

Tyne & Wear
Passenger Transport
Authority

Annual Report & Accounts

for the Financial Year ended
31 March 2008

To be approved by the
Passenger Transport Authority
25 September 2008

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	Marilyn France	PTA Accountant
	Paul Woods	PTA Treasurer

Tyne & Wear Passenger Transport Authority

Annual Report & Accounts 2007/08

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Passenger Transport Authority Accounts & Disclosures

The accounts consist of the primary financial statements required by statute, and corresponding disclosure notes to provide further detail.

Income & Expenditure Account

A summary of revenue expenditure and income of the Authority together with details of how this net expenditure was financed. The notes to these accounts show specific items required by the Code of Practice.

Statement of Movement on General Fund Balance

A summary of revenue expenditure and income of the Authority together with details of how this net expenditure.

Consolidated Balance Sheet

The balance sheet sets out the financial position of the Authority at 31 March 2008 and the notes provide an analysis of balance sheet transactions.

Section 2 (cont'd)

[Statement of Total Recognised Gains & Losses](#)

This statement brings together all recognised gains and losses of the Authority during the year.

[Cash Flow Statement](#)

This statement shows the analysis of the cash movements on revenue and capital for the Authority.

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The statements above have also been produced for the group (combining the PTA and Nexus).

A full-page background image showing a person in silhouette walking away from the viewer on a railway track at night. The person is holding a light that illuminates the ground. A massive, dense shower of bright orange sparks or molten metal is falling from above, creating a dramatic, high-contrast scene. The sparks are captured in motion, appearing as a thick curtain of light. The overall atmosphere is industrial and intense.

section 1

**Tyne and Wear
Passenger Transport Authority**

Explanatory Foreword

What is the Tyne & Wear Passenger Transport Authority?

We are a joint authority consisting of members from the five Tyne and Wear district councils, established by the Local Government Act 1985. We act as a strategic and policy making authority on local transport issues within Tyne and Wear, and have responsibility for the Tyne Tunnels and delivery of the New Tyne Crossing project.

We comprise 16 elected members appointed by the five Metropolitan District Councils of Tyne and Wear. In partnership with the five district councils, we are responsible for producing the Local Transport Plan, a five-year plan providing an inclusive and strategic approach to integrated transport in the area. In conjunction with Nexus (the Passenger Transport Executive), we set the Concessionary Travel Scheme as well as setting fares on the Metro and South Shields Ferry.

Our overall aim is to promote and encourage safe, integrated, efficient and economic transport facilities and services for Tyne and Wear and its surrounding area through the development of partnerships between other local authorities, transport operators, public service providers, local communities and Nexus.

Our main priorities are:

- to halt the decline in public transport use in the area;
- to increase public transport use in Tyne and Wear;
- to market public transport as a key ingredient in the reduction of social exclusion, the regeneration of the economy, the improvement of the environment and the reduction of the ill effects of traffic congestion on health and the economy; and
- to support mobility for all regardless of levels of income and car ownership.

Chairman's Foreword



Our ambition is to ensure that we have a good quality and efficient public transport system in Tyne and Wear. 2007/08 has been an extremely productive year for the Tyne and Wear PTA. We have built on the consultations and advice from the previous year to publish our new Policy Statement. Our objectives are:

- Actively promoting the use of better public transport as an alternative to travelling by car and thereby contributing to reducing road traffic congestion.
- Reducing transport related social exclusion.
- Protecting, preserving and enhancing our natural and built environments and existing investment
- Assisting in stimulating economic regeneration.

We provide six monthly performance reports to measure how we are doing against our objectives. Performance so far has been good, but we realise that there is still room for improvement as we strive to achieve our objectives.

Other key achievements in 2007/8 have been:

- The smooth transfer of staff from the PTA to the new concessionaire for the New Tyne Crossing.
- The appointment of a PTA Policy Manager to strengthen the capacity of our policy team based at Newcastle City Council.
- The production of a forward plan of PTA Policy work.
- A 5% increase in passengers using Metro, giving a figure of 39.8m passengers for 2007/08.
- The successful introduction and distribution of the new national bus pass.
- The successful bid for the first phase of Metro Reinvigoration including new ticketing machines and gates at key stations.
- A new corporate report template for the PTA.
- Responses to national, regional and local policy documents.
- Building relationships with Local Strategic Partnerships to raise awareness of the role and objectives of the PTA.
- The implementation of the East Gateshead Quality Bus Partnership.
- Bus stop and access improvements along key 'Superoute', corridors, especially on the route of service 62 / 63.

New capital schemes, primarily implemented through Nexus included:

- The opening of a brand new Metro station at Simonside, South Tyneside which is our 60th station.
- The start of the redevelopment of Haymarket Metro Station.
- The commencement of new bridge works at Felling Metro Station.
- Redevelopment of Newcastle Central Station Travel Shop.
- The start of Sunderland Central Station refurbishment.
- The start of works for a new Multi Storey car park at Northumberland Park.
- The refurbishment of Whitley Bay Metro Station, including the completion of a £1.2m renovation of the listed Victorian Station and gateway to the town centre.
- The start of work on a £2m new bus station for Washington Galleries.

- The new ferry, Spirit of the Tyne, came into operation.
- Ongoing essential Metro engineering work to ensure safe / reliable train operation.
- The extension of Quaylink into Ouseburn and St. Peters.
- Nexus has also won a number of national and regional awards and been highly commended in others.

