged to revenue in 2016-17.

5. Taxation & Non Specific Grants

5.1 There were no grants awarded to the Bridge Board during 2016-17.

6. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

6.1 No standards have been issued that have not been adopted which would have had a material impact on the Bridge Board's Financial Statements.

7. Non Current Assets

7.1 Movements in Fixed Assets during the year were as follows:-

	Land & Buildings £	Operational Infrastructure £	Vehicles, Plant, Furniture & Equipment £	Total £
2016/17 Cost or Valuation				
Opening balance 1/4/16	5,923,114	358,723,341	406,580	365,053,035
Additions	0	0	78,015	78,015
Disposals	0	0	(114,495)	(114,495)
Revaluations	0	0	0	0
Impairments	0	0	0	0
Closing balance 31/3/17	5,923,114	358,723,341	370,100	365,016,555
Accumulated Depreciation				
Opening balance 1/4/16	48,921	13,357,603	375,457	13,781,981
Depreciation charge	16,307	4,623,353	14,536	4,654,196
Depreciation on revaluation	0	0	(114,495)	(114,495)
Disposals	0	0	0	0
Closing balance 31/3/17	65,228	17,980,956	275,498	18,321,682
Net book value as at 31 March 17	5,857,886	340,742,385	94,602	346,694,873
2015/16 Cost or Valuation				
Opening balance 1/4/15	5,923,114	358,723,341	406,580	365,053,035
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Impairments	0	0	0	0
Closing balance 31/3/16	5,923,114	358,723,341	406,580	365,053,035
Accumulated Depreciation				
Opening balance 1/4/15	32,614	8,839,410	360,983	9,233,007
Depreciation charge	16,307	4,518,193	14,474	4,548,974
Depreciation on revaluation	0	0	0	0
Disposals	0	0	0	0
Closing balance 31/3/16	48,921	13,357,603	375,457	13,781,981
Net book value as at 31 March 16	5,874,193	345,365,738	31,123	351,271,054

- 7.2 Revaluations are carried out at 5 year intervals. A full revaluation took place in the year ended 31 March 2013 and resulted in a revaluation adjustment of £10,037,324. The valuation was carried out by Mr Richard Holmes, BSc (Hons) MRICS (Registered Valuer), Principal Chartered Surveyor, NPS Humber Ltd. Vehicles, Plant, Furniture and Equipment are not revalued.
- 7.3 The revaluation reserve balance per asset category is given below based on historical cost and the net book value as at 31 March 2017 based on current value:-

	Historical Cost NBV As At 31 March 2017	Current Value As At 31 March 2017	Revaluation Reserve As At 31 March 2017
	£	£	£
Land	2,019,909	4,557,637	2,537,728
Buildings	4,447,262	1,300,249	(3,147,013)
Operational Infrastructure	259,839,487	340,742,385	80,902,898
	266,306,658	346,600,271	80,293,613

8. Statement of Physical Assets

8.1 The Humber Bridge Board owned the following assets at 31 March 2017:

- Bridge Substructure, Superstructure, North & South Approach Roads, Control Tower, Toll Booths (DRC)
- Administration Building (DRC)
- Maintenance Buildings:
 - Electrical Workshop (EUV)
 - Fitters Workshop (EUV)
 - Joiners Workshop (EUV)
 - Vehicle Workshop (EUV)
 - Stores and Garages (EUV)
 - Giraffe House (EUV)
 - Elephant house (EUV)
- Vehicles:
 - 2 New Holland Tractors (MV)
 - 2 Cars (MV)
 - 1 Sweeper (MV)
 - 1 Renault Medium 2 Axle Drop Side Lorry (MV)
 - 1 MEWP Cherry Picker (MV)
 - 1 Fork Lift Truck (MV)
 - 1 Winter Maintenance Trailer (MV)
 - 1 Kanga Loader (MV)
 - 1 Ford Transit 350 LWB (MV)
 - 1 Ford Ranger 4x4 (MV)
 - 1 John Deere 4x4 Gator (MV)
 - 1 Ford Transit Connect (MV)

- 1 Ford Ranger 4 x 2 (MV)
- 1 Nissan Cabstar Tipper Truck (MV)
- 1 Nissan Cabstar LGV (MV)

- Land and Car Parks (MV)
- North Bank Toilet Block (DRC)
- Cafeteria Building (MV)
- Barton Sub-Station (DRC)
- Document Reader and Computer Network System (MV)

The method of valuation for each asset is indicated – MV for Market Value; DRC for Depreciated Replacement Cost; EUV for Existing Use Value.

