

WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

ACCOUNTS TO 31ST MARCH 2009



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INDEPENDENT AUDITOR'S REPORT TO WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

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

I have audited the financial statements of West Yorkshire Passenger Transport Executive for the year ended 31 March 2009. The financial statements comprise the Revenue 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 49 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 preparing 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 also report to you whether, in my opinion, the information which comprises the Report of the Directors is consistent with the financial statements.

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.

I read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises the Report of the Directors. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Executive accounting statements. My responsibilities do not extend to any other information.

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 (United Kingdom 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 Executive financial statements give a true and fair view of the state of affairs of West Yorkshire Passenger Transport Executive as at 31 March 2009 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Executive; and the information published with the financial statements is consistent with the financial statements.

Paul Lundy
District Auditor

30 September 2009

Audit Commission
Kernel House
Killingbeck Drive
Leeds
LS14 6UF

**REPORT OF THE DIRECTORS OF
THE WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
31 MARCH 2009**

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 Integrated 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 Integrated Transport Authority has adopted the corporate name "Metro" in order to promote public transport throughout West Yorkshire. Please see the forward to the group accounts (Pages 2-5) for further information on performance, risk and future developments within Metro.

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
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.

The Statement of Accounts was authorised for issue by the Assistant Director Finance on 24 June 2009.

K PRESTON
Director General

Date: 22 September 2009

**ANNUAL GOVERNANCE STATEMENT
THE WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
31 MARCH 2009**

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. The Executive has adopted the CIPFA/SOLACE framework.

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 2009 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, Annual Report and the Corporate Plan.
- b) Review of the organisation's vision and the implications on governance arrangements is undertaken through the Metroplan monitoring system (Covalent) and the corporate management teams.

- c) Measurement of the quality of services delivered is carried out through the Metroplan monitoring system (Covalent), 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 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, Performance Review 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 ITA'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 ITA. 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 3 year rolling 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. A triennial review of Internal Audit has been performed by the Audit Commission and 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 2008/09 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, by exception only, of any significant issues that have been identified and reported during the year. None have been identified during the year.

6. **Conclusion**

Throughout 2008/09 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 Executive has implemented a number of governance improvements during the year including a revised Anti-Fraud and Corruption policy which has received Board approval and a Code of Conduct for employees has been reviewed by the Board and is under-going a number of amendments. In terms of the control environment improvements have been implemented to enhance ticket stock control procedures at Travel Centres. Also as part of this ongoing commitment the Executive is in the process of producing 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 2009**

<u>INCOME</u>	Notes	2009 £'000	£'000	2008 £'000	£'000
				(Re-stated)	
Revenue Grant from ITA	1	78,196		79,226	
Special Rail Grant	2	71,871		67,736	
Prepaid Tickets	4	29,512		27,749	
Rents, Service and Departure Charges		4,651		4,520	
Other Revenue	1	<u>13,703</u>		<u>6,742</u>	
			197,933		185,973
<u>EXPENDITURE</u>					
<u>Payments to Operators</u>					
Concessionary Fares	4	44,579		41,549	
Subsidised Services	4	24,670		23,414	
Prepaid Tickets	4	29,512		27,749	
Rail Services	2	<u>71,123</u>		<u>67,015</u>	
		169,884		159,727	
<u>Administration and Activities</u>					
Administration and Management		8,271		8,322	
Passenger Facilities		6,681		6,128	
Service Planning and Promotion		7,700		7,062	
Pension Interest Cost Expected Return on Assets		<u>2,479</u>		<u>(415)</u>	
		25,131		21,097	
<u>Depreciation</u>	7(a)	298		270	
<u>Operating Lease Costs</u>	7(c)	2,301		2,034	
<u>Pension costs re former employees and Non-recurring Costs</u>	7(d)	<u>1,438</u>		<u>1,419</u>	
		4,037		3,723	
			199,052		184,547
(DEFICIT)/SURPLUS OF INCOME OVER EXPENDITURE BEFORE EXCEPTIONAL ITEMS			(1,119)		1,426
Exceptional Items	10		210		-
(DEFICIT)/SURPLUS OF INCOME OVER EXPENDITURE			<u>(909)</u>		<u>1,426</u>
Interest Receivable			31		31
Interest Payable			-		(2)
(DEFICIT)/SURPLUS FOR THE YEAR BEFORE TAXATION			<u>(878)</u>		<u>1,455</u>
Taxation	8		(2)		(2)
(DEFICIT)/SURPLUS FOR THE YEAR, AFTER TAXATION			<u>(880)</u>		<u>1,453</u>
MOVEMENT ON PENSION RESERVE			880		(1,453)
(DEFICIT)/SURPLUS 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.
- 4 The 2007/08 accounts have been re-stated see page 17