The next year will present significant issues for the PTA including:

- Our involvement with the Transport Innovation Fund (TIF) and the possibility of making a third round bid.
- The Local Transport Bill (LTB) and transition to the Integrated Transport Authority (ITA).
- The Tyne and Wear City Region transport governance review.
- The wait for the Government decision on Metro re-invigoration that would allow the commencement of procurement.
- The commencement of procurement and installation of Metro ticketing and gating – the first stations to get new ticket machines taking cards and notes as well as coins will be converted in early 2009 – these will also be able to adapt to smartcard technology in the future.
- The programme to fit digital CCTV to all 90 Metrocars starts and will take a year.
- The programme to fit all Metrocars with Light Emitting Diode (LED) station information and automated announcements for hearing and visually impaired passengers.
- Major ‘Superoute’ highway improvements for buses to Chester Road, Sunderland, in partnership with Sunderland City Council.
- Ongoing programmes of ‘Superoute’ bus stop and access improvements throughout Tyne and Wear.
- The launch of Taxi-card (due September 2008) to increase the number of local door-to-door mobility journeys that can be offered.
- Reversing the trend of decreasing fare paying bus passengers continues to be a major challenge for us which we are determined to address in partnership with bus operators and Nexus.
- I look forward to what will be an interesting and challenging year for the PTA, particularly with the opportunities presented by the Local Transport Bill. But I am confident that we will continue to build on the progress we have made over several years to improve the public transport system in Tyne and Wear.

Councillor David Wood

Chair of Tyne and Wear Passenger Transport Authority

The Committee Members during 2007/08



John McElroy
Vice Chair
Portfolio:
Social Inclusion



Stuart Green



Alan Ord



David Wood
Chairman
Portfolio:
Regeneration &
Communications



Nick Forbes
(from May '07)



Gerry Keating
Leader of the
Opposition



Lucy McKeever



Greg Stone
(to May '07)



David Ord



Ed Hodson



David McGarr



Michael Clare



Tom Hanson
Vice Chair
Portfolio: Tyne
Tunnels & NTC



South Tyneside Council



Susan Watson



Joseph Lawson
Portfolio: Modal
Shift & Metro
Reinvigoration



**Derek
Sleightholme**



Peter Wood



Explanatory Foreword by the Treasurer



Introduction

The Tyne and Wear Passenger Transport Authority (PTA) manages its affairs to ensure the economic, efficient and effective use of its resources and to safeguard its assets. This is vital if the PTA is to continue to play a leading role in the provision of quality public transport services throughout the Tyne and Wear area.

This task is shared by all members and officers of the Authority. The Treasurer has a particular role in ensuring sound financial stewardship.

This statement of accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain which requires that the accounts present fairly the position of the Authority. Suitable accounting policies have been employed and where necessary prudent judgements and estimates were made which complied with the code.

The purpose of this foreword is to provide the reader with:

- an understanding of the accounting statements;
- a review of the Authority's financial results in 2007/08 and its financial position; and
- an overview of activities and significant matters which occurred during the year.

The Tyne & Wear Passenger Transport Authority's Finances

The Authority's main source of income is the levy applied to the five constituent local authorities of the PTA based upon population. This provides over 80% of its total income. The other main source of income is derived from the Tyne Tunnels.



The major item of PTA expenditure is a revenue grant to Nexus, the Passenger Transport Executive. This supports concessionary travel, the Metro, other bus and rail services, bus infrastructure and the Tyne Ferry.

The lead authority for the PTA is Newcastle City Council. It provides administrative, engineering, financial, legal and other advisory services directly to the Authority.

Further expenditure is incurred by the PTA on financing charges. These relate to principal and interest payments on inherited debts, and grants to Nexus and the Tyne and Wear Districts. The running costs of the Authority also include additional superannuation contributions in respect of the PTA's obligations for the pensions of former Busways employees.

The Passenger Transport Authority also owns and operates the Tyne Tunnels, linking the A19 under

the River Tyne between Howdon and Jarrow. There is a tolled vehicle tunnel and tunnels for both pedestrians and cyclists. The Tunnels are entirely self-financing and appear within the accounts as a trading function. Tolls on vehicles are also used to fund the development of the New Tyne Crossing, a second vehicle tunnel. Construction started in April 2008.

The New Tyne Crossing is a major construction project that will provide a new tunnel alongside the existing one. The new tunnel will convey two lines of southbound traffic, and the existing tunnel will be fully refurbished and altered to convey two lines of northbound traffic. Both tunnels are expected to be completed and operational by 2011. Further information is given in the New Tyne Crossing review on pages 14 to 17.

Key Issues during 2007/08

The PTA's total spending was £222,000 under budget, in a year when the Authority had to deal with the following key financial issues:

Further developments on the New Tyne Crossing



The contract to design, build, part-finance and operate the New Tyne Crossing was signed by the PTA and the Bouygues Consortium (consisting of Bouygues Travaux Publics and financial institutions HSBC and HBOS) on 23 November 2007. The transfer of operational control (and 97 staff) occurred on 1 February 2008, with TT2 Limited established by the consortium to run the operation. Construction began on site 22 April 2008, and will continue until the existing vehicle tunnel is refurbished in 2011.

The project has also won a number of awards, including an award for Best UK Deal to Sign from the prestigious Public: Private Awards 2008:



New Tyne Crossing borrowing – the PTA borrowed an additional £100 million in 2007/08 using the Prudential borrowing system, which gives the PTA powers to borrow without explicit government approval (provided that the debt can be repaid). The money is to be used to finance the PTA's contribution to the New Tyne Crossing project (£116.17m in total). Until required, any amounts held are being prudently invested.

