

WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

ACCOUNTS TO 31ST MARCH 2008



CONTENTS

Auditor's Report	1
Report of the Directors	2-4
Annual Governance Statement	5-8
Income & Expenditure Account	9
Statement of Total Recognised Gains and Losses	10
Balance Sheet	11
Statement of Reserves	12
Note of Historical Cost Profits and Losses	13
Cash Flow Statement	14-15
Statement of Accounting Policies	16-18
Notes to the Accounts	19-34

INDEPENDENT AUDITOR'S REPORT TO WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

Independent Auditor's Report to the Director's of West Yorkshire Passenger Transport Executive

I have audited the financial statements of West Yorkshire Passenger Transport Executive for the year ended 31 March 2008. The financial statements comprise the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the Directors of West Yorkshire Passenger Transport Executive in accordance with Part II of the Audit Commission Act 1998, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Directors and auditor

The Directors are responsible for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2003 as amended.

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

I report to you my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Executive and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Executive's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Executive's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of West Yorkshire Passenger Transport Executive as at 31 March 2008 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Executive.

Paul Lundy
District Auditor

23 September 2008

Audit Commission
Kernel House
Killingbeck Drive
Leeds
LS14 6UF

**REPORT OF THE DIRECTORS OF
THE WEST YORKSHIRE TRANSPORT EXECUTIVE
31 MARCH 2008**

1. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by company law to prepare financial statements for each financial year which present a true and fair view of the Executive's financial position and performance for that period.

In preparing the financial statements, the Directors are required to :

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- keep proper financial records which are up to date; and
- ensure that the financial management and accounting control systems are adequate and effective.

2. THE EXECUTIVE' S RESPONSIBILITIES

The Executive's responsibilities are :-

- 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. In the Executive, that officer is the Assistant Director Finance.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

3. ACTIVITIES

The primary function of the West Yorkshire Passenger Transport Executive is to implement the policies of the West Yorkshire Passenger Transport Authority. The main policies being the provision of public passenger transport services where the needs of the area are not met by the commercial network, the administration of a concessionary travel scheme, the planning and development of major transport projects and the management of the public transport infrastructure in West Yorkshire.

The Executive in conjunction with the Passenger Transport Authority has adopted the corporate name "Metro" in order to promote public transport throughout West Yorkshire.

4. FINANCIAL RESULTS

The financial results of the Executive for the period are detailed in the accounts on pages 9 to 34 of this report.

5. FIXED ASSETS

Changes in Fixed Assets are detailed in note 11 to the accounts.

6. THE MEMBERS OF THE EXECUTIVE BOARD

The members of the Executive Board who served during the year were:-

Kieran Preston	Director General
John Henkel	Director of Passenger Services
Sheena Pickersgill	Director of Corporate Services
David Hoggarth	Director of Development (Appointed 17 May 2007)
David Page	Non Executive Director
Tony Darbyshire	Non Executive Director

7. EMPLOYEES

The Executive is an equal opportunities employer. This policy is designed to provide equal opportunities irrespective of colour, ethnic or national origins, sex or marital status, nationality or disability.

The Directors endeavour to make employees aware of the financial and economic factors affecting the performance of the Executive through regular training and seminars, team meetings, monthly newsletters and management meetings.

The Executive continues to give special attention to health and safety matters and complies with Health and Safety law in all its requirements.

The attainment of the Investors in People award affirms the Executive's on-going commitment to its employees.

8. AUDITORS

The Audit Commission have been appointed as auditors to the Executive, under the provisions of section 2 of the Audit Commission Act 1998.

K PRESTON
Director General

Date: 23 September 2008

**ANNUAL GOVERNANCE STATEMENT
THE WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
31 MARCH 2008**

1. Scope of Responsibility

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

In discharging this overall responsibility, the Executive is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Executive's functions including arrangements for the management of risk.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Executive is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Executive to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at the Executive for the year ended 31 March 2008 and up to the date of approval of the financial statements.

3. The governance framework

The key elements of the systems and processes that comprise the Executive's governance arrangements are as follows:-

- a) Identification and communication of the vision through corporate documents such as the 20:20 Vision, Metroplan and the Annual Report.
- b) Review of the organisation's vision and the implications on governance arrangements is undertaken through the metroplan monitoring system and the corporate management teams. Additionally the Executive has undertaken a review of its policies with a view to consolidating these into 8 statements to provide better focus and clarity.

