

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 29 JUNE 2010

AGENDA ITEM NO: **11**

SUBJECT: FINAL ACCOUNTS OF THE AUTHORITY AND EXECUTIVE FOR 2009/10

Report of the Clerk and Chief Financial Officer

1. MATTER FOR CONSIDERATION

- 1.1. Consideration of the annual accounts for the Authority and the Executive for 2009/10 and the Treasury Management statement.

2. INFORMATION

- 2.1. This report presents the final accounts for 2009/10 and has attached the following appendices attached:

Appendix 1	Final accounts of the Authority
Appendix 2	Final accounts of the Executive (summary)
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. In accordance with the requirements of the Accounts and Audit regulations the annual accounts have already been placed on deposit for public inspection. The regulations then require that they must be formally considered and signed by the Audit and Governance Committee on behalf of the Authority by the end of June. They are then audited and must be reconsidered by the Committee after the receipt of a copy of the Annual Governance Report (auditors' report on the accounts) and published before the end of September.
- 2.3. The summary extracts from the Executive's accounts are provided for information only as these accounts are approved by the Executive Board. They are however the figures utilised in the consolidated group accounts which appear within the Authority's accounts.

The Authority's Accounts

Authority	Budget £000	Actual £000	Variance £000
Income			
Levy	-91,375	-91,375	0
Rail and Bus Grants	-73,221	-73,221	0
Interest receivable	-127	-122	5
Other income	-1,165	-1,148	17
	<u>-165,888</u>	<u>-165,866</u>	<u>22</u>
Expenditure			
Debt charges	8,462	8,413	-49
Other expenses	1,315	1,278	-37
	<u>9,777</u>	<u>9,691</u>	<u>-86</u>
Net income before grant to PTE	-156,111	-156,175	-64
Net grant to PTE	156,884	155,584	-1,300
Net use of Reserves	773	-591	-1,364

- 2.4. The above statement shows a comparison of the actual expenditure against the latest forecast budget approved at the Authority's meeting in February 2010. This format differs to that needed to fulfil the statutory requirements of the annual accounts but the bottom line in terms of use of reserves remains the same in both instances.
- 2.5. The Authority's income and expenditure account shows a number of small variances against the forecast outturn but the most significant variance is the reduction in the grant required to the Executive. This arises largely from a timing difference in the payment of the agreed concessionary reimbursements to operators accounting adjustments to the tender contracts awarded in the year. Full details in respect of these are set out below in paragraph 2.9 onwards.

Relationship with the Executive's Accounts

- 2.6. 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.
- 2.7. The budget approval given in February each year agrees the principle of providing a revenue grant to the Executive such that its reserves movement is nil. It is recommended therefore that in order to continue with this that the payment of Authority's revenue grant to the PTE be amended accordingly as set out above.

The Executive's Accounts

Executive	Budget	Actual	Variance
	£000	£000	£000
Concessionary travel scheme	49,561	50,334	773
Subsidised bus services	25,132	23,855	-1,277
Passenger Services	9,999	9,644	-355
Rail support	72,096	72,096	0
Pensions	1,441	1,474	33
Financing charges	473	539	66
Other activities	7,053	6,513	-540
Net expenditure	<u>165,755</u>	<u>164,455</u>	<u>-1,300</u>

- 2.8. The Executive's net expenditure is set out above in a format to allow comparison with the forecast outturn previously approved by Members. The presentation of this differs to that required by the statutory accounts but the grant requirement and the movement on reserves are the same in both instances. The statutory accounts also include adjustments to comply with FRS17 Accounting for Retirement Benefits which do not impact on the grant requirement for the year.
- 2.9. The variance on concessionary travel arises in part due to small increases in payments to the rail operators and others outside of the three year agreement. In addition the payments in the year were reprofiled to assist in managing the network and this will then have a subsequent impact to reduce the agreed 2010/11 budget. There is also an increase to the concessionary fares budget in respect of AccessBus which in turn gives rise to the same reduction in the tendered services budget.
- 2.10. The budgeted expenditure on tendered bus services shows a saving of £1.3m. £200k of this is the opposite of the extra expenditure on AccessBus concessions as set out in paragraph 2.9. A significant element of the reduction shown is then due to an accounting adjustment made to a contract awarded towards the end of 2009/10. Whilst a large initial payment was able to be made from the available budget, in accounting terms this needs to be equalised over the length of the contract and thus whilst a saving is shown in 2010/11 there will be expenditure over budget in the subsequent two years. The apparent saving showing in reserves should therefore be treated with caution as there will be higher expenditure accounted for in 2010/11.
- 2.11 There are a number of savings shown across the other budget heads. This reflects the actions taken to reduce spend wherever possible in anticipation of significant savings being required over the coming years. Savings have been made on staffing budgets as recruitment activity slowed towards the end of the year and there are then a large number of small variations on a wide number of budget lines. These include savings on telematics costs, information provision, marketing, trade

refuse collection, vehicle inspections and consultancy, There is also a small increase in budgeted income from Clear Channel.