Reserves position – primarily due to the investments noted above, the PTA's reserves increased by over £736k to £2.8m. This income is to be used in 2008/09 to reduce the levy on the Tyne & Wear districts, and to provide additional resources to Nexus. Tyne Tunnels balances also increased during the year by £7m to £16m. These reserves are being set aside to finance the New Tyne

Crossing project. In addition there is a new earmarked reserve of £10.6m specifically held for Metro Re-invigoration, which was established from the revenue support to Nexus and agreed by the PTA.

The PTA accounts for the financial year 2007/08 are set out in section 2. They consist of the following statements, along with notes to each:

Income & Expenditure (I&E) Account – with a revised format from the previous consolidated revenue account, the I&E account brings together the transactions relating to the Authority's functions, reports the net cost of its activities, & demonstrates its financing costs. The new statement reflects the actual financial performance of the Authority over the period. This then links to:

Statement of Movement on the General Fund Balance – this is a new statement that reconciles the I&E account with the General Fund balance. The I&E account shows the actual spend of the Authority (plus depreciation charges); the Statement of Movement on the General Fund Balance ties this back to the actual position of the Authority, as the levy is raised on a different accounting basis.

Consolidated Balance Sheet – this indicates the balances and reserves of the Authority at the financial year-end, and the level of long-term indebtedness. It also shows a summary of the Authority's fixed assets, and any net current assets employed in its operations.

Statement of Total Recognised Gains & Losses – previously, the accounts included the statement of movement in reserves. The new statement is more in line with UK GAAP (standard practices within the private sector). The new statement relates to the purchase and sale of fixed assets, and brings together all the gains and losses of the Authority during the year.

Cash Flow Statement – this summarises the in- & out-flows of cash arising from transactions with third parties.

Notes to the Accounts – these provide further detail to the statements above in order to provide the reader with a fuller understanding of them.

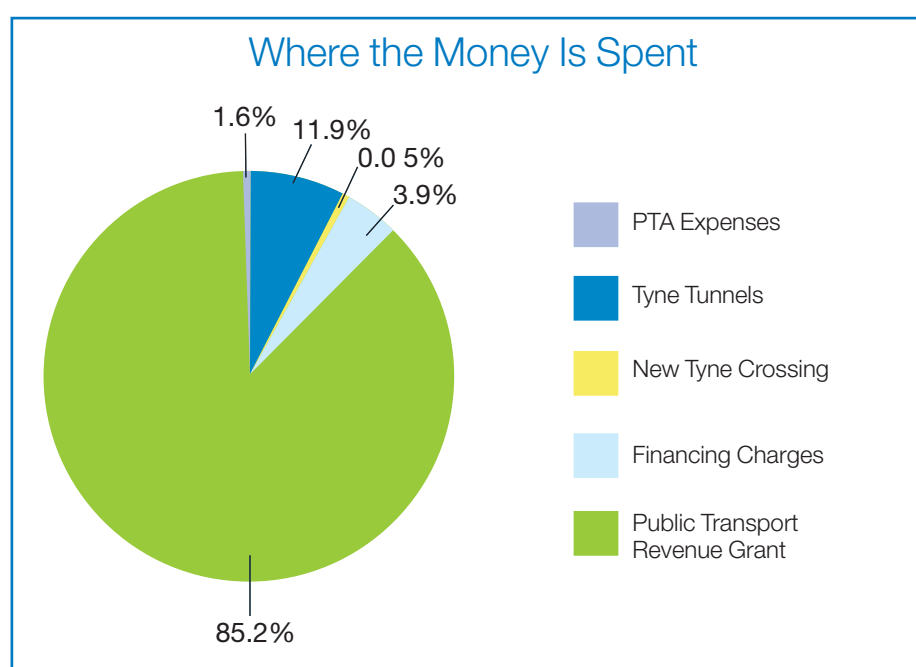
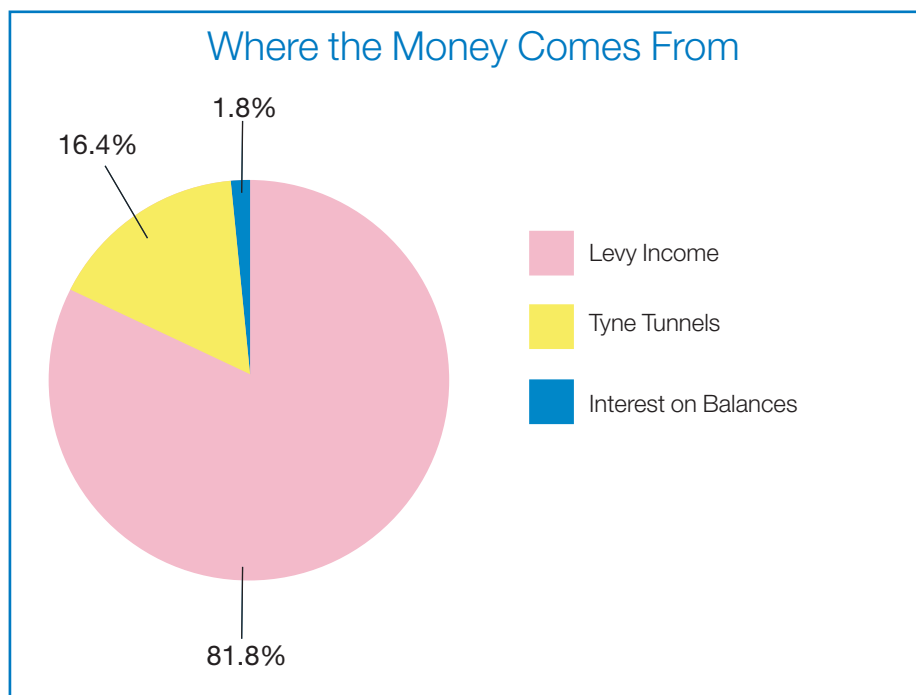
Group Accounts – these provide the same information as above, but incorporate the Nexus accounts within the figures. This is due to a statutory change requiring all subsidiaries to be included within separate group accounts. Notes also provide further detail where this has not been provided within the single entity accounts.