9. Inventories

	31 March 2017	31 March 2016
	£	£
Roads & Bridges	103,103	95,855
Winter Maintenance	5,900	11,700
Toll Equipment	47	47
Building Repairs & Materials	12,021	3,330
Derv	2,609	6,896
Clothing	3,713	4,093
Publicity Books	10,786	11,022
Other	5,999	7,332
	144,178	140,275

10. Debtors

	31 March 2017	31 March 2016
	£	£
Amounts falling due in one year		
Sundry Debtors		
Debtors	206,618	159,469
Bad Debt Provision	(50,000)	(50,000)
Debtor Provision for Investment Interest	15	19
Other		
Payments in Advance	156,862	78,682
VAT Repayment Due	77,921	36,998
	391,416	225,168

11. Investments

	31 March 2017	31 March 2016
	£	£
Short Term Loans	1,000,000	1,000,000

12. Cash & Cash Equivalents

	31 March 2017	31 March 2016
	£	£
Cash Held by HBB	1,400	1,400

Bank Accounts	754,440	890,622
Short-Term Deposits	600,000	1,700,000
Total Cash & Cash Equivalents	1,355,840	2,592,022

13. Creditors

	<u>31 March 2017</u>	<u>31 March 2016</u>
	£	£
Amounts falling due in one year		
Loans Repayable Within One Year	7,243,478	7,243,478
Income in Advance (Pre-paid Tickets)	517,890	981,945
Income in Advance (Other)	2,175	2,175
Tag Deposits	659,970	411,375
Tag Creditors Balance	759,483	658,224
Sundry Creditors		
Arup	-	8,013
Payroll	-	-
VAT on Creditors	19,550	1,749
Other	370,054	173,194
	9,572,600	9,480,153

14. Pensions

14.1 As part of the Board's terms and conditions of employment, retirement benefits are offered to its employees through the East Riding of Yorkshire Council's Pension Scheme which provides members with defined benefits related to pay and service. Although these will not actually be payable until employees retire, the Board has a commitment to make the payments, and this needs to be disclosed at the time that employees earn their future entitlement.

14.2 This is a funded scheme to which both the Board and its employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets. The contribution rate is determined by the Fund's Actuary based on triennial valuations, and under Pension Fund Regulations the contribution rates are set to meet 100% of the overall liabilities of the Fund.

14.3 IAS 19 Disclosure

14.3.1 Post-employment benefits are accounted for in accordance with IAS 19. The objective of IAS19 is to ensure the Board's financial statements reflect at fair value the future Pension Fund obligations which have been incurred, and the extent to which assets have already been set aside to fund them.

14.4 Transactions Relating to Retirement Benefits

14.4.1 The cost of retirement benefits are recognised within the Board's net operating surplus when they are earned by employees rather than the actual contributions paid to the Pension Fund. However, the amount charged into the accounts is based on the cash payable in the year so the real cost of retirement benefits (as assessed under the triennial valuation) is reversed out of the accounts, see notes 2 and 17.1. The following transactions have been made from the Income and Expenditure Account:

2015-16 £		2016-17 £
	Service cost	
<u>(486,000)</u>	- current service costs	<u>(412,000)</u>
<u>(486,000)</u>	Total service cost	<u>(412,000)</u>
	Financing and investment I&E (note 4)	
383,000	- interest income on plan assets	426,000
<u>(569,000)</u>	- interest cost on defined benefit obligation	<u>(581,000)</u>
<u>(186,000)</u>	Total net interest	<u>(155,000)</u>
<u>(672,000)</u>	Total defined benefit cost recognised in I&E	<u>(567,000)</u>
	Remeasurement of the net defined benefit liability comprising:	
(247,000)	- return on assets excluding amounts included in net interest	1,893,000
-	- actuarial gains arising from changes in demographic assumptions	266,000
1,580,000	- actuarial gains/(losses) arising from changes in financial assumptions	<u>(2,772,000)</u>
191,000	- other experience	<u>1,189,000</u>
<u>1,524,000</u>	Total remeasurements recognised in other comprehensive income	<u>576,000</u>
<u>852,000</u>	Total post employment benefits charged to the I&E Statement	<u>9,000</u>
	Movement in Reserves Statement	
<u>508,000</u>	- Employers contributions payable	<u>510,000</u>

14.4.2 Remeasurements are in line with the revised requirements of IAS19.

14.5 Pension Assets, Obligations and Net Liabilities Recognised in the Balance Sheet

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

Humber Bridge Board Statement of Accounts 2016-17

2015-16		2016-17
£		£
12,148,000	Fair value of employer assets	14,560,000
(16,548,000)	Present value of funded liabilities	(18,437,000)
(54,000)	Present value of unfunded liabilities	(58,000)
(4,454,000)	Net Liability Arising From Defined Benefit Obligation	(3,935,000)