- c) Measurement of the quality of services delivered is carried out through the metroplan monitoring system, the complaints procedure, service monitoring and internal and external VFM reviews and through feedback obtained from Passenger Consultative Committees.
- d) Defining and documentation of roles is performed through job descriptions and competency based employee specifications and staff codes of conduct. The Executive has appointed two Non-Executive Directors at Board level whose roles are clearly defined. A communication strategy provides guidance and direction to enable effective communication both internally and with other external stakeholders.
- e) Review of Standing Orders and Financial Regulations is performed annually with procedures manuals and notes underpinning the SOFR's. Processes and controls to manage risk are present through the Strategic Risk Based Audit Plan and Risk Management Group.
- f) An Audit Committee that undertakes the core functions as identified and measured through CIPFA's "Audit Committees - Practical Guidance for Local Authorities" These requirements are provided in the terms of reference for the Audit Committee.
- g) Consideration of legal implications in all reports to the Board, Standing Orders and Financial Regulations, tendered service contracts and concessionary travel schemes compliant with the Transport Act. Additionally procedures and policies are in place ensuring compliance with Data Protection, FOI and Health and Safety.
- h) A whistleblowing policy and guidance notes are on the internet and the Internal Audit Annual Report identifies instances where protective disclosures have been made.
- i) Identification of training needs through the training and development programme including 6 monthly development reviews encompassing all members of staff. The Executive has a Learning and Development Strategy and a comprehensive Management Development Programme.
- j) Communication with stakeholders through PCC's, the Consultation Strategy, Operator Groups, BVPP and the internet.
- k) Arrangements for good governance in respect of partnerships through operator group meetings and through contracts for the provision of tendered services. The interests of the 5 district authorities are represented by the PTA's policies and delivered by the Executive.

4. **Review of Effectiveness**

The Executive has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the Internal Audit section and that of management within the Executive who have responsibility for the development and maintenance of the internal control environment, and also by comments made by External Auditors.

The Executive has in place a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and administrative policies and procedures. This ensures that key decisions of both an operational and strategic nature are taken by the Board with policy direction from the PTA. All administrative controls and financial instructions are reviewed on a regular basis by the Executive's management and Internal Audit and also Standing Orders and Financial Regulations are reviewed on an on-going basis. In terms of financial control the Executive has a core financial system that records all financial transactions and provides adequate accounting control. During the last year the Assistant Director Finance has provided to the Audit Committee a regular confirmation that key controls have been operating in the period.

In terms of budgetary control responsibility is devolved to Budget Controllers and Budget Holders who are responsible for the monitoring and control of their assigned budget. Monthly budget performance reports are prepared by Finance for the Board to ensure that ongoing budgetary control is achieved. The budget monitoring and control process is managed through the Proactis Procurement system which allows Budget Holders to view ongoing commitments and access enhanced reporting tools.

The financial systems are reviewed annually by Internal and External Audit and these reviews of the effectiveness of the system of internal financial control for the Executive are informed by the managers and Internal Audit within the Executive and by External Audit.

The work of Internal Audit is directed by an assessment of the risk to which the Executive is exposed, and a strategic audit plan is devised based on these assessments. The strategic audit plan is then approved by the Executive Board. Regular internal audit reports are produced by the Internal Auditor and are presented to the Executive's Audit Committee. The Audit Committee convenes on a regular basis to review and consider the findings of Internal Audit ensuring that responsibility for recommendations is agreed and that implementation occurs on a timely basis. After endorsement by the Audit Committee audit reports are circulated to the Executive Board. The Chief Internal Auditor of Strathclyde Partnership for Transport has performed a Peer Review of the Internal Audit function operating for the Executive. This review identified areas of good practice and suggested some improvements for consideration by the Executive. The Internal Audit Manager has drawn up a plan to implement measures to further enhance the provision of Internal Audit services. The Internal Audit function has also undergone a review by the Executive during 2007/08 which concluded that a satisfactory service was provided.

The Executive also has in place comprehensive risk management arrangements. The Risk Management Group meets on a regular basis to consider the risks facing the Executive and to assess the action taken to minimise such risks. The work of the Risk Management Group is encapsulated in the Strategic Risk Register which is continually updated to take account of the changing risk environment. Departments maintain and report to Risk Management Group on their own risk registers.

I have been advised on any implications of the result of the review of the effectiveness of the system of internal control by the Executive and Audit Committee.

5. **Significant Internal Control Issues**

The following section provides a summary of the more significant issues that have been identified and reported during the year. This is by exception only.

Ticketing Systems

A control weakness relating to the processing of ticket sales was identified. A number of additional measures were introduced to detect any further potential anomalies in this system.

6. **Conclusion**

Throughout 2007/08 the Executive has continued to place significant importance on the process of risk management and the effective governance role vested in the Audit Committee demonstrates an ongoing commitment to best practice and good corporate governance across the Executive. The Audit Commission's review of risk management arrangements concluded that satisfactory processes were in place, with some recommendations around the format and linking of operational and strategic risk registers. This has been identified as an action point for 2008/09 with workshops being held to facilitate these improvements. Also as part of this ongoing commitment the Executive seeks to consider a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The Executive is satisfied that an effective system of internal control has been in place throughout the financial year and is ongoing.

