

ERSKINE BRIDGE TOLLS ACT 1968

Accounts, prepared pursuant to section 17(1) of the Erskine Bridge Tolls Act 1968 showing the Operation Account for the year ended 31 March 1996, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 338 of 1995-96.)

Presented pursuant to Act 1968, c.4, s.17(2)

Scottish Office Development Department: Erskine Bridge Accounts 1995-96

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Foreword

- 1 The Erskine bridge, which opened on 2 July 1971, crosses the River Clyde some 9 miles west of the centre of Glasgow. As a trunk road, it is the responsibility of the Secretary of State for Scotland.
- Tolls**
- 2 The Secretary of State is empowered by the Erskine Bridge Tolls Act 1968 to levy tolls on vehicles using the bridge during a period of 20 years from its opening or as subsequently extended by order. These may be sufficient, but not more than sufficient, to defray the costs of the construction, improvement, maintenance and repair of the bridge, and to make provision for the cost of its administration and for its continued operation after the end of the toll period. All of these are purposes to which the revenue from tolls may be applied in accordance with Section 4(2) and Schedule 2 of the 1968 Act.
- 3 The toll period was extended by 5 years from 2 July 1991 under the terms of Erskine Bridge Tolls Extension Order 1991 (SI 1991 No. 1402).
- 4 Exemptions from payment of tolls extend to fire and police authority vehicles, ambulances, vehicles used for the maintenance or operation of the Erskine Bridge, vehicles displaying badges issued under section 21 of the Chronically Sick and Disabled Persons Act 1970 and vehicles specially adapted for disabled drivers. The Secretary of State may also authorise exemption for up to 5 vehicles at any one time belonging to the Princess Louise Scottish Hospital for Limbless Sailors and Soldiers, Erskine.
- 5 From the beginning of the 1992-93 accounting period tolls have been levied at a new flat rate of 60p on all vehicles, as provided for by the Erskine Bridge Tolls Order 1992 (SI 1992 No. 433), excepting motorcycles and exempt categories. A discount of 10% is available to those purchasing 50 pre-paid crossing vouchers (or multiples thereof).
- Accounts**
- 6 These Accounts are prepared by The Scottish Office Development Department under Section 17(1) of the Erskine Bridge Tolls Act 1968 in a form directed by the Treasury.
- 7 In accordance with the Treasury's Accounts Direction of October 1992, notional costs ie repayment of capital and interest, and the sinking fund provision for maintenance, replacements and operating costs over the life of the Bridge are shown in Note 7 to the Accounts which gives detailed information in relation to Section 4(2) of the 1968 Act. The value included as fixed assets for the Bridge is derived from a 'depreciated replacement cost' described in Note 8, based on the costs of comparable construction in recent years.
- Toll collection**
- 8 Following a market testing exercise the toll collection operation was contracted out to APCOA Parking (UK) Ltd with effect from 15 June 1992. The contractor collects tolls and carries out ancillary duties on the Secretary of State's behalf; toll pricing and charging policy remain the responsibility of the Secretary of State.

- Results for the Year 1995-96** 9 During the year there were 7,554,999 registered vehicle crossings of the Erskine Bridge (a rise of 6.7% on 1994-95) of which 308,296 were exempt from toll charges, including 37,730 motorcycles.
- 10 The value of tolls collected including concession vouchers totalled £4,288,113.
- 11 Operating costs rose by 10.4% to £2,043,229 in 1995-96. Significant costs for special maintenance inspections were again included.
- 12 The operating surplus for 1995-96 amounted to £2,244,884 an increase of 2.7% on 1994-95.
- Fixed Assets** 13 In 1995-96, further capital expenditure of £180,000 was incurred in connection with the resurfacing of access roads.
- Post Balance Sheet Events** 14 The bridge has been closed to traffic as a result of a collision incident on 4 August 1996 when an oil rig which was being towed down the River Clyde collided with the bridge, causing some structural damage. The bridge was closed to all traffic from 4 August, reopened to pedestrians and cyclists on 22 August and to cars and motor cyclists on 30 August. Final repairs are proceeding and it is expected that all Heavy Goods Vehicles will be allowed to cross the bridge by the end of December 1996. The incident has resulted in the loss of toll revenue.
- 15 The Scottish Office commissioned the consulting engineers Scott Wilson Kirkpatrick to carry out an independent investigation into the circumstances leading up to the incident. Once the firm have reported, The Scottish Office will pursue those considered to have been responsible for the incident, for the costs associated with the repair and the associated traffic management, and for all loss of toll revenue. Estimates of the amounts involved cannot be made as yet, but are likely to be of the order of £3-4 million.
- Auditors** 16 The Accounts are audited by the Comptroller and Auditor General.
- Statement of Accounting Officers' responsibilities with respect to the Accounts** 17 The relevant responsibilities of accounting officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in "Government Accounting" (HMSO).