Reconciliation of the Movements in Fair Value of Plan Assets

2015-16		2016-17
£		£
11,938,000	Opening fair value of employer assets	12,148,000
383,000	Interest income	426,000
	Remeasurement gain/(loss):	
(247,000)	Return on plan assets excluding amounts included in net interest	1,893,000
508,000	Contributions from employer	510,000
101,000	Contributions from employees	100,000
(535,000)	Benefits paid	(517,000)
12,148,000	Balance As At 31 March	14,560,000

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

2015-16		2016-17
£		£
(17,752,000)	Opening fair value of plan liabilities	(16,602,000)
(486,000)	Current service cost	(412,000)
(569,000)	Interest cost	(581,000)
(101,000)	Contributions from plan participants	(100,000)
	Remeasurement gain/(loss):	
0	Actuarial losses arising from changes in demographic assumptions	266,000
1,580,000	Actuarial (gains)/losses arising from changes in financial assumptions	(2,772,000)
191,000	Other experience	1,189,000
535,000	Benefits paid	517,000
(16,602,000)	Balance As At 31 March	(18,495,000)

14.5.2 The obligations show the underlying commitments that the Board has in the long-run to pay retirement benefits. The deficit of £3.935m will be made good by increased employer's contributions over the next 20 years as assessed by the Fund's Actuary.

14.6 Pension Scheme Assets Comprised:

Asset Category	Period Ended 31 March 2017				Period Ended 31 March 2016			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000		£'000	£'000	£'000	
Equity Securities:								
Consumer	1428	0	1428	10%	1216	0	1216	10%
Manufacturing	793	0	793	5%	343	0	343	3%
Energy and Utilities	821	0	821	6%	761	0	761	6%
Financial Institutions	904	0	904	6%	1494	0	1494	12%
Health and Care	851	0	851	6%	787	0	787	6%
Information Technology	558	0	558	4%	710	0	710	6%
Other	5	0	5	0%	0	0	0	0%
Debt Securities:								
Corporate Bonds (investment grade)	226	0	226	2%	208	0	208	2%
Corporate Bonds (non-investment grade)	149	279	428	3%	115	124	239	2%
UK Government	432	0	432	3%	358	0	358	3%
Other	448	0	448	3%	406	0	406	3%
Private Equity:								
All	315	365	681	5%	263	350	613	5%
Real Estate:								
UK Property	366	1337.3	1703	12%	297	1135.7	1433	12%
Overseas Property	0	0	0	0%	0	0	0	0%
Investment Funds and Unit Trusts:								
Equities	3384	0	3384	23%	2142	0	2142	18%
Bonds	0	0	0	0%	0	0	0	0%
Hedge Funds	0	0	0	0%	0	0	0	0%
Commodities	0	0	0	0%	0	0	0	0%
Infrastructure	138	391	529	4%	121	255	376	3%
Other	268	678	946	6%	260	463	723	6%
Derivatives:								
Inflation	0	0	0	0%	0	0	0	0%
Interest rate	0	0	0	0%	0	0	0	0%
Foreign Exchange	0	0	0	0%	0	0	0	0%
Other	0	0	0	0%	0	0	0	0%
Cash and Cash Equivalents:								
All	425	0	425	3%	341	0	341	3%
Totals	11509	3051	14560	100%	9820	2328	12148	100%

14.7 Basis for Estimating Assets and Obligations

14.7.1 Obligations have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2017, on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future dependent on assumptions about mortality rates, salary levels, etc.

14.7.2 The principal assumptions used by the Actuary have been:

	2016-17	2015-16
Mortality assumptions (years)		
- Longevity at 65 for current pensioners		
- Males	21.7	21.9
- Females	24.2	24.1
- Longevity at 65 for future pensioners		
- Males	23.7	24.2
- Females	26.4	26.7
Rate of increase in pensions	2.4%	2.2%
Rate of increase in salaries	2.6%	3.7%
Rate for discounting scheme obligations	2.5%	3.5%

14.7.3 The estimation of the defined benefit obligations is sensitive to the actuarial assumptions as set out in the table above. The actuary has determined a sensitivity analysis as detailed below:

Changes in assumptions at 31 March 2017	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	1651
0.5% increase in the Salary Increase Rate	1%	275
0.5% increase in the Pension Increase Rate	7%	1349

14.7.4 In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2017 on varying bases. The approach taken is consistent with that adopted to derive the IAS 19 figures. To quantify the uncertainty around life expectancy, the difference in cost to the employer of a one year increase in life expectancy has been calculated. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3-5%. Please note the above figures have been derived based on the membership profile of the Board as at the date of the most recent actuarial valuation. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

14.8 Impact on the Board's Cash Flows

14.8.1 One of the main objectives of the Pension Plan is to maintain a relatively stable employer contribution rate. The Board's contribution rate is determined by the actuary and is currently set at the primary rate plus secondary rate as shown below:

Valuation contribution rate results			
	Primary Rate % Payroll		Secondary Rate £(000) pa
Contributions in payment 2016-17	21.6%	plus	182

14.8.2 The latest triennial valuation was completed as at 31 March 2016, with the next valuation date as at 31 March 2019.