K T Preston
Director General

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008**

<u>INCOME</u>	<u>Notes</u>	<u>2008</u> £'000	<u>£'000</u>	<u>2007</u> £'000	<u>£'000</u>
Revenue Grant from PTA	1	79,226		77,926	
Special Rail Grant	2	67,736		67,811	
Prepaid Tickets	4	27,749		26,594	
Rents, Service and Departure Charges		4,520		4,682	
Other Revenue		<u>6,742</u>		<u>4,610</u>	
			185,973		181,623
EXPENDITURE					
<u>Payments to Operators</u>					
Concessionary Fares	4	41,549		39,300	
Subsidised Services	4	23,414		22,317	
Prepaid Tickets	4	27,749		26,594	
Rail Services	2	<u>67,015</u>		<u>67,123</u>	
		159,727		155,334	
<u>Administration and Activities</u>					
Administration and Management		8,322		6,657	
Passenger Facilities		6,128		5,790	
Service Planning and Promotion		7,062		6,726	
Pension Interest Cost Expected Return on Assets		<u>(415)</u>		<u>(116)</u>	
		21,097		19,057	
<u>Depreciation</u>	7(a)	270		262	
<u>Operating Lease Costs</u>	7(c)	2,034		2,242	
<u>Pension costs re former employees and Non-recurring Costs</u>	7(d)	<u>1,419</u>		<u>3,475</u>	
		3,723		5,979	
			184,547		180,370
SURPLUS OF INCOME OVER EXPENDITURE BEFORE EXCEPTIONAL ITEMS					
Exceptional Items	10		1,426		1,253
			-		-
			<u>1,426</u>		<u>1,253</u>
SURPLUS OF INCOME OVER EXPENDITURE					
Interest Receivable			31		14
Interest Payable			(2)		-
			<u>1,455</u>		<u>1,267</u>
SURPLUS FOR THE YEAR BEFORE TAXATION					
Taxation			(2)		(1)
			<u>1,453</u>		<u>1,266</u>
SURPLUS FOR THE YEAR, AFTER TAXATION					
MOVEMENT ON PENSION RESERVE					
			(1,453)		(1,266)
=====					
SURPLUS/(DEFICIT) FOR THE YEAR TRANSFERRED TO RESERVES					
	9		-		-
=====					

Note :

- 1 A statement of the movement in reserves is shown on page 12.
- 2 The notes on pages 19 to 34 form part of these accounts.
- 3 Income and expenditure arises solely from continuing operations. The Executive has had no acquisitions or disposals in the year.

<u>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</u>	2008 £'000	2007 £'000
Surplus for the financial year for the Executive	1,453	1,266
Loss on revaluation of land, buildings and interchanges for the Executive	(72)	-
Actuarial gains and losses recognised in Defined Benefit Pension Scheme	<u>(35,336)</u>	<u>6,927</u>
Total recognised gains and losses in the year	<u>(33,955)</u>	<u>8,193</u>

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2008**

	<u>Notes</u>	<u>2008</u> £'000	<u>£'000</u>	<u>2007</u> £'000	<u>£'000</u>
FIXED ASSETS					
Tangible Assets	11(a)	<u>92,932</u>	92,932	<u>94,432</u>	94,432
CURRENT ASSETS					
Debtors	12	14,227		13,995	
Cash at Bank and in Hand	13	<u>1,894</u>		<u>2,500</u>	
			16,121		16,495
CURRENT LIABILITIES					
Cash at Bank and in Hand		-		(2,526)	
Creditors: Amounts Falling Due Within One Year	14	<u>(19,091)</u>	(19,091)	<u>(17,207)</u>	(19,733)
NET CURRENT ASSETS/(LIABILITIES)			(2,970)		(3,238)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>89,962</u>		<u>91,194</u>
PROVISION FOR LIABILITIES AND CHARGES	15	-		-	
DEFERRED CAPITAL GRANTS	16	(77,338)		(78,498)	
NET PENSION LIABILITY		<u>(54,813)</u>		<u>(20,930)</u>	
		(42,189)		(8,234)	
			=====		=====
<u>CAPITAL AND RESERVES</u>					
Revaluation Reserve	17		11,213		11,285
Revenue Reserves			1,411		1,411
Pension Reserves			<u>(54,813)</u>		<u>(20,930)</u>
			(42,189)		(8,234)
			=====		=====

SIGNED ON BEHALF OF THE EXECUTIVE

K T Preston
DIRECTOR GENERAL

S Pickersgill
DIRECTOR CORPORATE SERVICES

A Hirst
ASSISTANT DIRECTOR FINANCE

Note :

1. A statement in the movement in reserves is shown on page 12.
2. The notes on pages 19 to 34 form part of these accounts.

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
STATEMENT OF PENSION RESERVE AS AT 31 MARCH 2008**

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Opening pension reserve	(20,930)	(29,123)
Movement in pension scheme (deficit) during the year	<u>(33,883)</u>	<u>8,193</u>
Balance at end of year	<u>(54,813)</u>	<u>(20,930)</u>

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
STATEMENT OF TOTAL MOVEMENT IN RESERVES AS AT 31 MARCH 2008**

	Revaluation Reserve £'000s	Revenue Reserve £'000s	Pension Reserve £'000s	Total £'000s
Balance as at 1st April 2007	11,285	1,411	(20,930)	(8,234)
Net (deficit) for the year	(72)	-	(33,883)	(33,955)
Balance as at 31st March 2008	<u>11,213</u>	<u>1,411</u>	<u>(54,813)</u>	<u>(42,189)</u>

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**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2008**

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Reported Surplus for the Year Before Taxation	2	1
Excess of Actual Depreciation Charge Over Historical Cost Depreciation Charge	-	-
	<hr/>	<hr/>
Historical Cost Surplus for the Year Before Taxation	2	1
Historical Cost Retained Surplus for the Year After Taxation	-	-
	<hr/>	<hr/>

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008**

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Net Cash (Outflow) from Operating Activities (Note 1)	(478)	(1,884)
Returns on Investment and Servicing of Finance		
Interest received	31	14
Interest Paid	(2)	-
Taxation (net)	(1)	(1)
Capital Expenditure		
Purchase of Tangible Fixed Assets	(6,429)	(17,026)
Capital Grants Receivable	8,791	18,428
Sale of Fixed Assets	8	9
Cash inflow/(outflow) before financing	<u>1,920</u>	<u>(460)</u>
Financing		
Repayment of transferred debt	-	-
Increase/(Decrease) in Cash in the Year (Note 2)	<u>1,920</u>	<u>(460)</u>
	=====	=====

NOTE 1 : RECONCILIATION OF THE REVENUE ACCOUNT DEFICIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES.