	2009	2008
	£'000	£'000
<u>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</u>		
Deficit/Surplus for the financial year for the Executive	(880)	1,453 (Re-stated)
Loss on revaluation of land, buildings and interchanges for the Executive	-	(72)
Actuarial gains and losses recognised in Defined Benefit Pension Scheme	<u>(526)</u>	<u>(35,350)</u>
Total recognised gains and losses in the year	(1,406)	(33,969)
Prior period adjustment arising from FRS17 December 2006 Amendment	<u>(268)</u>	-
Total recognised gains and losses since 31 March 2008	<u>(1,674)</u>	<u>(33,969)</u>

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	<u>2009</u> £'000	£'000	<u>2008</u> £'000	£'000
FIXED ASSETS				(Re-stated)	
Tangible Assets	11(a)	<u>95,655</u>	95,655	<u>92,932</u>	92,932
CURRENT ASSETS					
Debtors	12	15,041		14,227	
Cash at Bank and in Hand	13	<u>2,380</u>		<u>1,894</u>	
			17,421		16,121
CURRENT LIABILITIES					
Cash at Bank and in Hand	13	(30)		-	
Creditors: Amounts Falling Due Within One Year	14	<u>(20,063)</u>		<u>(19,091)</u>	
			(20,093)		(19,091)
NET CURRENT(LIABILITIES)			(2,672)		(2,970)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>92,983</u>		<u>89,962</u>
DEFERRED CAPITAL GRANTS	16	(80,359)		(77,338)	
NET PENSION LIABILITY	6	<u>(56,487)</u>		<u>(55,081)</u>	
			<u>(43,863)</u>		<u>(42,457)</u>
			=====		=====
<u>CAPITAL AND RESERVES</u>					
Revaluation Reserve	17		11,213		11,213
Revenue Reserves			1,411		1,411
Pension Reserves	6		<u>(56,487)</u>		<u>(55,081)</u>
			<u>(43,863)</u>		<u>(42,457)</u>
			=====		=====

SIGNED ON BEHALF OF THE EXECUTIVE

The financial statements on pages 9-34 were approved by the Board of Directors on 22 September 2009 and were signed on its behalf by :

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.
3. The 2007/08 accounts have been re-stated see page 17

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
STATEMENT OF PENSION RESERVE AS AT 31 MARCH 2009**

	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Opening pension reserve	(54,813)	(20,930)
Prior period adjustment arising from FRS17 December 2006 Amendment	(268)	-
Opening pension reserve as re-stated	<u>(55,081)</u>	<u>-</u>
Movement in pension scheme (deficit) during the year	(1,406)	(33,883)
Balance at end of year	<u>(56,487)</u>	<u>(54,813)</u>

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
STATEMENT OF TOTAL MOVEMENT IN RESERVES AS AT 31 MARCH 2009**

	Revaluation Reserve £'000s	Revenue Reserve £'000s	Pension Reserve £'000s	Total Reserve £'000s
Balance as at 1st April 2008	11,213	1,411	(55,081)	(42,457)
Net (deficit) for the year	-	-	(1,406)	(1,406)
Balance as at 31st March 2009	<u>11,213</u>	<u>1,411</u>	<u>(56,487)</u>	<u>(43,863)</u>