14.8.3 The proposed contribution rates for the next three years are shown below:

	Primary Rate % Payroll		Secondary Rate £(000) pa
Proposed certified rates for the year ending			
31 March 2018	19.6%	plus	95
31 March 2019	19.6%	plus	98
31 March 2020	19.6%	plus	100

14.8.3 The total contributions expected to be made to the Pension Fund by the Board in the year to 31 March 2018 are £390k.

15. Disclosure of Nature and Extent of Risk Arising from Financial Instruments

15.1 International Financial Reporting Standards (IFRS) 7 (previously FRS 26) on Financial Instruments was incorporated into the accounting regulations in 2007/08. The definition in the standard of financial instrument is detailed below:

“any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity”

15.2 In practice this means financial instruments covers cash, debt, equity investments, debtors and creditors as well as complex instruments such as commodity contracts and derivatives.

15.3 Key Risks

15.3.1 The standard requires the risks associated with financial instruments to be correctly accounted for so as to show the true impact as well as a proper understanding of the risks. The Board’s activities expose it to a variety of financial risks, the key risks are:

- **Credit risk** – the possibility that debtors do not repay the amounts that they owe.
- **Liquidity risk** – the possibility that the Board runs out of cash to manage its day to day cash flow.
- **Re-financing risk** – the possibility that when the Board renews an instrument such as a loan the terms deteriorate in comparison with the original terms.
- **Market risk** - the possibility of financial loss from market movements, for example interest rate movements.
- **Price risk** – this is the possibility of the price of assets held for trading losing or changing value.

15.4 Overall Procedures for Managing Risk

15.4.1 The Board should have due regard for the risks associated with the financial instruments that they hold. The procedures for risk management are set out

through a legal framework in the *Local Government Act 2003* and the associated regulations. These require the Board to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. The Board manages risk in the following ways:

- **by formally adopting** the requirements of the Code of Practice within its Treasury Management Practices.
- **by approving annually in advance**, prudential indicators for the following three years within the Treasury Management Strategy, limiting:
 - the Board's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures to the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond a year.
- **by approving an investment strategy** for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

15.5 Credit Risk

15.5.1 Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Board's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Treasury Strategy. The Treasury Management Strategy was approved by the Board in February and August 2016.

15.6 Liquidity Risk

15.6.1 The Board's only borrowing was to finance the building of the Bridge and subsequent interest payments. The Board is required by the Humber Bridge Act 1959 to make a balanced budget, which ensures sufficient monies are raised to cover the annual debt repayments and other outgoings. In the unlikely event of an unforeseen deficit that cannot be met from the Reserve Fund, the Board has a number of options at its disposal, including increasing the level of tolls, which it would use to recover the position. Under the Humber Bridge Act 2013 the Board has two years to take action to recover such a deficit. If it was unable to do so, the Board would recover the remaining deficit in four equal proportions from levies on the constituent local authorities.

15.6.2 The Board manages its liquidity position through the risk management procedures described above, for instance the setting and approval of prudential indicators and the approval of the Treasury Management Strategy.

It also, with support from Hull City Council, maintains detailed cash flow planning to manage its day to day liquidity. The Board also has an overdraft facility.

15.7 Refinancing Risk

15.7.1 The Board has an investment portfolio. The risk is that deposits are reinvested with less advantageous terms when they mature. This risk is mitigated by monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Board's day to day cash flow needs, Also the use of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

15.8 Market Risk

15.8.1 This can be further split into interest rate risk, price risk and foreign exchange risk:

Interest rate risk – The Board is exposed to interest rate movements on its investments which are mostly deposits with financial institutions. Interest income forms part of the Income and Expenditure Account so any reduction in rates means less income is available to fund the Board's ongoing expenditure. The Board has a number of strategies for managing interest rate risk. The Treasury Management Strategy reviews expectations of interest rate movements and the treasury team monitors interest rates to invest appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

Price risk – This is the possibility that there is a change of value of quoted investments. However, this risk is mitigated because the majority of the Board's investments are in money deposits with financial institutions which are not subject to changes in values. The Pension Fund is also subject to changes in the value of quoted investments, although this is administered by East Riding of Yorkshire Council.