(Deficit) of Income Over Expenditure (includes £1,453k FRS17 statutory override)	(27)	(13)
Depreciation - Net Charge per Note 7 (a)	270	262
Exceptional Items (net)	-	-
Profit on Sale of Fixed Assets	(7)	(9)
Grant Release to Revenue other than set-off against Depreciation	(2,941)	(4,442)
Fixed Assets charged to Revenue	576	1,660
(Increase)/Decrease in Debtors	(232)	4,459
Increase/(Decrease) in Creditors	1,883	(3,641)
Release of Provision	-	(160)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(478)</u>	<u>(1,884)</u>
	=====	=====

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008
NOTES TO THE CASH FLOW STATEMENT**

NOTE 2: RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008 £'000	2007 £'000
Increase/(Decrease) in Cash in the Year	1,920	(460)
Transferred Debt Repaid		-
Change in Net Debt	<u>1,920</u>	<u>(460)</u>
Net Debt at beginning of the year	(26)	434
Net Funds at end of year	<u><u>1,894</u></u>	<u><u>(26)</u></u>

NOTE 3: ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2007 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2008 £'000
Cash at Bank and in Hand	(26)	1920	0	1,894
Debt Due Within 1Year	0	0	0	0
Debt Due After 1 Year	0	0	0	0
	<u>(26)</u>	<u>1,920</u>	<u>0</u>	<u>1,894</u>

WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE STATEMENT OF ACCOUNTING POLICIES

I CONVENTION

The accounts have been prepared under the historical cost convention, with the exception that the revaluation of the Executive's properties including certain fixed plant and services have been incorporated in these accounts. The accounts have been prepared in accordance with applicable accounting standards.

The principal accounting policies which the Executive has adopted within that convention are set out below. The accounts have been prepared in compliance with the Accounts and Audit (Amendment)(England) Regulations 2006.

II TANGIBLE ASSETS

(a) A revaluation of the Executive's land and buildings was carried out by Lambert Smith Hampton, a firm of external Chartered Surveyors. The revaluation was carried out as at 31 March 2006 on a depreciated replacement cost basis in accordance with FRS 15. A revaluation of the Executive's on-street furniture was carried out as at 31 March 2008 in accordance with FRS15. The Directors have considered the impairment of fixed assets in accordance with FRS11 and can identify no circumstances or events that would affect the carrying values of the assets.

(b) All material expenditure on fixed assets is initially included at cost.

(c) Depreciation is provided for on either the cost or professional valuation of the tangible assets by equal instalments over the expected life of the assets as follows:

Freehold and Long Leasehold Buildings Between 5 and 50 years
On-street Furniture and Infrastructure 20 years
Rail Units Leased 10 years
Vehicles Between 4 and 16 years
Plant and Equipment Between 5 and 10 years
Office Furniture and Equipment Between 4 and 10 years

(d) Freehold land, either at cost or valuation, is not depreciated.

(e) Progress payments for capital assets or schemes not yet completed are held in Work In Progress. The assets are transferred to the appropriate heading and are subject to depreciation when they become available for use.

III RAIL INFRASTRUCTURE

Expenditure now incurred by the Executive on any rail infrastructure projects is not capitalised. The Executive has no ownership/legal rights in respect of the infrastructure and as a consequence the costs are charged directly to revenue.

IV **CAPITAL GRANTS**

The Executive has fully adopted SSAP4 (Revised) "Accounting for Government Grants" to include any grants receivable at the end of the financial year. The grants on assets owned or leased are released to the revenue account over the same period as that used for depreciation purposes. Grants receivable in respect of capital expenditure charged directly to Revenue (see III above) are released directly to revenue in full in the year in which the costs are charged. Details of capital grants receivable and released are set out in Notes 7(a) and 16.

V **REVENUE GRANT**

Revenue grant is credited to the revenue account in the period to which the grant relates.

VI **LEASED ASSETS**

The Executive complies with the requirements of Statement of Standard Accounting Practice 21, "Accounting for Leases and Hire Purchase Contracts". Assets subject to finance lease agreements are capitalised at cost and depreciated over the term of the primary period of the lease. The minimum lease payments, derived by discounting at the interest rate implicit in the lease, are taken as liabilities in the balance sheet. The interest element implicit in the leases is charged to the revenue account over the primary period of the leases on the reducing balance method. Rental payments on operating leases are charged directly to the revenue account in the year in which the cost arises.

VII **PENSION COSTS**

The requirements of FRS17 "Retirement Benefits" have been fully adopted in the financial statements of the Executive. Detailed disclosures can be found in note 6 to the accounts.