Principal Financial Results for 2007/08

1. Revenue Expenditure

The PTA's revenue expenditure in 2007/08 amounted to £63.94m and income of £82.36m. The diagrams below indicate where income comes from and how it is spent:



The following table provides a summary of actual spending against the revised budget for 2007/08 as reported to the 23 January 2007 Tyne and Wear Passenger Transport Authority. To provide a comparison across years, the table also shows actual spend for 2006/07:

PTA Expenditure	2006/07	2007/08		
	Actual	Revised Budget	Actual	Variation
	£'000	£'000	£'000	£'000
PTA Budget				
- Expenses of the PTA	549	598	521	(77)
- Pensions	510	509	509	-
- Transport financing charges	3,041	3,077	3,060	(17)
- Interest on revenue balances	(117)	(94)	(111)	(17)
- Net gain on prudential borrowing	-	(727)	(731)	(4)
	3,983	3,363	3,248	(115)
Tyne Tunnels	(3,985)	(7,040)	(7,112)	(72)
Preliminary Costs of New Tyne Crossing				
- included in revenue estimates	87	89	29	(60)
- included in capital programme		-	-	-
	87	89	29	(60)
Revenue Contributions to Capital	500	-	-	-
Revenue Support to Nexus	61,548	63,400	52,827	(10,573)
Net Expenditure	62,132	59,812	48,992	(10,820)
Less Levy on Tyne & Wear Councils	(65,057)	(67,409)	(67,409)	-
				-
Contribution to earmarked reserve			(10,598)	(10,598)
Contribution (to) / from reserves	(2,925)	(7,597)	(7,819)	(222)

2. Analysis of Revenue Expenditure against Budget

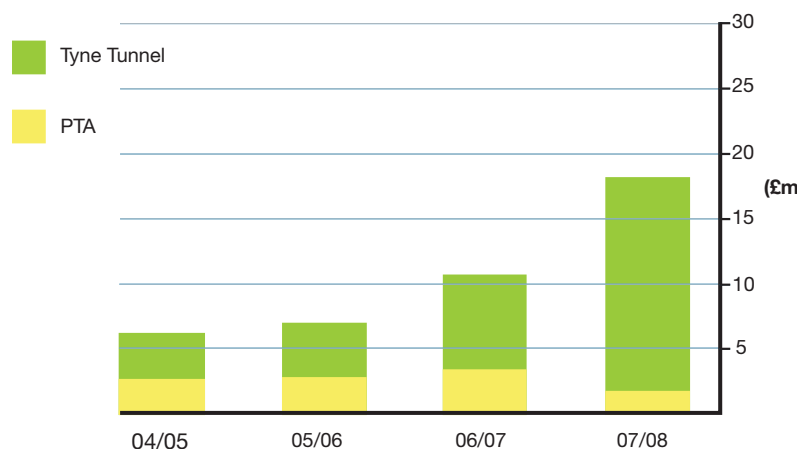
Budget Heading	Budget £	Actual £	Difference £
1.1 Staffing & Charges for Servicing Officers	282,540	253,708	(28,832)
1.2 Audit Fees	42,000	46,151	4,151
1.3 Members allowances and expenses	74,100	73,161	(939)
1.4 Accommodation Charges	5,800	6,674	874
1.5 Subscriptions	40,230	39,655	(575)
1.6 Conferences	1,000	1,919	919
1.7 Travel expenses and subsistence	7,060	5,998	(1,062)
1.8 IT Development	35,880	35,880	0
1.9 Printing costs and consultancy	20,000	20,246	246
1.10 Advertising	1,000	5,570	4,570
1.11 City region	81,250	31,443	(49,807)
1.12 Scrutiny Committee	6,670	114	(6,556)
1.13 Pension Deficiency Payments	509,470	509,470	0
1.14 Financing Charges	3,077,980	3,060,194	(17,786)
1.15 Interest on revenue balances	(94,870)	(111,195)	(16,325)
1.16 Net gain on prudential borrowing	(727,060)	(731,614)	(3,954)
Total	3,363,050	3,247,973	(115,077)

Overall, spending was within budget forecasts, with no major unexpected charges occurring during the year.

3. Reserves Position

Reserves at 31st March 2008	2006/07 £'000	2007/08 £'000	Difference £'000
Metro Reinvigoration Reserve	-	(10,598)	(10,598)
Passenger Transport Authority	(2,081)	(2,817)	(736)
Tyne Tunnel	(8,885)	(15,968)	(7,083)
Total	(10,966)	(29,383)	(18,417)

The PTA reserves increased during 2007/08 due to the net gain on the prudential borrowing. Tunnel balances increased in to order to build up revenue reserves to finance the early years of the Tyne Tunnel concession costs. The following graph indicates the Authority's reserves position for the last three years:



4. Capital Expenditure

During 2007/08, the tunnels spent £8.737m on capital works. These were primarily New Tyne Crossing development costs.

Budget Heading	Budget £000's	Actual £000's	Difference £000's
Tyne Tunnel			
- Vehicle Tunnel	217	121	(96)
- Other	122	166	44
New Tyne Crossing	8,619	8,450	(169)
NTC Land Disposals			
Total Capital Programme:	8,958	8,737	(221)

This included the completion of the major land purchases for the New Tyne crossing.

