

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

DATE: 23 June 2006

AGENDA ITEM NO: 23

**SUBJECT: FINAL ACCOUNTS OF THE AUTHORITY AND EXECUTIVE FOR
2005/06**

Report of the Chief Financial Officer and the Executive

1. MATTER FOR CONSIDERATION

- 1.1. Consideration of the Final accounts for the Authority and the Executive for 2005/06 and the Treasury Management statement.

2. INFORMATION

- 2.1. This report presents the final accounts for 2005/06 and has attached the following appendices:

| | |
|------------|---|
| Appendix 1 | Final accounts of the Authority |
| Appendix 2 | Final accounts of the Executive (Revenue Account and Balance Sheet only) |
| Appendix 3 | Capital funding and Loans statement |
| Appendix 4 | Treasury Management statement and report |
| Appendix 5 | Schedule of capital expenditure in the year |

Background

- 2.2. There has been a considerable change to the layout of the Authority's accounts for 2005/06 due to new accounting regulations. As a comparison the published accounts in 1987/88 only covered 5 pages, the 2004/05 accounts extended to 21 pages but the new layout takes nearly 40 pages due to the recent regulations which also require a separate section consolidating the Executive's accounts.
- 2.3. The requirement for consolidation means there have been a number of presentational changes including amendments to the foreword, the Statement of Internal Control, the layout of the policies and the notes. The group accounts, as they are termed, and their notes have, due to the different accounting regulations followed by the Authority and the Executive, been added at the end of the usual accounts.
- 2.4. In accordance with the requirements of the Accounts and Audit regulations the accounts have already been placed on deposit for

public inspection. The regulations then require they must be formally considered and signed by the Authority by the end of June; then audited and reconsidered by the Authority after the receipt of a copy of the SAS610 (auditors report on the accounts) and published before the end of September.

The Authority's Accounts

| Authority | Budget | Actual | Variance |
|--------------------------------|-----------------|-----------------|------------|
| | £000 | £000 | £000 |
| Income | | | |
| Levy | -64,232 | -64,232 | 0 |
| Rail and Rural Bus grants | -55,759 | -55,606 | -153 |
| Interest receivable | -404 | -454 | 50 |
| Other costs | -1,106 | -1,133 | 27 |
| | <u>-121,501</u> | <u>-121,425</u> | <u>-76</u> |
| Expenditure | | | |
| Debt Charges | 8,939 | 8,900 | 39 |
| Other costs | 1,378 | 1,433 | -55 |
| | <u>10,317</u> | <u>10,333</u> | <u>-16</u> |
| Net income before grant to PTE | -111,184 | -111,092 | -92 |
| Net grant to Executive | 111,937 | 111,015 | 922 |
| Net use of resources | 753 | -77 | 830 |

- 2.5. The above statement shows a comparison of the actual expenditure against the latest budget approved at the meeting in February 2006.
- 2.6. The most significant variation is the change in the level of rail and bus grants. However, this simply reflects the costs incurred in the Executive's accounts and is caused by the reduced level of Franchise payments approved by the Department for Transport.
- 2.7. Interest receivable and debt charges should be considered together as the management of the Authority's cash flow is operated on the basis of minimising outstanding debt and investments are prevented so far as possible. The Authority's Treasury management statement appears in Appendix 4 with the details of loans outstanding contained in Appendix 3.
- 2.8. Other areas of the budget show an overall net movement of less than £30k.

Relationship with the Executive's Accounts

- 2.9. The Authority's attached accounts have been prepared to ensure they take account of the current capital finance regulations and the revenue consequences of the Executive's accounts. In particular the prudential code requires the Authority to take account of liabilities in the Executive's balance sheet. The funding of capital schemes has been done to ensure that resources are maximised and both capital and revenue grants have been matched in both sets of accounts.

- 2.10. As a consequence it is being recommended that in order to continue with the same level of balances in the Executive's accounts the payment of Authority's revenue grant to the PTE be amended accordingly.

The Executive's Accounts

| Executive | Budget | Actual | Variance |
|----------------------|---------|---------|----------|
| | £000 | £000 | £000 |
| Concessionary Fares | 20,740 | 20,140 | 600 |
| Subsidised Services | 20,895 | 20,736 | 159 |
| Passenger Services | 8,110 | 7,959 | 151 |
| Rail Charges | 54,740 | 54,675 | 65 |
| Pensions | 1,346 | 1,345 | 1 |
| Financing | 1,780 | 1,831 | -51 |
| Central Contingency | 0 | 0 | 0 |
| Other Activities | 4,326 | 4,329 | -3 |
| Grant from Authority | 111,937 | 111,015 | 922 |

- 2.11. The Executive is now required to comply fully with FRS17 Accounting for Retirement Benefits, in the same way as the Authority. This has required a number of changes to the way in which the accounts are prepared, most noticeably that a large pensions deficit and reserve have been created in both the 2004/05 accounts and the 2005/06 accounts. The revenue figures shown in the table above are shown prior to the adjustments required to the employer's contributions made in the year and thus allow a proper comparison against budget as previously presented.
- 2.12. From the summary it can be seen that overall the Executive is showing a net saving against the approved budget. Most of this is on concessionary fares, which is always a difficult budget to predict. The budget is therefore always set to allow for anticipated growth.
- 2.13. Other headings are close to the approved budget. Spending on subsidised services is within 1% of budget. The Passenger Services heading covers all expenditure on bus stations and customer facilities and contains a large number of small savings totalling £151k. These include savings against the security contract at the bus stations, some staff vacancies and savings on the initial running costs of real time information. Other changes to the budget are minimal overall.
- 2.14. Excluded from the above figures is the income on prepaid tickets since it is cancelled out by the consequential payments to operators. It should, however, be noted that sales have increased from £20.5m in 2004/05 to £23.9m in 2005/06. This is due to mainly to the significant growth in sales of Student Plus (23%) and School Plus (34%) tickets.