H. H. Mills, C.B.
Accounting Officer

29 November 1996

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 4 to 13 under the Erskine Bridge Tolls Act 1968. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements. It also includes an assessment of the significant estimates and judgements made by The Scottish Office in the preparation of the financial statements, and of whether the accounting policies are appropriate to Erskine Bridge'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 error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. 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 give a true and fair view of the state of affairs of the Erskine Bridge at 31 March 1996 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Erskine Bridge Tolls Act 1968 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

17 January 1997

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Operating Account for the year ended 31 March 1996

	Note		Previous Year £
Tolls levied	7	4,288,113	4,036,429
Other income		—	—
		<u>4,288,113</u>	<u>4,036,429</u>
 Operating costs			
Collection		634,077	535,022
Maintenance		629,141	507,877
Depreciation	8	722,008	651,049
Other operating costs	3	46,898	139,903
Redundancy costs		11,105	16,548
		<u>2,043,229</u>	<u>1,850,399</u>
 Surplus/(deficiency) for the year			
	4	2,244,884	2,186,030
Accumulated surplus/(deficiency) brought forward		<u>770,299</u>	<u>(1,415,731)</u>
 Accumulated surplus/ (deficiency) carried forward			
		<u>3,015,183</u>	<u>770,299</u>

All of the above amounts relate to continuing operations.

Statement of Total Recognised Gains and Losses

Surplus for year per Operating Account		2,244,884	2,186,030
Unrealised surplus on revaluation of assets		12,142,057	7,990,736
Backlog depreciation on revaluation of assets		<u>(2,428,411)</u>	<u>(1,539,642)</u>
Total Recognised Gains		<u>11,958,530</u>	<u>8,637,124</u>

The notes on pages 8 to 13 form part of these accounts.

Balance Sheet as at 31 March 1996

	Note	Previous Year	
		£	£
Fixed assets			
Tangible assets	8	68,344,797	59,621,767
Current assets			
Debtors		52	50
Cash at bank and in hand		72,935	43,285
		<u>72,987</u>	<u>43,335</u>
Creditors: Amounts falling due within one year			
Trade creditors		108,033	238,497
Other creditors		25,600	25,000
		<u>133,633</u>	<u>263,497</u>
Net current assets/(liabilities)		<u>(60,646)</u>	<u>(220,162)</u>
Total assets less current liabilities		<u>68,284,151</u>	<u>59,401,605</u>
Provision for liabilities and charges			
Insurance	6	424,119	424,119
Capital and reserves			
Revaluation reserve	10	65,189,987	55,476,341
Accumulated surplus/(deficiency)		3,015,183	770,299
Capital account	9	(345,138)	2,730,846
		<u>68,284,151</u>	<u>59,401,605</u>

The notes on pages 8 to 13 form part of these accounts.

H. H. Mills, C.B.
Accounting Officer

29 November 1996

Cash Flow Statement for year ending 31 March 1996

	£	Previous Year £
Operating activities		
Toll receipts: Class XIV, Vote 2	4,288,554	4,038,461
Payments for salaries and wages, supplies and services, and other expenses: Class XIV, Votes 2 and 18	<u>1,451,528</u>	<u>984,681</u>
Net cash inflow from operating activities	2,837,026	3,053,780
Investing activities		
Payments to acquire fixed assets: Class XIV, Vote 2	(268,608)	3,985,749
Receipts from sales of fixed assets	<u>—</u>	<u>—</u>
	<u>(268,608)</u>	<u>3,985,749</u>
Net cash inflow/(outflow) from activities	3,105,634	(931,969)
Financing		
Net cash surrendered/(advanced from) Vote	3,075,984	(916,053)
Increase/(decrease) in cash and cash equivalents	<u>29,650</u>	<u>(15,916)</u>
	<u>3,105,634</u>	<u>(931,969)</u>

Cash Flow Statement for year ending 31 March 1996 (continued)

	£	Previous Year	
		£	£
The reconciliation of the operating cash flow to the surplus in the operating account is as follows:			
Operating surplus	2,244,884	2,186,030	
Add back:			
Depreciation	722,008	651,049	
Notional charges and payments by Other Government Departments, less notional receipts	-		-
Notional Insurance charge less claims	-		83,500
Profit/loss on sale of assets	-		-
		<u>722,008</u>	<u>734,549</u>
		<u>2,966,892</u>	<u>2,920,579</u>
(Increase)/decrease in debtors	(2)		(50)
Increase/(decrease) in creditors	<u>(129,864)</u>		<u>133,251</u>
		<u>(129,866)</u>	<u>133,201</u>
Net cash flow from operating activities		<u>2,837,026</u>	<u>3,053,780</u>

The notes on pages 8 to 13 form part of these accounts.