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2009**

	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Reported Surplus for the Year Before Taxation	2	2
Excess of Actual Depreciation Charge Over Historical Cost Depreciation Charge	-	-
	<hr/>	<hr/>
Historical Cost Surplus for the Year Before Taxation	2	2
	<hr/>	<hr/>
Historical Cost Retained Surplus for the Year After Taxation	-	-
	<hr/>	<hr/>

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Net Cash (Outflow) from Operating Activities (Note 1)	(2,210)	(478)
Returns on Investment and Servicing of Finance		
Interest received	31	31
Interest Paid	-	(2)
Taxation (net)	(2)	(1)
Capital Expenditure		
Purchase of Tangible Fixed Assets	(11,385)	(6,429)
Capital Grants Receivable	14,022	8,791
Sale of Fixed Assets	-	8
Cash inflow before financing	<u>456</u>	<u>1,920</u>
Financing		
Repayment of transferred debt	-	-
Increase in Cash in the Year (Note 2)	<u>456</u> =====	<u>1,920</u> =====

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

(Deficit) of Income Over Expenditure (includes -£880k FRS17 statutory override)	(239)	(27)
Depreciation - Net Charge per Note 7 (a)	298	270
Exceptional Items (net)	210	-
Profit on Sale of Fixed Assets	-	(7)
Grant Release to Revenue other than set-off against Depreciation	(5,361)	(2,941)
Fixed Assets charged to Revenue	2,724	576
(Increase) in Debtors	(814)	(232)
Increase in Creditors	972	1,883
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(2,210)</u> =====	<u>(478)</u> =====

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009
NOTES TO THE CASH FLOW STATEMENT**

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

	2009 £'000	2008 £'000
Increase in Cash in the Year	456	1,920
Transferred Debt Repaid	-	-
	<hr/>	<hr/>
Change in Net Debt	456	1,920
Net Debt at beginning of the year	1,894	(26)
	<hr/>	<hr/>
Net Funds at end of year	2,350	1,894
	=====	=====

NOTE 3: ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2008 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2009 £'000
Cash at Bank and in Hand	1,894	456	-	2,350
Debt Due Within 1 Year	-	-	-	-
Debt Due After 1 Year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,894	456	-	2,350
	=====	=====	=====	=====

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 an MRICS qualified valuer of 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 after instructing external surveyors to review the Executive's property portfolio 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" were amended in December 2006 and have been fully adopted in the financial statements of the Executive. The Executive has re-stated its 2007/08 figures for the impact of the change. 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.

XI **FINANCIAL INSTRUMENTS**

In accordance with FRS 25, FRS 26 and FRS 29 all financial instruments have been measured and disclosed at amortised cost.

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2009**

1. REVENUE GRANT

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

	2008/2009 £'000	2007/2008 £'000
General Revenue Grant	77,100	78,157
Rural Bus Grant	1,096	1,069
	<hr/> 78,196	<hr/> 79,226

Note: Concessionary Fares Grant of £8.667m was included in Other Income in 2008/09.

2. LOCAL RAIL SERVICES - FUNDING ARRANGEMENTS IN 2008/09

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 £71.123 million (2007/2008 - £67.015 million). Funding was provided by MRPSG of £71.123million.

	£'000	£'000
Payments to Franchise Operators		71,123
		<hr/>
MRPSG	71,123	
	<hr/>	71,123
		<hr/>

The Executive's direct rail costs were also funded by MRPSG up to a pre-determined cap of £747,682 for 2008/09 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:-

	2008/2009 £'000	2007/2008 £'000
Rail Franchise costs paid in the year :-	71,123	67,015
<u>Add:</u> Contribution to the Executive administration costs	748	721
	71,871	67,736
	71,871	67,736

The Executive received in Special Rail Grant from the Authority a sum of £71.871m.

Local rail services costs for 2008/2009 are shown below, together with the comparative costs for 2007/2008:

	2008/2009 £'000	2007/2008 £'000
Rail Franchising Costs:-		
Payments to Operators	71,123	67,015
	71,123	67,015
	71,123	67,015

3. **RELATED PARTY DISCLOSURES**

The Integrated 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 £8.667m for concessionary fares. The balance owing by the Integrated Transport Authority to the Executive at 31 March 2009 is also shown at Note 12(a).