5. Changes in Accounting Policies & Practices

A number of changes have been made to the accounts, with explanatory notes provided within the Accounts section. The changes are as follows:

Minimum Revenue Provision (MRP)

The Department for Communities and Local Government updated the regulations applying to the calculation of the MRP (debt repayment provisions). Under the previous regulations local authorities were required to charge to their revenue account for each financial year a minimum amount, equal to 4% of the non-housing Capital Financing requirement, to account for the cost of their debt in that financial year. This requirement has been changed and local authorities can now decide their own level of provision, having only a duty to ensure that the level is prudent. New MRP guidance has been offered giving four new options on how to calculate the MRP. Having considered the guidance it is recommended to continue to use the previous methodology of charging 4% on the capital finance requirement for 2007/08.

6. Significant Issues from 2007/08 and into 2008/09

The Concessionary Fare scheme has been extended nationally and could cause further funding pressures in 2008/09 when the costs of the scheme are apparent.

The main issue facing the PTA for 2008/09 is the Local Transport Bill and transition to the Integrated Transport Authority (ITA).

Tyne Tunnels and New Tyne Crossing review

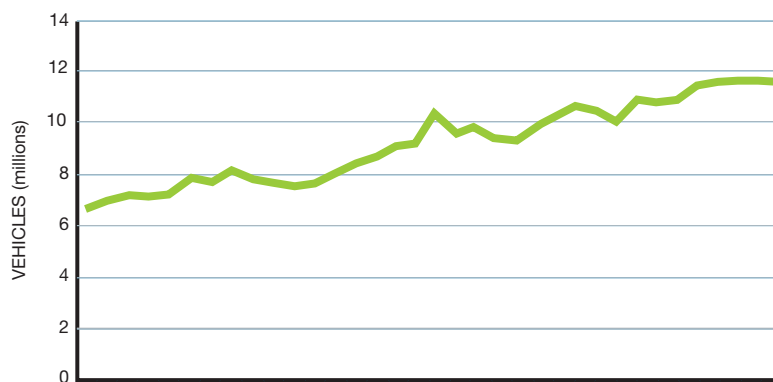


The Tyne Tunnels

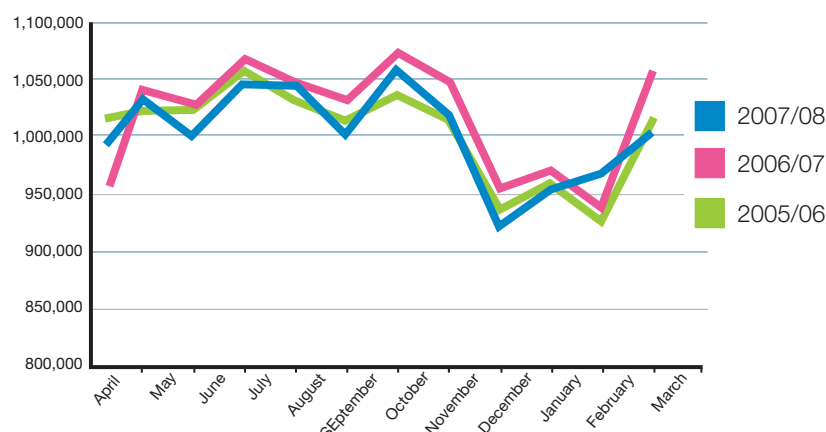
The vehicle tunnel has been open for almost forty years, with traffic numbers increasing steadily since then. In 2007/08, traffic levels exceeded twelve million vehicles, corresponding to toll income of £13.407m (compared with £12.025m in 2006/07). The toll levels were increased in January 2008 (to £1.20 for cars) with traffic flows largely levelling off over the last few years (see graphs below). The toll income is being used to fund both the running costs of the tunnels and the development of the New Tyne Crossing project. The use of permits increased significantly following a period of active promotion by Tunnels staff. The permits save drivers 10% on the cost of a journey and speed up travel through the vehicle tunnel.



Traffic Flows 1974 to 2008



Monthly Traffic Flows (2005/06 to 2007/08)



The Tunnels were passed over to TT2 Limited in February 2008, who will run the operation for 30 years. They are also managing the construction of the New Tyne Crossing, a second vehicle tunnel, which will be completed in 2010.

From a financial viewpoint, the PTA was in control of the Tunnels for the first 10 months of the year, and TT2 for the last two months. For this later period, the PTA received all the income from the operation & passed a proportion of this income back to TT2 in the form of a usage payment.

The in-year position against budget was as follows:

	Budget £ 000's	Actual £ 000's	Difference £ 000's
Employees	3,646	3,668	22
Repairs & Maintenance	210	85	(125)
Premises	390	455	65
Transport	55	65	10
Supplies & Services	619	875	256
Support Services	378	337	(41)
Financing Charges	1,015	1,044	29
Toll Income	(13,100)	(13,406)	(306)
Other Income	(60)	(81)	(21)
Interest on Tunnel Balances	(624)	(623)	1
Total Tunnel Operating Costs:	(7,011)	(7,083)	(72)

Tunnel income was higher than anticipated, due to high level of traffic despite recent toll increases.

Also, maintenance and equipment costs rose during the year. General costs associated with the tunnels also increased due to wear and tear on the infrastructure especially in relation to the lift shafts and escalators to the pedestrian & cyclist tunnels.