The Executive is an employing authority within the West Yorkshire Pension Fund which is a funded pension scheme. Most employees participate in this scheme which provides defined benefits payable to members on and after their retirement. Contributions made to the fund for both current and past services are charged to the revenue account as they are paid. Contribution levels are determined by the Fund. The Fund is a statutory body and the benefits are paid under the provisions of the Local Government Pension Scheme Regulations 1997.

The Executive has a continuing responsibility for any payments to the Fund in respect of service up to 25 October 1986 for all staff employed by the Executive up to that date. This responsibility includes all staff who were transferred to Yorkshire Rider Limited as a consequence of the Transport Act 1985. For service from 26 October 1986 onwards the Executive is only responsible for payments to the Fund in respect of its own directly employed staff. The annual cost of this responsibility is charged to the revenue account under Pension and Non-recurring costs.

VIII **TAXATION**

The Executive is liable to Corporation Tax on interest receivable in a financial year.

IX **FOREIGN CURRENCY TRANSLATION**

All foreign currency income and expenses are translated at the rate ruling on the day of the transaction with the resultant profit or loss recognised immediately in the revenue account. All foreign currency assets and liabilities in the balance sheet are translated at the balance sheet date.

X **GOING CONCERN**

Whilst the Balance Sheet appears negative this has arisen from the full implementation of FRS17 and the requirement to recognise the pension deficit on the balance sheet. The Executive is taking the necessary corrective action to redress this deficit, the accounts have thus been prepared on a going concern basis.

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2008**

1. REVENUE GRANT

The Passenger Transport Authority made the following grant payments to the Executive in respect of the financial years:

	2007/2008 £'000	2006/2007 £'000
General Revenue Grant	78,157	76,882
Rural Bus Grant	1,069	1,044
	<hr/> 79,226 <hr/>	<hr/> 77,926 <hr/>

2. LOCAL RAIL SERVICES - FUNDING ARRANGEMENTS IN 2007/08

The full cost of local rail services (franchised services) was funded by MRPSG (Metropolitan Railway Passenger Services Grant) from Central Government.

In summary, payments to franchise operators amounted to £67.015 million (2006/2007 - £67.123 million). Funding was provided by MRPSG of £67.015 million.

	£'000	£'000
Payments to Franchise Operators		67,015
	<hr/>	<hr/>
MRPSG	67,015	
	<hr/>	67,015 <hr/>

The Executive's direct rail costs were also funded by MRPSG up to a pre-determined cap of £721,000 for 2007/08 as approved by the Department for Transport.

The funding for the provision of rail services under the franchising arrangements was paid directly to the Executive by the Authority. The Authority received the pre-determined sums directly from the Government in the first instance. The amounts payable to the Executive were as follows:-

	2007/2008 £'000	2006/2007 £'000
Rail Franchise costs paid in the year :-	67,015	67,123
<u>Add:</u> Contribution to the Executive administration costs	721	688
	67,736	67,811

The Executive received in Special Rail Grant from the Authority a sum of £67.736 m.

Local rail services costs for 2007/2008 are shown below, together with the comparative costs for 2006/2007:

	2007/2008 £'000	2006/2007 £'000
Rail Franchising Costs:-		-
Payments to Operators	67,015	67,123
	67,015	67,123

3. **RELATED PARTY DISCLOSURES**

The Passenger Transport Authority can be construed to be a related party in terms of its dealings with the Executive as defined in FRS 8 "Related party disclosures".

The revenue grant payments to the Executive are disclosed in Notes 1 and 2 above and capital grants are disclosed in Note 16. In addition a further revenue grant was received of £1.326m for concessionary passes. The balance owing by the Passenger Transport Authority to the Executive at 31 March 2008 is also shown at Note 12(a).

4. **PAYMENTS TO OPERATORS**

The Passenger Transport Authority determines the annual revenue grant to be paid to the Executive out of which all payments to operators are funded. These payments to operators fall into the three main categories of concessionary fares, subsidised bus services and franchised local rail services.

Payments for concessionary fares are made in accordance with the Authority's concessionary fares scheme. Payments are calculated on the basis of reimbursement of revenue foregone by operators with adjustments for patronage generated by the scheme. The accounts reflect the impact of an appeal against the concessionary fares scheme for the reimbursement of the free fares for the elderly and the subsequent adjudication. This resulted in recalculations leading to additional payments to operators. Discussions are ongoing with the bus operators concerning the final appropriate level of reimbursement.

Subsidised services are secured by the Executive, within the overall framework of the Authority's policies, where they are considered to be socially necessary and no commercial service or adequate commercial service exists. All licensed operators are eligible to submit tenders for services required.

Payments are made to one franchised rail operator for the provision of local rail services. A note of the effect of rail franchising and the funding arrangements is attached as part of these accounts on page 19 (Note 2).

In accordance with the overall policies of the Passenger Transport Authority, the Executive administers a prepaid ticket scheme. The Executive receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected by the Executive. This prepaid ticket income is included in the Executive's revenue account together with an equivalent amount shown as payment to operators.

All these payments to operators are summarised in the revenue account on page 9.