Mr K Preston, Director-General, is also Clerk to the Authority of the Integrated Transport Authority (ITA). His services to the Authority are not recharged to the Authority by the PTE. The Executive's s151 Officer is employed by the Authority where she is also their s151 Officer.

4. **PAYMENTS TO OPERATORS**

The Integrated 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 the government's decision to extend the free concession for senior citizens and the disabled to a national entitlement. Three year agreements have been made with the major bus operators to seek to manage these increased costs more effectively.

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 Integrated Transport Authority, the Executive administers a prepaid ticket scheme on behalf of the West Yorkshire Ticketing Company Ltd. 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**

	2008/2009	2007/2008
	<u>£'000</u>	<u>£'000</u>
(a) Employees Costs Amounted to:		
Wages and Salaries	8,865	8,501
Social Security Costs	639	623
Other Pension Costs	1,644	1,377
	<hr/> 11,148 <hr/>	<hr/> 10,501 <hr/>
 (b) The average number of persons employed was:		
	<u>Number</u>	<u>Number</u>
Manual	74	76
Management and Administration	344	328
	<hr/> 418 <hr/>	<hr/> 404 <hr/>

(c)

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

<u>Directors</u>	<u>2009</u> £	<u>2008</u> £
Aggregate emoluments	489,168	464,842

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

<u>Highest Paid Director</u>	<u>2009</u> £	<u>2008</u> £
Aggregate emoluments	146,649	145,121
Defined benefit pension scheme :		
Accrued pension at end of year	74,457	70,291
Accrued lump sum at end of year	216,046	210,873

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

	Number	Number
£Nil - £5000	1	2
£10001 - £15000	1	-
£70001 - £75000	1	1
£80001 - £85000	-	1
£85001 - £90000	1	-
£95001 - £100000	1	1
£145001 - £150000	1	1

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

£50001 - £55000	-	3
£55001 - £60000	7	5
£60001 - £65000	-	1
£70001 - £75000	1	-

6. PENSION COSTS

The West Yorkshire Pension Fund is a funded scheme which provides defined benefits to its members. Over 84% of the Executive's 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 2009 and the previous financial year were as follows:

		2008/2009 <u>£'000</u>	2007/2008 <u>£'000</u>
i)	Current Employees	1,644	1,377
ii)	Former Employees	1,388	1,359

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 2008. 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 2007 which determined the employer's pension contributions for the next three years. 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. 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 2008/09 were 20% of pensionable pay.

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

	31/03/2009	31/03/2008
Inflation	3.3%	3.6%
Rate of increase in salaries	4.55%	4.85%
Rate of increase for pensions in payment	3.3%	3.6%
Rate used to discount the scheme liabilities	7.1%	6.1%

Post retirement mortality assumptions

Non-retired members (retiring in normal health) - males	PA92mc YOB Tables+2yrs	PA92mc YOB Tables+ 2yrs
- females	PA92mc YOB Tables+1yr	PA92mc YOB Tables+1yr

Current pensioners (retired in normal health) -males	PA92mc YOB Tables+2yrs	PA92mc YOB Tables + 2yrs
-females	PA92mc YOB Tables + 1yr	PA92mc YOB Tables + 1yr

Life Expectancy

- of a male (female) future pensioner aged 65 in 20yrs time	21.3 (25.0) Years	21.3 (25.0) Years
- of a male (female) current pensioner aged 65	20.3 (24.0) Years	20.3 (24.0) Years

As part of the 2007 actuarial valuation the mortality experience was analysed across the fund over a 3 year period to 31 March 2007 and assumptions have been amended regarding life expectancy. To allow for future improvements the "medium cohort" mortality tables have been used and adjustments made to the standard tables to allow for the experience of local authority funds generally.