Foreign exchange risk – This is the possibility of changes in the value of foreign currency versus the pound. The Board has no financial assets and liabilities denominated in foreign currencies so this risk does not apply.

15.9 Long Term Borrowing – Liabilities

15.9.1 The Board has a long term loan from the PWLB which is held on the Balance Sheet at its amortised cost as shown below and is scheduled to be repaid in 2038. The Board has no other long term borrowing. The interest rate is fixed at 2.54% for the remaining life of the loan.

	2017 £
Financial Liabilities at amortised cost	
Outstanding loan as at 1 April	152,113,043
Interest payment charged to the Income & Expenditure Account	4,001,660
Cash Payments	
- Interest	(4,001,660)
- Capital repayment	(7,243,478)
Outstanding loan as at 31 March	<u>144,869,565</u>
Less Payable Within One Year	(7,243,478)
Long Term Borrowing as at 31 March	<u>144,869,565</u>

15.10 Financial Instruments – Assets

15.10.1 Financial Assets can be classified into two types:

- **Loans and receivables** – assets that have a 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 a fixed or determinable payments.

15.10.2 Loans and receivables shown in the balance sheet – all due within one year.

	£
Short Term investments	1,000,000
Debtors and prepayments	391,416
Less: Payments In Advance	(156,862)
Less: VAT	(77,921)
Cash and bank in hand	1,355,840
	<u>2,512,473</u>

15.10.3 Payments in Advance are excluded from the above as these will be settled by the provision of goods and services rather than through cash or other financial instruments. VAT repayments are excluded as they are based on statutory obligations rather than contractual rights.

15.10.4 Short term investments are shown at fair value as they relate to short duration, fixed rate deposits.

15.10.5 The Board holds no available-for-sale assets.

15.11 Financial Instruments – Liabilities

15.11.1 Financial Liabilities can be classified into two types:

- Financial liabilities at fair value through profit or loss.
- Other financial liabilities measured at amortised cost using effective interest method.

15.11.2 Financial Liabilities shown in the balance sheet – all due within one year

	£
Loans – Due In One Year	7,243,478
Income in Advance	520,065
Tag Deposits	659,970
Tag Creditors Balance	759,483
Sundry Creditors	389,604
Less: Income in Advance	(520,065)
Less: VAT	(19,550)
	9,032,985

15.11.3 Income in Advance has been excluded from the above creditors as these will be settled by the provision of goods and services rather than cash or other financial instruments.

16. Usable Reserves

16.1 An analysis of the movement on each of the Board’s usable reserves is shown below.

	2016-17 £	2015-16 £
Revenue Balance		
Balance as at 1 April	(4,035,695)	(4,566,350)
Decrease/(Increase) in Revenue Balance for the Year	(7,271,185)	530,655
Balance as at 31 March	<u>(11,306,880)</u>	<u>(4,035,695)</u>
Maintenance Fund		
Balance as at 1 April	(5,169,195)	(4,633,871)
Transfer from Revenue	-	(4,000,000)
Transfer to Revenue (Fund Expenditure)	1,186,185	3,464,676
Balance as at 31 March	<u>(3,983,010)</u>	<u>(5,169,195)</u>

17. Unusable Reserves

17.1 An analysis of the movement on each of the Board's unusable reserves is shown below.

Revaluation Reserve	2016-17 £	2015-16 £
Balance as at 1 April	(81,751,130)	(83,103,489)
Impairment Charged to Revaluation Reserve	0	0
Depreciation of revalued assets	1,457,517	1,352,359
Balance as at 31 March	<u>(80,293,613)</u>	<u>(81,751,130)</u>
Capital Adjustment Account	2016-17 £	2015-16 £
Balance as at 1 April	(102,679,303)	(100,675,918)
Depreciation of Fixed Assets	3,196,679	3,196,615
Finance of Fixed Asset Purchase	(78,015)	0
Capital Grant Applied	(3,490,679)	0
Finance of Debt Repayment	0	(5,200,000)
Balance as at 31 March	<u>(103,051,318)</u>	<u>(102,679,303)</u>
Pension Reserve	2016-17 £	2015-16 £
Balance as at 1 April	(4,454,000)	(5,814,000)
Employer Contributions	510,000	508,000
Net Revenue Account Costs	1,326,000	(919,000)
Remeasurements	(1,317,000)	1,771,000
	<u>(3,935,000)</u>	<u>(4,454,000)</u>