Notes to the Accounts

Accounting policies 1

1.1 Accounting convention

The Accounts are prepared under the historical cost convention modified by the inclusion of the Erskine Bridge at depreciated replacement cost (see Note 8).

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985 and of the Accounting Standards issued or adopted by the Accounting Standards Board so far as these requirements are appropriate.

1.2 Depreciation

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write-off the cost or valuation of each asset evenly over its expected useful life, as follows:

The Erskine Bridge	–	over 120 years
Access Roads	–	over 120 years
Administration Building	–	over 50 years
Furniture, fittings and equipment	–	over 10 to 25 years

1.3 Funding

Erskine Bridge is funded by charges on various Votes.

1.4 Insurance

Insurance is not effected against fire, explosion, third party, theft or similar risks as these risks are carried by the Consolidated Fund. A notional charge in lieu of premiums, by way of an annual provision, is made to the Operating Costs, and insurable damages or losses incurred are charged as claims against the Insurance Provision.

Format of Accounts 2

The format of the account was changed in 1991/92 under a revised Accounts Direction issued by Treasury. Prior to 1991/92, the notional costs required for the purposes of S.4(2) of the Act were incorporated in the Accounts (ie Amortisation; Interest; Sinking Fund).

These notional costs continue to be calculated for 1991/92 and later years, but are included only at Note 7 to the Accounts, which shows that the requirements of S.4(2) are being met.

Other operating costs	3		Previous Year £ £
		These are made up as follows:	
		Administration	46,898 56,403
		Insurance Provision (see Note 6)	— 83,500
			<u>46,898</u> <u>139,903</u>
<hr/>			
Operating surplus	4	This is stated after charging:	Previous Year £ £
		Auditor's remuneration	13,000 12,624
		Depreciation	722,008 651,049
<hr/>			
Staff costs	5	There have been no direct employees at the Bridge since APCOA Parking Ltd took over collection etc duties on 15 June 1992.	
<hr/>			
Insurance provision	6		Previous Year £ £
		Provision at 1 April 1995	424,119 340,619
		Operating Account (see Note 3)	— 83,500
			<u>424,119</u> <u>424,119</u>
		Claims	— —
		Provision at 31 March 1996	<u>424,119</u> <u>424,119</u>

The notional charge in lieu of premiums has been reviewed and is kept in line with commercial charges. However, no charge has been made in 1995-96 due to the level of funds accumulated, and the low incidence of claims experienced to date. The situation will be reviewed each year.

Toll revenues **7** The following statement is required in connection with Section 4(2) of the 1968 Act, ie toll charges levied may not exceed the sum required to meet certain defined applications. (These figures have been prepared on the same principles as the Accounts of 1990/91 and previous years).

	£	Previous Year £
Tolls income per the Accounts	4,288,113	4,036,429
Applications permitted by the Act:		
Operating Costs – per the Accounts (excluding Depreciation of £722,008)	(1,321,221)	(1,199,350)
Amortisation	(1,743,246)	(9,345,343)
Interest	(14,949,269)	(13,200,806)
Sinking Fund	-	-
Adjustment of Amortisation and Interest, due to change in period from 25 years to 30 years	<u>3,117,150</u>	<u>-</u>
	<u>(14,896,586)</u>	<u>(16,745,499)</u>
	<u>(10,608,473)</u>	<u>(12,709,070)</u>
Balance brought forward	<u>(130,446,988)</u>	<u>(117,737,918)</u>
Balance carried forward at 31 March 1996	<u>(141,055,461)</u>	<u>(130,446,988)</u>

7.1 Amortisation is a notional charge sufficient to repay the capital costs of the bridge (at historic cost) over the toll period. (The toll period was extended to 30 years with effect from 1 July 1996.)

Interest represents the notional interest charge due to: amortisation of capital expenditure; interest on working capital; deficiency of income to meet applications.

A **Sinking Fund** is set up notionally to meet replacement of assets and major maintenance over the remaining life of the bridge, and to meet operating costs after the toll period. The fund is reassessed 5-yearly, and was reassessed in 1991/92 at a significantly lower level than previously required. Consequently no annual instalments are required in 1995-96.