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:-

The assets of the scheme and the expected rate of return were:

	Expected rate of return on assets 31/3/09	Assets at 31/3/09 £'000	Expected rate of return on assets 31/3/08	Assets at 31/3/08 (As Re-stated) £'000
Equities	7.5%	47,861	7.5%	73,418
Government Bonds	4.0%	9,495	4.6%	10,702
Other Bonds	6.0%	4,632	6.1%	4,709
Property	6.5%	3,242	6.5%	5,137
Cash/Liquidity	0.5%	3,860	5.25%	4,816
Other	7.5%	8,106	7.5%	8,241
Total market value assets		<u>77,196</u>		<u>107,023</u>
Present value of scheme liabilities		<u>(133,683)</u>		<u>(162,104)</u>
Net pension liability		<u>(56,487)</u>		<u>(55,081)</u>

The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date.

The expected investment return on corporate bonds is based on market yields at the relevant date, but we have restricted this expected return to 2% p.a. over and above that available on gilts, reflecting an increased risk of default in the corporate bond yield. This means that the expected return on corporate bond investments is now lower than the discount rate used in the calculations.

The assumed investment return on equities is the yield on 20-year fixed interest gilts plus an allowance of about 3.5% p.a for the "risk premium" associated with equity investment. This is a higher "risk premium" than used in the past, reflecting the increased demand for gilts, partly as a result of the government's programme of quantitative easing.

The actual return on scheme assets in the year was -£20.026m (2008: -£3.253m)

Reconciliation of present value of scheme liabilities

	(As Restated)			
	£'000	£'000	£'000	£'000
	31/03/2009	31/03/2009	31/03/2008	31/03/2008
	Unfunded	All Benefits	Unfunded	All Benefits
1 April	16,005	162,104	13,743	122,435
Current service cost	-	1,400	-	1,181
Interest cost	935	9,535	706	6,301
Member Contributions	-	547	-	469
Past service cost	-	-	-	492
Actuarial (gains)/losses	(2,326)	(26,556)	2,889	44,385
Curtailments	-	175	-	-
Benefits paid	(1,348)	(13,522)	(1,333)	(13,159)
31 March	13,266	133,683	16,005	162,104

Reconciliation of fair value of scheme assets

	(As Restated)			
	£'000	£'000	£'000	£'000
	31/03/2009	31/03/2009	31/03/2008	31/03/2008
	Unfunded	All Benefits	Unfunded	All Benefits
1 April	-	107,023	-	101,251
Expected return on scheme assets	-	7,056	-	6,716
Actuarial (losses)/gains	-	(27,082)	-	9,035
Contributions paid by employer	1,348	3,174	1,333	2,711
Member Contributions	-	547	-	469
Benefits paid	(1,348)	(13,522)	(1,333)	(13,159)
31 March	-	77,196	-	107,023

The amounts recognised in the Income and Expenditure account

	£'000 31/03/2009	£'000 31/03/2008
Current Service Cost	1,400	1,181
Interest on pension liabilities	9,535	6,301
Expected return on pension assets	(7,056)	(6,716)
Past Service Cost	-	492
Curtailments or settlements	175	-
Total pension cost recognised	4,054	1,258

The amounts recognised in the Statement of Recognised gains and Losses

Actuarial Gain/(loss)	(526)	(35,350)
	(526)	(35,350)

Amounts for current period and previous four periods

	<u>2009</u> £'000	<u>2008</u> £'000 (Re-stated)	<u>2007</u> £'000	<u>2006</u> £'000	<u>2005</u> £'000
Defined benefit obligation	(133,683)	(162,104)	(122,435)	(131,944)	(128,266)
Scheme assets	77,196	107,023	101,505	102,821	90,350
Deficit	(56,487)	(55,081)	(20,930)	(29,123)	(37,916)
Experience adjustments on scheme assets: Amount	(27,082)	9,035	2,311	16,417	5,138
Experience adjustments on scheme liabilities: Amount	-	(34,847)	-	(818)	(7,715)
Total amount of actuarial gains/losses recognised in statement of total recognised gains and losses: Amount	(526)	(35,350)	6,927	7,707	(23,267)