5. **EMPLOYEES**

	2007/2008	2006/2007
	<u>£'000</u>	<u>£'000</u>
(a) Employees Costs Amounted to:		
Wages and Salaries	8,501	8,037
Social Security Costs	623	607
Other Pension Costs	1,377	1129
	<hr/> 10,501 <hr/>	<hr/> 9,773 <hr/>
 (b) The average number of persons employed was:		
	<u>Number</u>	<u>Number</u>
Manual	76	76
Management and Administration	328	323
	<hr/> 404 <hr/>	<hr/> 399 <hr/>

(c) The employee costs set out above include directors emoluments (see below).

<u>Directors</u>	<u>2008</u> £	<u>2007</u> £
Aggregate emoluments	464,842	340,911

Retirement benefits are accruing to all the directors under a defined benefit scheme.

Highest Paid Director	<u>2008</u> £	<u>2007</u> £
Aggregate emoluments	145,121	143,272
Defined benefit pension scheme :		
Accrued pension at end of year	70,291	66,848
Accrued lump sum at end of year	210,873	200,544

Directors received emoluments excluding employers national insurance and pension contributions in the following ranges :

	Number	Number
£Nil - £5000	2	2
£65001 - £70000	-	1
£70001 - £75000	1	-
£80001 - £85000	1	-
£85001 - £90000	-	1
£95001 - £100000	1	-
£140001 - £145000	-	1
£145001 - £150000	1	-

Officers received emoluments excluding employers national insurance and pension contributions in the following ranges :

£50001 - £55000	3	3
£55001 - £60000	5	5
£60001 - £65000	1	1

6. **PENSION COSTS**

The West Yorkshire Pension Fund is a funded scheme which provides defined benefits to its members. Over 90% of the Executive's full-time employees participate in the scheme. The Fund determines contribution levels and the Executive charges all payments made to its revenue account. The funding policy of the Pension Fund is set within the overall framework of the Local Government Pension Scheme Regulations 1997. These Regulations now require full actuarial valuations every three years and also determine how the proportion of future liabilities have to be met.

The pension costs for the year ended 31 March 2008 and the previous financial year were as follows:

	<u>2007/2008</u> <u>£'000</u>	<u>2006/2007</u> <u>£'000</u>
i) Current Employees	1,377	1,129
ii) Former Employees	1,359	1,457

A large proportion of the pension costs in respect of former employees is in respect of staff transferred to Yorkshire Rider Limited, as explained in the Executive's accounting policy note on pension costs.

No material changes are expected in the Executive's future pension arrangements. The latest Fund accounts published were those for the year ended 31 March 2007. Copies of the pension fund accounts can be obtained from Bradford MDC who are the administering Authority for the West Yorkshire Pension Fund.

An independent actuarial valuation was carried out as at 31 March 2004 which determined the employer's pension contributions for 2005/2006 to 2007/2008. The amended contributions are designed to be such that the pension cost is an amount based on the average remaining service lives of current employees in the scheme. The policy is to bring the fund value and its corresponding liabilities into balance within that period.

A further independent actuarial valuation was carried out as at 31 March 2007 to establish the amended employers pension contributions for the next three years. The pension contributions as a percentage of salaries for 2008/09, 2009/10 and 2010/11 will be 20%, 22.6% and 25.1% respectively.

The employers contributions made in 2007/08 were 17.5% of pensionable pay.

The following actuarial assumptions were made in the most recent valuation:-

	31/03/2008	31/03/2007	31/03/2006
Inflation	3.6%	3.1%	2.9%
Rate of increase in salaries	4.85%	4.35%	4.15%
Rate of increase for pensions in payment	3.6%	3.1%	2.9%
Rate used to discount the scheme liabilities	6.1%	5.4%	4.9%

The valuation as at 31 March 2007 of the pension scheme proportion as applied to the West Yorkshire Passenger Transport Executive (showing the proportion of assets between the classes of investment) was as follows:-

Fair Value:	Expected rate of return on assets 31/3/08	Assets at 31/3/08 £'000	Expected rate of return on assets 31/3/07	Assets at 31/3/07 £'000	Expected rate of return on assets 31/3/06	Assets at 31/3/06 £'000
Equities	7.5%	73,602	7.5%	74,809	7.0%	76,910
Government Bond	4.6%	10,729	4.7%	8,019	4.3%	6,786
Other Bonds	6.1%	4,721	5.4%	3,654	4.9%	4,216
Property	6.5%	5,150	6.5%	5,380	6.0%	5,141
Cash/Liquidity	5.25%	4,828	5.25%	4,568	4.5%	6,066
Other	7.5%	8,261	7.5%	5,075	7.0%	3,702
Total market value assets		<u>107,291</u>		<u>101,505</u>		<u>102,821</u>
Present value of scheme liabilities		<u>(162,104)</u>		<u>(122,435)</u>		<u>(131,944)</u>
Net pension liability		<u>(54,813)</u>		<u>(20,930)</u>		<u>(29,123)</u>