18. Reconciliation of the Net Surplus on the Income and Expenditure Account to the Revenue Activities Cash Flow

	2016-17 £	2015-16 £
Non-cash transactions		
Depreciation	4,654,196	4,548,974
IAS19 adjustment	(1,836,000)	411,000
Items on an accruals basis		
Decrease/(Increase) in Stock	(3,903)	(93,800)
Decrease/(Increase) in Debtors	(29,318)	154,158
Increase/(Decrease) in Creditors	92,447	(92,266)
MRP included in "Taxation & Non-Specific Grant Income"	(3,490,679)	0
Net Cash Flow From Revenue Activities	<u>(613,257)</u>	<u>4,928,066</u>

19. Cash Flow Statement – Operating Activities

Cash flows from operating activities include the following:

	2016-17 £	2015-16 £
Interest Received	(23,730)	(62,567)
Interest Paid	4,001,660	4,185,644
Net Cash Flow From Operating Activities	<u>3,977,930</u>	<u>4,123,077</u>

20. Cash Flow Statement – Investing Activities

	2016-17 £	2015-16 £
Purchase of Property, Plant & Equipment	(78,015)	(0)
Purchase of Short-Term Investments	(5,500,000)	(7,000,000)
Proceeds from Sale of Property, Plant & Equipment	4,500	
Proceeds from Short-Term Investments	5,485,865	10,947,606
Net Cash Flows From Investing Activities	<u>(87,650)</u>	<u>3,947,606</u>

21. Officers' Emoluments

The number of officers in receipt of emoluments of £50,000 and over is as follows:

Post Title	Salary £	Benefits in Kind £	Total Remuneration excluding Pension	Pension Contributions £	Total Remuneration including Pension
			Contributions 2016/17 £		Contributions 2016/17 £
Chief Executive	18,333	0	18,333	3,960	22,293
General Manager & Bridgemaster	87,587	5,006	92,593	18,919	111,512
	<u>105,920</u>	<u>5,006</u>	<u>110,926</u>	<u>22,879</u>	<u>133,805</u>

The Chief Executive commenced on 01 February 2017.

The General Manager & Bridgemaster retired on 31 March 2017.

There were no bonuses, expense allowances or compensation for loss of office paid during 2016-17.

Post Title	Salary £	Benefits in Kind £	Total Remuneration excluding Pension	Pension Contributions £	Total Remuneration including Pension
			Contributions 2015/16 £		Contributions 2015/16 £
General Manager & Bridgemaster	86,720	3,462	90,182	18,732	108,914
Head of Operations & Human Resources	23,073	0	23,073	4,984	28,056
	<u>109,793</u>	<u>3,462</u>	<u>113,255</u>	<u>23,715</u>	<u>136,970</u>

The term “emolument “ means all sums paid to an employee including all taxable benefits, but excludes pension contributions.

22. Maintenance Fund

In 2016-17 the following capital schemes were financed from the Maintenance Fund:

	Expenditure £
Toll Replacement	981,766
A-Frame	118,145
Hanger	45,569
Cable Inspection	7,314
Expansion Joints	28,465
General Consultancy	4,925
Total	1,186,185

23. Related Party Transactions

23.1 During the year, the Bridge Board continued to have relationships and transactions with the four neighbouring local authorities (Hull City Council, East Riding of Yorkshire Council, North Lincolnshire Council and North East Lincolnshire Council). Most of the transactions have been with Hull City

Council which provides audit, treasury management, legal, insurance and grounds maintenance services. The cost of these services charged in the accounts is £151,545 (31 March 2016 £61,545).

- 23.2 Following the enactment of the Humber Bridge Act 2013, the Board agreed a Directors' Allowance Scheme enabling the private sector directors to claim attendance allowances and all directors to claim travel allowances whilst engaged on Bridge Board business. The Board also agreed the purchase of indemnity insurance for the directors in respect of any joint or several liability which they may incur in exercising their functions as directors

24. Local Authority Goods and Services Act 1970

- 24.1 The Bridge Board provided no services to other local authorities or prescribed bodies under the Local Authorities (Goods and Services) Act 1970 during 2016-17.

25. Audit Fees

- 25.1 Fees are paid to KPMG LLP with regard to external audit services carried out by the appointed auditor and have been provided for in the accounts £7,500 for 2016-17 (£9,000 for 2015-16).

26. Outstanding Liabilities on Contracts

Nil

- 26.1 There are retentions for the Toll System Replacement project of £145,000 as at 31 March 2016.

27. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

- 27.1 The Statement of Accounts contains estimated figures that are based on assumptions made by the Board 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 different from the assumptions and estimates.