Capital Expenditure for 2009/10

- 2.12. 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.
- 2.13. Total capital expenditure in the year was £19.999m, a significant increase on 2008/09 due to an increase in external funding and extra LTP uplift funding secured for both the Authority and the region. The detailed funding position is set out in Appendix 3 and shows a total capital grant of £14.637m paid by the Authority to the Executive. The Executive received a number of capital contributions directly from third parties.
- 2.14. An element of the LTP uplift monies received in 2009/10 has not been spent in the year and can be carried forward to support expenditure in 2010/11. Programmes have been agreed to utilise this funding but these are now under review following the recent spending cuts announced by the government. This will form the subject of reports to future meetings of the Authority.
- 2.15. The full schedule of capital expenditure undertaken in 2009/10 is shown in Appendix 5 with its financing in Appendix 3. All schemes are within the level approved by the Authority during the year.

Other accounting matters

- 2.16. The accounts include information on pension costs in accordance with FRS17 Accounting for Retirement Costs. At each year end where the triennial full scheme revaluation does not take place the actuaries provide a snapshot of the Authority's element of the Fund at that time. This information is included in the notes to the accounts and adjusting entries are made which do not impact on the income and expenditure for the year. Members will note that the position at 31 March 2010 shows a significant increase in the pension liability from £265k to £474k. This arises from a combination of a change in the assumptions applied and a move in the value of assets and liabilities. Any deficit in the Fund will be addressed by adjustments to the contribution rate payable calculated at the revaluation. The deficit can be addressed over a long timescale as the liability shown in the accounts would only crystallise should the Fund be wound up. For this reason the accounts continue to be presented under a going concern basis, as adequate funding is in place for the foreseeable future. It should be noted however that the triennial revaluation is currently taking place and the outcome of this will determine the employer contribution rates from 2011/12 onwards.

- 2.17. The accounts of the Authority are prepared in accordance with the Statement of Recommended Practice (SORP). The 2009 version of this has not required any significant changes to the format and presentation of the accounts.
- 2.18. The group accounts combine the Authority's and Executive's accounts to give a consolidated position. As both organisations follow different accounting regulations there are a number of technical difficulties in doing this and the resultant group accounts are perhaps not as straightforward as might otherwise be the case. They do however conform to the required accounting standards. The movement in group reserves shown in this year's accounts is simply the transfer to reserves within the Authority (as the grant paid to the Executive exactly equals their expenditure).

Impairment

- 2.19. In accordance with the Statement of Recommended Practice (the SORP) the Authority revalues its fixed assets ie Wellington House on a regular basis. This is done every five years and was last carried out at 31 March 2006. The Authority must confirm in the interim years that it is unaware that any 'impairment' has taken place. FRS 11 states 'A review for impairment of a fixed asset should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.' If no such circumstances or events can be identified then there is no requirement for an impairment review. The current economic downturn and associated impact on property prices was recognised in 2009/10 as a potential change in circumstance which required consideration. An external valuer was engaged and he confirmed that the market value for Wellington House was still in line with the book valuation. It is not considered that there have been any significant changes in the property market since last year that would necessitate a further valuation and the accounts have therefore been prepared on the basis that no impairment adjustment is required.

Accounting Policies

- 2.20. There have been no significant changes to any of the Authority's or Executive's accounting policies this year. A policy has been introduced to explain the accounting treatment for Yorcard, the joint venture owned by the Executive and South Yorkshire PTE to facilitate the development of smartcards, funded initially by a grant allocation in 2009/10 and 2010/11 from the Department for Transport.

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 of the Authority be approved and authorised for signature by the Chair of the Authority and Clerk to the Authority.

6.2. That the Committee confirms that no impairment adjustment is required.

6.3. That the attached Executive's accounts be noted.

6.4. That the revenue grant to the Executive for 2009/10 be amended to £155,585,348.

6.5. That the capital grant to the Executive of £14,637,052 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