The New Tyne Crossing Project

The New Tyne Crossing expenditure to date has primarily been on land purchases, environmental monitoring systems within the River Tyne, and professional advisors (legal, financial and technical). During 2007/08, an extensive process to choose a preferred bidder was completed when Bouygues Travaux Publics were selected in April 2007. Between then and November 2007 there followed an intensive period of settling on pre development agreements to facilitate an earlier delivery of the project and negotiating the final terms of the Project Agreement (which included the use of prudential borrowing to part fund the capital works). As well as this, a number of purchases and disposals were made, and other capital works carried out. The decision to incorporate prudential borrowing has resulted in the tunnels being held on the PTA's balance sheet. For this reason, the majority of costs continue to be capitalised.



Budget Heading	Budget £	Actual £	Difference £
Advisor Costs	2,050,000	2,147,960	97,960
Environmental Monitoring	475,000	318,685	(156,315)
Land & Property	5,794,000	5,965,608	171,608
Other Miscellaneous	300,000	17,746	(282,254)
Total Costs:	8,619,000	8,449,999	(169,001)

The Other miscellaneous costs have been under spent due to slippage of the Environmental milestone into 2008/09.

New Tyne Crossing Timeline

Event	Date
Financial Close (signing of contract)	23 November 2007
Transfer of tunnels and staff to Concessionaire	1 February 2008
Construction works begin	April 2008
New tunnel opens	December 2010
Existing tunnel closes	December 2010
Both tunnels open	December 2011

Project Director's Review of Progress in 2007/08

Statutory Process

The Secretary of State for Transport confirmed the River Tyne (Tunnels) Order 2005 on 21 July 2005. On the same day, the first Secretary of State granted the necessary and associated Listed Building Consents (LBCs). Both were subject to certain conditions that have to be discharged both prior to and during construction activities. The Order and the LBCs provide the necessary powers that enable the New Tyne Crossing to be delivered. A challenge to the Secretary of State's decision was heard in the High Court in April 2006 and rejected.

The Order powers were used to increase the toll charged to cars. From January 2008 the toll for cars was set at £1.20. All other toll classifications remained unchanged. This was part of a toll strategy agreed by the Authority on 12 April 2007.

Future toll increases are to be as follows:

Date	Cars	HGVs
1 January 2012	£1.40	£2.00
1 January 2013	£1.60	£2.80
1 January 2014	£1.60	£3.20

The first of these increases is to be on the basis that the December 2011 opening of the New Tyne Crossing is to be achieved. If later than 1 January 2012 then this toll increase will be delayed.

Procurement

The Pre-Qualification Process began in March 2004 and the TWPTA had approved a shortlist of 4 bidders in September 2004. Between then and issuing the final documents, two of the bidders withdrew. The returned bids gave no clear frontrunner so a Best and Final Offer (BaFO) was submitted by each bidder for evaluation.

On 12 April 2007 the TWPTA decided to appoint the Bouygues Travaux Publics SA led consortium as Preferred Bidder.

In May 2007, a pre-development agreement was negotiated, which allowed Bouygues to pursue investigation and preliminary design works to facilitate as early a delivery on the project as possible. Not to do so would have put this work back until the NTC contract was signed. Negotiation of the terms for the Project Agreement was ongoing throughout the period following 12 April up to 23 November when the contract documents were signed and the deal closed.

The financial arrangements were founded on the tolling structure agreed by the Authority in April 2007 and require £114m of funding from the Authority raised by prudential borrowing, as well as private funds from the Bouygues consortium. This innovative method of using both public and private funding to help the objective of securing the minimum toll level has been recognised by the project having been granted the Project Finance Magazine European [Tunnel] Deal of the Year 2007, the Public Private Finance award for Deal of the Year 2007 and was highly commended by the Public Private Finance judges in their Award for Innovation.

Land Assembly

The TWPTA continue to negotiate with affected property owners to secure the necessary land for the project. The compulsory powers granted by the Order will only be used where Agreements cannot be negotiated.

The residential properties in Commercial Road and Salem Street, Jarrow affected by the project were demolished by South Tyneside Council in May/June 2007. The land required for the new tunnel construction is in the process of being transferred to the TWPTA. Valuations and compensation have been agreed.

The Authority took possession of the Howdon Supply Base in May 2007 and allowed the constructors of the new tunnel to have full use of the base from 7 January 2008.

All other land required for the project is either in PTA ownership or the PTA has licences in place for occupation by the contractors for the purpose of building the new tunnel.

Environmental Monitoring

In accordance with the Agreement with the Environment Agency, fish tracking and counting has continued. The agreement in relation to water quality thresholds and associated computational methods to more accurately reflect actual conditions in the river was modified. Monitoring will continue during and after (for an agreed period) the works.

Fishery mitigation works – habitat improvements and fish-pass at Hexham – are to be carried out by the Tyne Rivers Trust.

Professional Advisors / Staffing

Following financial close on 23 November, arrangements were put in hand to establish a site presence to represent the Authority's interests and to monitor the contract. On 1 February 2008, a monitoring officer was appointed by the Authority. The PTA staff on site will be supported mainly by the technical adviser but has the facility to call on the other professional advisers.

Operations / Construction

The tunnels' assets and staff were transferred to the concessionaire (TT2 Ltd) on 1 February 2008. TT2 will now operate the tunnels – including the pedestrian & cycle tunnels – for a 30-year period. The tunnels will be handed back to the Authority after his period.

TT2 are paid on the basis of a shadow toll structure – the tolls paid by tunnel users are collected by TT2 and passed to the Authority. The PTA remains the body that sets the toll and it is the Secretary of State who authorises – through an Order – changes to the toll charged.