- 27.2 The items in the Bridge Board's Balance Sheet as at 31 March 2017 for which there is a 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 depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance	If the useful life of assets is reduced, depreciation increases and the carrying amounts of the assets fall.

	that will be incurred in relation to individual assets.	
Pensions	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 returns on pension fund assets – see note 14.7.2.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance an increase in the discount rate assumption would result in a decrease in the pension liability.
Pre-Paid Ticket Liability	The Board has made a creditor of £0.518m for the unredeemed pre-paid tickets liability as per IAS 18, practice note G. This is based on a calculation spanning 3 financial years.	As this creditor is calculated using 3 financial years it faces an uncertainty relating to unredeemed tickets from a period of more than 3 years.

28. Post Balance Sheet Events

Certification of the Accounts

I certify that the Statement of Accounts represents a true and fair financial position as at 31 March 2017 and the income and expenditure for the year ended 31 March 2017.

.....

John Butler
Treasurer to the Board

Approval of the Accounts

I certify that the Statement of Accounts was approved by the Board at its meeting on the 19 August 2017.

.....

Rob Waltham
Chair of the Board

4. DEFINITION OF FINANCIAL TERMS

The following provides an explanation for the financial terms used in this Statement of Accounts.

Accruals

The concept that revenue and capital income and expenditure transactions are included in the accounts as they are earned or incurred, not as monies are received or paid.

Asset

An item having value measurable in monetary terms. Assets are classified as fixed or current assets. A fixed asset yields benefits beyond one year, whereas current assets are items such as stock or debtors which can readily be converted to cash or are consumed in the year of account.

Capital Financing Charges

The annual charges arising from financing capital expenditure. In the case of the Humber Bridge Board this represents principal and interest repayment of the debt.

Consistency

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

Contingent Liabilities

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

Creditor

An amount owed by the Board for work done, goods received or services rendered, receivable by the end of an accounting period, but for which payments have not been made by the end of that period.

Debtor

An amount due to the Board for work done, goods provided or services rendered, by the end of the accounting period, but for which payments have not been received by the end of that period.

Depreciation

The theoretical reduction in value of an asset due to age, wear and tear or obsolescence.

Financial Reporting Standard

Standards adhered to in the presentation of the accounts.

Liability

An amount due to an individual or organisation which will be paid at some point in the future.

Net Book Value

The amount at which fixed assets are included in the balance sheet at current value taking into account depreciation.

Post Balance Sheet Events

Any events, favourable or unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the Treasurer.

Provision

An amount set aside in the accounts for liabilities which are anticipated in the future but cannot be accurately quantified.

Realisable Value

The open market value of an asset in its existing use less the expenses to be incurred in realising the asset.

Revenue Expenditure

The day to day operational costs involved in operating and maintaining the bridge and associated assets.

5. EXTERNAL AUDIT OPINION

6. ANNUAL GOVERNANCE STATEMENT

1. Introduction

- 1.1 This document describes the responsibilities of the Humber Bridge Board, and the governance arrangements in place to ensure that the Board was able to discharge those responsibilities during 2016-17. It goes on to report on the findings of a review of the effectiveness of its governance framework including the system of internal control.

2. Scope of Responsibility

- 2.1 The Board 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.
- 2.2 In discharging this overall responsibility, the Board is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- 2.3 The Board is to consider adopting a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how the Board has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the Board is directed and controlled; and the activities through which it accounts to and engages with the community. It enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.2 The system of internal control is a significant part of that framework and 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 should ensure that, on an on-going basis, identified risks to the Board's operations are evaluated and managed efficiently, effectively and economically.
- 3.3 The governance framework has been in place at the Board for the year ended 31 March 2017 and remains in place.

4. The Governance Framework

- 4.1 The governance framework within the Board is based on a framework of regular management information, Standing Orders, administrative procedures (including segregation of duties), management, supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by officers of the Board with assistance from officers of Hull City Council who provide internal audit and legal services.
- 4.2 Key elements of the governance framework are described below -

Establishing and monitoring the achievement of the Board's objectives

- The Chief Executive is responsible for reporting progress to the Board against its objectives.

Facilitation of policy and decision making

- Standing Orders set out how the Board operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law while others are a matter for the Board to choose.

Ensuring compliance with established policies, procedures, laws and regulations

- The Chief Executive is responsible for ensuring compliance with policies, procedures, laws and regulations and for establishing and maintaining appropriate controls, as set out in the Board's Standing Orders and Financial Regulations.
- The Internal Audit Service provided by Hull City Council operates to the standards set out in the 'CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom' and agreed terms of reference. Controls compliance is tested by Internal Audit in accordance with the Internal Audit Strategy and Plan, which is risk based and for which the overall conclusions are presented in an annual report.
- The Board has an objective and professional relationship with external auditors.