Capital Expenditure for 2005/06

- 2.15. The Authority is required to follow Prudential Borrowing rules thus a statement showing borrowing, investments and how they have been operated and controlled through those rules is set out in Appendix 4.
- 2.16. Total capital expenditure in the year was £18.343m. This is intended to be funded by a combination of borrowing, grants and internal resources as set out in Appendix 3. The total capital grant of £16.1m paid by the Authority to the Executive came from borrowing of £8.8m and Section 56 grants of £7.3m.
- 2.17. In 2005/06 full use was made of the resources provided under the LTP for that year as well as the small balance of £115k brought forward from 2004/05. This reflects well on the control of the programme and will assist in the future scoring of achievements under the LTP monitoring. It is hoped that the achievement, when reported in the final review of the LTP (2000/01 to 2005/06), will be recognised in future allocation of resources.
- 2.18. The full schedule of capital expenditure undertaken in 2005/06 is shown in Appendix 5 with its financing in Appendix 3. All schemes are within the level approved by the Authority with the exception of the on-street facilities renewal programme. This scheme has been ongoing for a number of years and has rationalised and renewed all the bus stop poles and plates throughout West Yorkshire up to a modern standard. The original approval was for £2.1m but over the period since 2002 the sum of £2.22m has been expended ie an increase of 5.5%. This was mainly due to delays by contractors which resulted in additional costs in materials (due to strengthening) and project management.
- 2.19. Expenditure has continued on closing down the Supertram project. The cost of preparing additional information for the DfT and meeting existing commitments was £1.022m during the year the majority of which has been funded from a grant of £1m with the balance being from funds set aside for the purpose. It is anticipated a further £5m may be required to meet existing commitments and funds are set aside for this.
- 2.20. The MyBus project proceeded into its second year during 2005/06 with expenditure incurred of £7.5m being met from Section 56 grant of £7.3m and £0.2m by borrowing under a borrowing approval from the DfT. Further expenditure of some £7m is anticipated in 2006/07 to be met from Section 56 grants from the project budget.

Statement of Internal Control (The SIC)

- 2.21. This statement is now a mandatory element of the Authority's accounts. It is intended to set out the internal arrangements that the Authority has in place to demonstrate they have a regular review of their control arrangements which are secure and efficient. In this context the control arrangements are deemed to cover all aspects of the Authority's

management and financial arrangements from the formulation, review and implementation of policy through the working environment to the security of financial systems culminating in the approval of the final accounts.

- 2.22. Whilst the Statement itself sets out the requirements and how they are met the more important methods the Authority has to satisfy itself that the arrangements are satisfactory are:

2.22.1. The work of the internal audit section including their reports

2.22.2. The work of the external auditors and their reports

2.22.3. Consideration of such matters by an Audit Committee

2.22.4. The Standing Orders and Financial Regulations

2.22.5. The Code of conduct for Members and Officers

2.22.6. The Risk management arrangements and the review of financial systems

- 2.23. Up to present time much of this work has been carried out at officer level and been combined with the internal reviews of the Executive. It is now considered that to provide Members with more direct information and control over the SIC a new Audit and Governance Committee should be set up at this meeting. The terms of reference are elsewhere on the agenda. Whilst all of the above have been actioned during 2005/06 it is recommended that in future they should be dealt with through the proposed new committee.

Property Revaluation

- 2.24. In accordance with the Statement of Recommended Practice (the SORP) which the Authority must follow it has been necessary to re-value the Authority's main asset - 'Wellington House'. This has been done at 31 March 2006. Similarly the Authority must confirm that it is unaware that any 'impairment' (ie that the property has suffered no diminution of value through deterioration or neglect etc) has taken place. Since the revaluation was at the end of the year it is advised that there is no reason to assume the value has been affected by any matter other than the revaluation.
- 2.25. It should be noted that although the resultant value has increased and is shown in the balance sheet this has no net effect on the accounts as the change is balanced out by a compensating reduction in the Reserve account elsewhere in the balance sheet as required by the SORP.

3. FINANCIAL AND EC PROCUREMENT IMPLICATIONS

- 3.1. These are set out in paragraph 2 above.

4. STAFFING IMPLICATIONS

4.1. None directly arising from this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1. None directly arising from this report.

6. RECOMMENDATIONS

6.1. That the attached accounts and the SIC of the Authority be approved and authorised for signing as appropriate by the Chair and Officers

6.2. That the revaluation of the assets be noted and that the Authority confirm that they are unaware of any reason for impairment to have occurred

6.3. that the attached Executive's accounts be noted

6.4. that the revenue grant to the Executive for 2005/06 be amended to £111,014,992.52

6.5. that the capital grant to the Executive of £16,080,053.63 be approved

6.6. that the Treasury Management policy and prudential decisions set out in Appendix 4 be approved together with the matters related to individual capital schemes in this report, including the methods of capital funding shown in Appendix 3

Director General of the Executive

Chief Financial Officer of the Authority

West Yorkshire Passenger Transport Authority

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