	£'000 31/03/2008	£'000 31/03/2007
Analysis of the amount charged to operating surplus		
Current Service Cost	(1,181)	(1,310)
Past Service Cost	(492)	0
Curtailment Cost	0	0
Settlement Gain	<u>0</u>	<u>0</u>
Total Cost	(1,673)	(1,310)
Analysis of the amount charged to administration & activities		
Expected Return on Assets	6,716	6,310
Interest on Pension Liabilities	<u>(6,301)</u>	<u>(6,194)</u>
Net Gain	415	116
Analysis of the amount recognised in statement of recognised gains and losses (STRGL)		
	£'000 31/03/2008	£'000 31/03/2007
Asset Gain	(6,610)	2,311
Liability (Loss)/Gain	(19,188)	0
Change in Assumptions	<u>(9,538)</u>	<u>4,616</u>
Net (Loss)/Gain	(35,336)	6,927
Movement in Deficit during the year	£'000 31/03/2008	£'000 31/03/2007
(Deficit) at Beginning of Year	(20,930)	(29,123)
Current Service Cost	(1,181)	(1,310)
Employer Contributions	2,711	2,460
Past Service Cost/Curtailment Cost	(492)	0
Net Interest/ Return on Assets	415	116
Actuarial (Loss)/Gain	<u>(35,336)</u>	<u>6,927</u>
(Deficit) at End of Year	(54,813)	(20,930)

History of Experience gains and losses

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual returns on scheme assets:	(6,610)	2,311	16,417	5,138	13,144
Percentage of scheme assets	(6.2%)	2.3%	16%	5.7%	14.5%
Experience gains and losses on scheme liabilities:	(19,188)	0	(818)	(7,715)	512
Percentage of the present value of scheme liabilities:	(11.8%)	0%	(0.6%)	(6.0%)	0.5%
Total amount recognised in statement of total recognised gains and losses:	(35,336)	6,927	7,707	(23,267)	13,656
Percentage of the present value of scheme liabilities:	(21.8%)	5.7%	5.8%	(18.1%)	12.98%

7.

SURPLUS FOR THE YEAR BEFORE TAXATION

The Surplus for the year before taxation, is arrived at after taking account of these items:

	2007/2008	2006/2007
	£'000	£'000
(a) <u>Depreciation and Other Asset Charges</u>		
Charge for the Year (Note 11 (a))	8,103	5,054
Less :		
Capital Grants Released (Note 16)	(7,833)	(4,792)
	<u>270</u>	<u>262</u>
	=====	=====
The mismatch between the depreciation charge and capital grants released has arisen due to capital schemes not being fully grant funded in previous years.		
Profit on Disposal of fixed assets	7	9
	=====	=====
(b) <u>Auditors Remuneration</u>		
Audit Services	73	70
-Core audit		
-Grants	4	5
	<u>77</u>	<u>75</u>
	=====	=====
(c) <u>Operating Lease Costs</u>		
Lease Rentals - rail assets	2,034	2,242
- other	-	-
	<u>2,034</u>	<u>2,242</u>
	=====	=====
(d) <u>Pension and Non-recurring Costs (see Note below)</u>		
Pension Costs Relating to Former Employees	1,359	1,457
Supertram	-	1,500
Other Non-recurring Items	60	518
	<u>1,419</u>	<u>3,475</u>
	=====	=====
(e) Interest Receivable on Loans, Deposits and Other Debts	31	14
	=====	=====

(g) <u>Capital Schemes Charged to Revenue</u>	2007/2008	2006/2007
	£'000	£'000
Capital scheme costs	2,941	4,442
Capital grant received and released in full	(2,941)	(4,442)
	=====	=====

Note: Pension and non-recurring costs includes expenditure on rail infrastructure projects and other capital schemes where the Executive has no ownership or disposal rights. The expenditure is funded by capital grants and these are fully released to the revenue account in the same year.

8. **TAXATION**

Corporation Tax @ 20% (19% 2006/2007) on sundry interest received in the year.

2	1
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2	1
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All corporation tax liabilities up to and including 31 March 2008 have been agreed.

9. **RESULT FOR THE YEAR, AFTER TAXATION, TRANSFERRED TO REVENUE RESERVES**

The Income and Expenditure account shows a break even position for the year 2007/08.

10. **EXCEPTIONAL ITEMS**

There were no exceptional items in 2007/2008.

11. TANGIBLE FIXED ASSETS

a) The movements
in the year
1 April 2007 to
31 March 2008 are :

	TOTAL	FREEHOLD LAND AND BUILDINGS	LEASEHOLD LAND AND BUILDINGS	RAIL UNITS LEASED	VEHICLES OWNED	VEHICLES LEASED	EQUIPMENT OWNED	EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>COST VALUATION</u>									
At 1 April 2007	120,885	61,104	1,132	6,622	18,428	8	13,266	54	20,271
Additions	7,669	2,412	-	-	2,066	-	126	-	3,065
Transfer from payments on assets in course of construction	-	-	-	-	-	-	-	-	-
Disposals	(2,767)	-	-	-	(2,767)	-	-	-	-
Revaluation Adjustments	(3,451)	(3,451)	-	-	-	-	-	-	-
Other Adjustments	1,523	-	-	-	-	-	-	-	1,523
W/Off to Revenue	(576)	-	-	-	(125)	-	-	-	(451)
At 31 March 2008	123,283	60,065	1,132	6,622	19,750	8	17,400	54	18,252
<u>ACCUMULATED DEPRECIATION</u>									
At 1 April 2007	26,453	10,396	344	6,622	2,069	8	6,960	54	-
Charge for the year (Note7(a))	8,103	2,021	64	-	3,547	-	2,471	-	-
Disposals	(827)	-	-	-	(827)	-	-	-	-
Revaluation adjustments	(3,378)	(3,378)	-	-	-	-	-	-	-
At 31 March 2008	30,351	9,039	408	6,622	4,789	8	9,431	54	-
<u>NET BOOK VALUES</u>									
31 March 2008	92,932	51,026	724	-	14,961	-	7,969	-	18,252
1 April 2007	94,432	50,708	788	-	16,359	-	6,306	-	20,271