Ensuring the economical, effective and efficient use of resources and for securing best value and continuous improvement

- The Board has undertaken to pursue best value principles to ensure that resources are used economically, efficiently and effectively and is committed to the continuous improvement of the service.

Financial management of the Board

- The Board has historically chosen to follow Local Government financial management standards and its arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010. The Treasurer is the Board's Officer with overall responsibility for management of the Board's financial affairs.
- The financial management of the Board is conducted in accordance with the Standing Orders (incorporating the Financial Regulations).
- The capital and revenue budgets for 2016-17 were approved by the Board. Both outturns were within the budgets.
- Budgets are managed by the Chief Executive.

Performance management of the Board

- Various reports are presented to the Board on performance issues.

5. Review of Effectiveness

- 5.1 The Board has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive and his officers, internal audit, legal services and external auditors. Managers within the Board have responsibility for the development and maintenance of the governance environment.
- 5.2 Internal Audit provides annual assurance on the internal control environment at the Board based upon the work undertaken in the year. On the basis of Internal Audit testing and review during 2016-17, the overall internal control environment appears *marginal*, meaning that high risks were identified requiring prompt action.
- 5.3 The opinion in the previous year was also *marginal*. However, in overall terms there was improvement in some areas and appropriate recommendations have been made and actions agreed by officers to address the outstanding issues.
- 5.4 The Board are directly informed of issues identified through audit reports and action taken by officers to mitigate the findings. The Board received a report on the audits conducted during 2016-17 at its Annual General Meeting on 16 June 2017. The main areas of concern identified in the report related to ICT risks, contracts and income reconciliations, though reconciliation procedures had improved compared with the previous year, which also provides confidence in the quality of data from the new tolling system.

- 5.5 The audit opinions are *adequate* for the other core systems: Main Accounting, Accounts Payable and Payroll & personnel. The Payroll opinion had improved compared with the previous audit, following management action to address the key issues raised at that time.
- 5.6 The control issues identified by internal auditors are not expected to impact on the adequacy of the Board's financial accounts. KPMG LLP has been appointed as external auditor to audit the accounts for 2016-17. The Board has consistently received unqualified ('clean') audit opinions on its accounts.

6. Significant Governance Issues

- 6.1 As highlighted above, audit work has highlighted three areas concern, which gave risk to marginal opinions. These being:-

- ***Income***

Historically, the Board had robust procedures over the collection and reconciliation of toll income. An interim system was utilised for a period whilst the new tolling system was being developed and installed. Some of the procedures could not readily be applied to that system due to practical constraints. This led to a *marginal* opinion, which the Board agreed to tolerate pending the commissioning of the new tolling system. As the new system came on-line during 2015-16, daily income reconciliations were not being undertaken to explain differences between the actual income taken at the toll plaza (for non-TAG users) and the theoretical amount determined by the toll system. This led to an *unsound* opinion in that year because assurance could not be provided as to the accuracy of the system. The latest audit found that, following management action, this situation had improved, which demonstrated confidence in the underlying systems, but the reconciliation procedures needed to be better embedded to provide an adequate control environment. An action plan has been developed to address this issue, together with other points of detail that were highlighted during the audit.

- ***ICT***

Previous audits have highlighted a number of ICT risks. Some of these have been addressed but others have not. At the same time, the impact of ICT risks has increased due to factors such as: the Board holding a greater quantity of personal data following the introduction of TAG accounts; and an increased level of threat from malicious attacks on computer networks generally. Consequently, the overall risk presented by the outstanding points is considered sufficiently material as to warrant a *marginal* opinion in the latest audit. An action plan has been developed to address those points and this is also supported by a new management structure that provides for a dedicated ICT Manager to oversee future developments.

- **Contracts**

An audit of contracts during 2016-17 highlighted a number of non-compliances with internal procedures and other good practices. This led to a *marginal* opinion in this area and appropriate actions will be implemented to make the procedures more robust as the Board undertakes significant contracting on bridge maintenance and other issues in the medium term.

- 6.2 There are no other significant issues to report. As noted above, action plans have been produced to ensure that issues identified in the audits and in this Statement are addressed. Actions have been allocated to specific officers with agreed completion dates. Board officers will continue to work with Internal Audit to ensure that recommendations made in the audit reports are addressed and appropriate measures taken as soon as possible.
- 6.3 The Board will receive regular management reports on progress made to improve the outstanding *marginal* opinions and further improve the systems with *adequate* opinions, so that it can be assured of the robustness of the internal controls.

.....
Kevin Moore
Chief Executive

As Chair of the Humber Bridge Board I place reliance on the system and procedures identified above, subject to the foregoing measures being taken in the coming year.

.....
Rob Waltham
Chair of the Board