7. **SURPLUS FOR THE YEAR BEFORE TAXATION**

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

	2008/2009	2007/2008
	£'000	£'000
(a) <u>Depreciation and Other Asset Charges</u>		
Charge for the Year (Note 11 (a))	5,934	8,103
Less :		
Capital Grants Released (Note 16)	(5,636)	(7,833)
	<u>298</u>	<u>270</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
	<u>-</u>	<u>7</u>
	=====	=====
(b) <u>Auditors Remuneration</u>		
Audit Services		
-Core audit	78	73
-Grants	1	4
	<u>79</u>	<u>77</u>
	=====	=====
(c) <u>Operating Lease Costs</u>		
Lease Rentals - rail assets	2,301	2,034
- other	-	-
	<u>2,301</u>	<u>2,034</u>
	=====	=====
(d) <u>Pension and Non-recurring Costs (see Note below)</u>		
Pension Costs Relating to Former Employees	1,388	1,359
Other Non-recurring Items	50	60
	<u>1,438</u>	<u>1,419</u>
	=====	=====
(e) Interest Receivable on Loans, Deposits and Other Debts	31	31
	<u>31</u>	<u>31</u>
	=====	=====

(g) <u>Capital Schemes Charged to Revenue</u>	2008/2009	2007/2008
	£'000	£'000
Capital scheme costs	5,361	2,941
Capital grant received and released in full	(5,361)	(2,941)
	=====	=====

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 @ 21% (20% 2007/2008) on sundry interest received in the year.

2	2
-----	-----
2	2
-----	-----

All corporation tax liabilities up to and including 31 March 2009 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 2008/09.

10. **EXCEPTIONAL ITEMS**

The income in 2008/2009 relates to prior year rate rebates on the Executive's properties.

11. TANGIBLE FIXED ASSETS

a) The movements in the year 1 April 2008 to 31 March 2009 are :	TOTAL £'000	FREEHOLD LAND AND BUILDINGS £'000	LEASEHOLD LAND AND BUILDINGS £'000	RAIL UNITS LEASED £'000	VEHICLES OWNED £'000	VEHICLES LEASED £'000	EQUIPMENT OWNED £'000	EQUIPMENT LEASED £'000	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION £'000
<u>COST VALUATION</u>									
At 1 April 2008	123,283	60,065	1,132	6,622	19,750	8	17,400	54	18,252
Additions	11,385	2,500	-	-	1,379	-	685	-	6,821
Transfer from payments on assets in course of construction	-	-	-	-	-	-	-	-	-
	-	5	-	-	558	-	-	-	(563)
Disposals	(26)	-	-	-	-	-	(26)	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-	-	-	-
W/Off to Revenue	(2,724)	-	-	-	-	-	-	-	(2,724)
At 31 March 2009	131,918	62,570	1,132	6,622	21,687	8	18,059	54	21,786
<u>ACCUMULATED DEPRECIATION</u>									
At 1 April 2008	30,351	9,039	408	6,622	4,789	8	9,431	54	-
Charge for the year (Note7(a))	5,934	1,959	64	-	1,552	-	2,359	-	-
Disposals	(22)	-	-	-	-	-	(22)	-	-
Revaluation adjustments	-	-	-	-	-	-	-	-	-
At 31 March 2009	36,263	10,998	472	6,622	6,341	8	11,768	54	-
<u>NET BOOK VALUES</u>									
31 March 2009	95,655	51,572	660	-	15,346	-	6,291	-	21,786
1 April 2008	92,932	51,026	724	-	14,961	-	7,969	-	18,252

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

	<u>2009</u> <u>£'000</u>	<u>2008</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	105,192	102,012
Depreciation based on cost	(39,540)	(35,184)
	<hr/> 65,652	<hr/> 66,828
(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>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
(a) <u>Amounts receivable Within One Year</u>		
Trade Debtors	7,113	9,052
VAT	533	355
Amounts due from West Yorkshire ITA	7,187	4,580
Other Debtors	5	6
Prepayments and Accrued Income	203	234
	<hr/> 15,041	<hr/> 14,227
(b) Amounts for car loans to employees included in other debtors have been settled.		
Opening balance @ 1 April	-	1
New Loans	-	-
Interest charged	-	-
	<hr/>	<hr/> 1
Repayments	-	(1)
Closing balance @ 31 March	<hr/> -	<hr/> -

Trade and other receivables are non-interest bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other receivables.