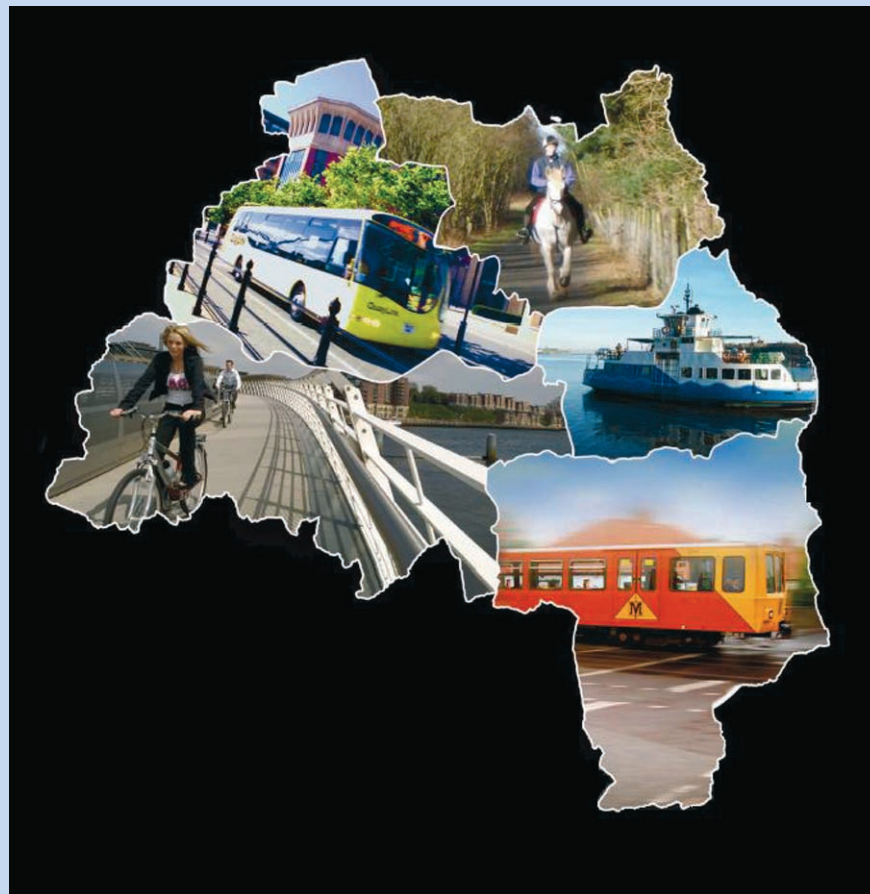
Construction of the new tunnel began on 22 April 2008, when fencing and demolitions

commenced. The new tunnel is scheduled to be open to traffic in December 2010. It will carry bi-directional traffic as the existing tunnel will be closed for 12 months for major refurbishments. The refurbished tunnel will open in December 2011 and will carry northbound traffic, leaving the new tunnel to carry southbound traffic.

The total capital cost is estimated at £260m.



Paul Fenwick
New Tyne Crossing Project Director



Scrutiny Advisory Committee

A Review of 2007/8

The Scrutiny Advisory Committee is a committee of the Passenger Transport Authority, its members are appointed annually at the Annual General Meetings of each of the 5 Districts in Tyne & Wear. Each Local Authority appoints two members to the Committee – 10 members in total and the Committee appoints its own Chair and Vice Chair at the first meeting of each municipal year.

The membership for 2007/08



David Forbes
[Chairman] Sunderland



Sylvia Old
Sunderland



Brian Richmond
Gateshead



Greg Stone
Newcastle



Pat Hillicks
Newcastle



David Charlton
North Tyneside



Mary Glindon
North Tyneside



Dave Bollands
[Vice Chairman]
Gateshead



Jim Sewell
South Tyneside



Arthur Meeks
South Tyneside

Work Programme: June 2007 – April 2008

After a strong focus on the refresh of the PTA's policy statement in the last municipal year, the Scrutiny Advisory Committee decided to turn their attention back to the service based issues which had featured in previous year's work programmes whilst keeping an eye on the policy developments which will affect public transport in the round.

The Committee once again invited the Chairman of the PTA to their first meeting of the year and asked him to outline the PTA's priorities for the coming year to assist in the work planning process. The Committee were also mindful of the priorities and issues for the Districts as expressed by members and transport officers and used all these ideas to select work programme items for the year.

The following main topics were chosen for the work programme:

Service focuses on:

- i. New Tyne Crossing
- ii. Northern Rail – public transport operator of the year
- iii. Community transport, its contribution to the local transport network and its future challenges and opportunities
- iv. Metro Reinvigoration
- v. East Gateshead Quality Bus Partnership

Policy Developments in:

- vi. The Transport Innovation Fund & the City Region
- vii. Response to the draft Transport Bill and governance issues in transport
- viii. Concessionary Travel
- ix. Rationalisation of ‘bus’ and ‘no car’ lanes
- x. Local Transport Bill and its implications for buses
- xi. PTA Policy Statement’s key output measures.

In addition the following regular and routine items were also considered:

- xii. PTA Risk Register
- xiii. PTA’s Best Value Performance Plan
- xiv. Summaries of the decisions taken by the PTA at their scheduled business meetings.
- xv. Minutes
- xvi. Information items on service based issues.

Outcomes

Through discussions at their monthly meetings, the Scrutiny Advisory Committee have raised issues and shared ideas with officers from the Districts, Nexus and public transport providers in the region and have sought to influence and improve outcomes for public transport users in the region. The Committee have also specifically sent a report to the PTA asking them to endorse a number of recommendations which are designed to support the sustainable growth of the community transport sector.