11. **TANGIBLE FIXED ASSETS (continued)**

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
(b) Original cost and depreciation based on the cost of leasehold and freehold land and buildings including fixed plant and services (included in the above at a valuation) is as follows:-		
Original cost	102,012	95,466
Depreciation based on cost	(35,184)	(30,141)
	<hr/> 66,828	<hr/> 65,325
(c) A revaluation of the Executive's On-Street Furniture was carried out by the Infrastructure Manager and approved by the Executive Board as internal experts. The revaluation was carried out as at 31 March 2008 in accordance with FRS15. All On-Street Furniture was included in the revaluation. The basis of the valuation was depreciated replacement cost as these assets are deemed to be specialised. This resulted in an overall valuation of £16,212,823 which gave a loss on revaluation of £71,966. All the revalued amounts have been incorporated in the accounts for 2007/08.		

12. **DEBTORS**

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
(a) <u>Amounts receivable Within One Year</u>		
Trade Debtors	9,052	9,542
VAT	355	547
Amounts due from West Yorkshire PTA	4,580	3,648
Other Debtors	6	8
Prepayments and Accrued Income	234	250
	<hr/> 14,227	<hr/> 13,995
(b) Amounts for car loans to employees included in other debtors have been settled during the year (2007: £1123). The movement in the year 2007/2008 has been as follows:-		
Opening balance @ 1 April 2007	1	3
New Loans	-	-
Interest charged	-	-
	<hr/> 1	<hr/> 3
Repayments	(1)	(2)
Closing balance @ 31 March 2008	<hr/> -	<hr/> 1

13. **CASH**

Cash balances include £906k (2006/07: £442k) held on behalf of third parties. The liability to repay these amounts is included under creditors.

14. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Trade Creditors	13,897	12,518
Other Creditors, Social Security and PAYE	1,760	1,109
Deferred Income (Note 14 (a))	3,432	3,579
Corporation Tax	2	1
	<hr/> 19,091	<hr/> 17,207

Notes

(a) Deferred income relates to prepaid ticket sales and deferred income from grants.

15. **PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Balance at the beginning of the Year	-	160
Movement on Provision in the year	-	(160)
Balance at the end of the Year	<hr/> -	<hr/> -

This provision related to claims from ex-employees whilst employed by the Executive pre October 1986. The provision was written out at 31 March 2007 as the Executive is fully insured against such claims.

16.	<u>DEFERRED CAPITAL GRANTS</u>	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
	Balance at the beginning of the Year	78,498	70,304
	Grants Receivable in the Year : LTP	8,253	15,178
	Other	328	1,627
		8,581	16,805
	Other funding sources: Non SCE(R)	210	623
		87,289	87,732
	<u>Deduct:</u> Annual Release to Revenue Account - set off against Depreciation Charge (Note 7 (a))	(7,833)	(4,792)
	Release against Project Schemes charged to Revenue direct (see Note below)	(2,941)	(4,442)
	Write back of Capital Grants Released	823	-
	Balance at the end of the Year	77,338	78,498

Notes

- (a) The release against project schemes relates to the certain capital scheme costs charged directly to the Revenue Account in the year and the grant equates fully to the scheme costs. (See Policy Note IV and Note 7g).

17.	<u>REVALUATION RESERVE</u>	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
	Balance at beginning of the year	11,285	11,285
	Loss on revaluation	(72)	-
	Balance at the end of the year	11,213	11,285

18.	<u>FINANCIAL COMMITMENTS</u>	<u>2008</u>	<u>2007</u>
		<u>£'000</u>	<u>£'000</u>
	(a) <u>Capital Commitments</u>		
	Contracted For but not Provided in the Accounts	10,285	9,537
	Authorised but not Contracted For	9,118	7,638
		<hr/>	<hr/>
		19,403	17,175
		<hr/>	<hr/>

(b) Revenue Commitments - Operating Leases

The annual commitments under operating leases are analysed according to the period in which each lease expires as follows:

Plant and Equipment

Within 1 year	-	-
1 to 5 years	-	-
Beyond 5 years	1,934	1,929
	<hr/>	<hr/>
	1,934	1,929
	<hr/>	<hr/>

The lease rentals beyond five years in respect of rail units are affected by variable interest rates. The above commitments are the basic annual rentals due each year within the terms of the lease agreements. The Executive however recovers all the lease rental costs from rail operators under the rail franchising agreements.

19. **CONTINGENT LIABILITIES**

The Executive had a contingent liability at 31 March 2007 arising from possible claims relating to Supertram acquisitions. The liability continues at 31 March 2008 but it is not practical to disclose an estimate of the financial effect, amount and timing due to the uncertainty.