13. CASH	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Cash at bank and in hand	2,380	1,894
Bank Overdrafts	(30)	-
	<u>2,350</u>	<u>1,894</u>

Cash balances include £655k (2007/08: £906k) held on behalf of third parties. The liability to repay these amounts is included under creditors.

Cash at bank and short term deposits earn interest at floating rates based on bank deposit rates. There is no material difference between the carrying value and fair value of cash and cash equivalents.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Trade Creditors	14,445	13,897
Other Creditors, Social Security and PAYE	1,385	1,760
Deferred Income (Note 14 (a))	4,231	3,432
Corporation Tax	2	2
	<u>20,063</u>	<u>19,091</u>

Notes

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

Trade and other payables are non-interest bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other payables.

15. **FINANCIAL INSTRUMENTS**

The convergence to IFRS has introduced a number of changes to the way in which public corporations account for financial instruments, in accordance with FRS 25, FRS 26 and FRS 29. A financial instrument is any contract which gives rise to a financial asset in one entity and a financial liability in the other. The Executive has considered its balance sheet carrying values of financial instruments which are a reasonable approximation to fair value. It is required to disclose the fair value and carrying value for those financial instruments whose carrying value is not a reasonable approximation for fair value.

Management of risks arising from financial instruments

There are a number of risks associated with financial instruments which the Executive is necessarily exposed to. However the Executive monitors and seeks to manage these risks in order to minimise the potential for losses to occur.

Credit risk is the risk that amounts due to the Executive on short term deposits and trade receivables may not be received. Almost all of the Executive's short term deposits are made for treasury management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the Executive's procedures. The effect of this is to restrict as far as is practicable the Executive's exposure to risk from the failure of a financial institution. Almost all the Executive's material trade receivables are with recognised, creditworthy third parties which restricts as far as is practicable the Executive's exposure to risk of loss. There is no further credit risk provision required in excess of the normal provision for doubtful receivables.

Liquidity risk is the risk that the Executive may not have sufficient cash available to meet its day to day payment obligations. The Executive's daily cashflow requirements are satisfied by the Authority ensuring the Executive meets these payment obligations.

Interest rate risk is the risk that future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Executive's exposure to interest rate risk arises on floating rate short term deposits. The impact on the Executive of a change is minimal as larger deposits are held on the Executive's behalf by the Authority.

The Executive is not exposed to any currency risk.

16. <u>DEFERRED CAPITAL GRANTS</u>	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Balance at the beginning of the Year	77,338	78,498
Grants Receivable in the Year : ITA (including LTP & Other Govt. Grants)	12,970	8,253
Other	919	328
	13,889	8,581
Other funding sources: Non SCE(R)	133	210
	91,360	87,289
<u>Deduct:</u> Annual Release to Revenue Account - set off against Depreciation Charge (Note 7 (a))	(5,636)	(7,833)
Release to Revenue account - set off loss on disposal of fixed asset	(4)	-
Release against Project Schemes charged to Revenue direct (see Note below)	(5,361)	(2,941)
Write back of Capital Grants Released	-	823
Balance at the end of the Year	80,359	77,338

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>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Balance at beginning of the year	11,213	11,285
Loss on revaluation	-	(72)
Balance at the end of the year	11,213	11,213

18. **FINANCIAL COMMITMENTS**

2009 2008
£'000 £'000

(a) Capital Commitments

Contracted For but not Provided in the Accounts	20,158	10,285
Authorised but not Contracted For	3,432	9,118
	23,590	19,403
	23,590	19,403

(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	1,900	1,934
	1,900	1,934
	1,900	1,934

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 2008 arising from possible claims relating to Supertram acquisitions. The liability continues at 31 March 2009 but it is not practical to disclose an estimate of the financial effect, amount and timing due to the uncertainty.