Tangible fixed assets	8	Equipment and		Total
		Land and Buildings	Furniture	
		£	£	£
Cost or valuation at 1 April 1995:		73,314,217	375,667	73,689,884
Additions		(268,608)	-	(268,608)
Surplus (deficit) on revaluation		12,142,057	-	12,142,057
Disposals		-	-	-
At 31 March 1996		<u>85,187,666</u>	<u>375,667</u>	<u>85,563,333</u>
Depreciation at 1 April 1995		13,694,564	373,553	14,068,117
Provided during the year		721,585	423	722,008
Surplus/(deficit) on revaluation		2,428,411	-	2,428,411
Disposals		-	-	-
At 31 March 1996		<u>16,844,560</u>	<u>373,976</u>	<u>17,218,536</u>
Net book value:				
At 1 April 1995		<u>59,619,654</u>	<u>2,114</u>	<u>59,621,767</u>
At 31 March 1996		<u>68,343,106</u>	<u>1,691</u>	<u>68,344,797</u>

8.1 The Bridge was revalued at replacement cost in 1991/2 by reference to the costs of comparable construction of recent years indexed to 91/2 prices. Professional revaluations are to be repeated 5-yearly, with indexing in each intervening year, so that the Bridge will continue to be shown at current valuation. Depreciation, on a straight-line basis over the estimated life of the Bridge, is calculated so that depreciated replacement cost will reduce to zero at the end of its life.

8.2 Other assets continue to be shown at historic cost, but are depreciated over their useful lives (excluding land).

8.3 Additions during the year were all in respect of Resurfacing, and comprised £180,000 of expenditure, and a credit of £448,608 being refund of an advance made to Strathclyde Region as agent for a contract which was let in 1994 for £4.5m, and which was completed for approx. £4m.

Capital account	9	Previous Year		
		£	£	£
			2,730,846	1,814,793
Balance at 1 April 1995				
Net cash advanced from/(surrendered to)				
Vote in year (see Cash Flow Statement)		(3,075,984)		916,053
Notional payments in year, ie Payments				
by Other Government Departments,				
less notional receipts		—	(3,075,984)	916,053
Balance at 31 March 1996			<u>(345,138)</u>	<u>2,730,846</u>

Revaluation reserve	10	Previous Year		
		£	£	£
At 1 April 1995			55,476,341	49,025,247
Surplus/(deficit) on revaluation:				
Fixed Assets		12,142,057		7,990,736
'Backlog' Depreciation		<u>(2,498,411)</u>	9,713,646	<u>(1,539,647)</u>
			<u>65,189,987</u>	<u>55,476,341</u>

- Commitments** **11**
- 11.1** Persons previously employed directly at the Bridge are covered by the provisions of the Principal Civil Service Pension Scheme. Notional Superannuation contributions have been charged in annual Accounts to cover the Treasury's accruing liabilities in respect of pensions for employees and in respect of the administrative expenses attributable to the liabilities and their discharge.
- There were no such contributions during this year, or the previous year.
- 11.2 Redundancy payments**
- In some cases there is a commitment to make annual payments, in addition to lump sums paid, until former employees reach retirement age. Annual payments required in 1996-97 are estimated at approximately £10,000.
- 11.3 Capital**
- Amounts contracted for but not provided in the Accounts amounted to £NIL, (£400,000 for previous year).
- Amounts authorised but not contracted for were £NIL (£100,000 for previous year).

Contingencies	12	There were no contingencies as at the year end (none at previous year end).
Post balance sheet events	13	<p>The bridge has been closed to traffic as a result of a collision incident on 4 August 1996 when an oil rig which was being towed down the River Clyde collided with the bridge, causing some structural damage. The bridge was closed to all traffic from 4 August, reopened to pedestrians and cyclists on 22 August and to cars and motor cyclists on 30 August. Final repairs are proceeding and it is expected that all Heavy Goods Vehicles will be allowed to cross the bridge by the end of December 1996. The incident has resulted in the loss of toll revenue.</p>

The Scottish Office commissioned the consulting engineers Scott Wilson Kirkpatrick to carry out an independent investigation into the circumstances leading up to the incident. Once the firm have reported, The Scottish Office will pursue those considered to have been responsible for the incident, for the costs associated with the repair and the associated traffic management, and for all loss of toll revenue. Estimates of the amounts involved cannot be made as yet, but are likely to be of the order of £3-4 million.

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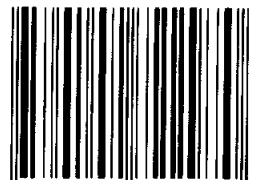
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