The PTA Scrutiny Advisory Committee would like to thank the following people for their support and contribution to meetings this year:

Cllr Dave Wood – Chairman of the PTA
Ian Stearman – Newcastle City Council
Nicola Boyne – North East Assembly
Christine Warren – PTA Policy Officer
Richard Hibbert – TIF Manager
Paul Fenwick – NTC Project Director
Shirley Atkinson - Nexus
David Marshall – North East Assembly
Ali Lamb – Newcastle City Council

Ken Kemp – Nexus
Graham Robinson – Nexus
Tony Nelson – Nexus
Farah Hussain – PTA Risk Manager
John Bourne – LTP Core Team
Steve Butcher – Northern Rail
Ken Mackay – Nexus
John Usher – Nexus
Martin Harrison – Go North East

Local Transport Bill – Looking Ahead

The Local Transport Bill (LTB) is progressing its way through Parliament at the time of writing. It is anticipated that the Bill will gain Royal Assent in July 2008.

There are several exciting opportunities that the LTB presents to Passenger Transport Authorities. Upon enactment of the Bill the PTA will become the Integrated Transport Authority and will have the responsibility of producing a Local Transport Plan. This is something that is currently undertaken by the LTP Core team on behalf of Gateshead, Newcastle, North Tyneside, South Tyneside, and Sunderland together with Nexus.

Over the coming year we will ensure that there is a smooth transition from the PTA to the ITA, with minimal disruption. We are already working closely with colleagues across Tyne and Wear to discuss interim arrangements, but in essence, it is business as usual.

The LTB also provides opportunities for authorities to look at their governance arrangements for transport. In the Tyne and Wear City Region, we have decided to embark upon a governance review for transport. The PTA has been working closely with partners to set up arrangements for the review and we will be a key partner in the management of the review process.

We anticipate that the review will last for between 6 to 9 months. Once the review has made recommendations on governance arrangements, these will be considered by all partners before agreeing on a course of action.

Once the Bill is enacted, it will require the PTA and Nexus to develop new working relationships with the commercial operators who will continue to operate local bus services. The aim is to harness the strengths of the private sector in a way that better meets local needs. This will require a balanced approach that will deliver a sustainable long term future for the bus sector in the key role it has to play, by putting passengers first in: reducing congestion, supporting economic regeneration, improving accessibility, and enhancing the environment. The Bill would also make changes to the role of the traffic commissioners and establish a bus passenger champion.

The Bill also makes provision for ITAs to have the same well-being powers as local authorities. This is an area we are investigating to explore the full opportunities available to us.



PTA Standards & Audit Committee – A Review

Committee Membership for 2007/08

Independent Members



Mark Scrimshaw
Chairman



Liz Green



Tony Atkinson

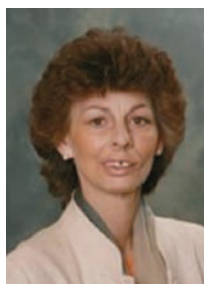


George Clark

PTA Members



Councillor
Stuart Green



Councillor
Susan Watson



Councillor
Tom Hanson



Councillor
David Ord



Councillor
Peter Wood

At the Authority's annual meeting on 24 May 2007, it was agreed that membership of the Committee would comprise Mr M Scrimshaw (Independent Chair), Ms E Green (Independent Member) along with Councillors Green, Hanson, D Ord, Watson and P Wood (this representing no change from 2006/07).

As in previous years, the main focus of the Committee's work during 2007/08 was in monitoring the operation of the Authority's Code of Conduct for Members. At its meeting in April 2007, the Committee approved a new Code of Conduct which was subsequently adopted by the Authority and took effect on 25 May.

Given its responsibility for overseeing issues relating to financial probity within the Authority, the Committee at a subsequent meeting in September commented on the PTA's annual accounts for 2006/07 and also considered the Audit Commission's draft Audit Plan for 2007/08.

During the latter part of the year, discussions took place with the Audit Commission on potential changes to the Committee's Terms of Reference. Those discussions had been prompted by guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) who had recommended that the Committee's audit role be strengthened and reports were brought to subsequent meetings recommending such changes. Given the increased emphasis on audit

issues, a Notice appeared in the local press in January 2008 regarding the appointment of additional Independent Members, the intention being to appoint individuals with audit experience. Candidates were interviewed by the Delegated Committee on 19 February and their recommendations concerning the appointment of Mr Tony Atkinson and Mr George Clark as additional Independent Members were endorsed by the Authority on 27 March. The effect of these changes and the Committee's increased Audit function will be reflected in the annual report for 2008/09.

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required:

- 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 this authority, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets; and
- to approve the statement of accounts.

Signed

Chair of Tyne and Wear Passenger Transport Authority

Date 25th September 2008

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASACC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2008.

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the code.

The Treasurer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Treasurer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2008, required by the Accounts and Audit Regulations are set out in the following pages.

I further certify that the Statement of Accounts presents fairly the financial position of the Authority at 31st March 2008 and its income and expenditure for the year ended 31st March 2008.

Signed

P.V. Woods, Treasurer and Deputy Clerk

Date 25th September 2008

Tyne and Wear Passenger Transport Authority: Annual Governance Statement

Scope of Responsibility

The Tyne and Wear Passenger Transport Authority 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 Authority 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 Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

The Tyne and Wear Passenger Transport Authority has approved and adopted a code of corporate governance on the 29 May 2008, which is consistent with the principles of the CIPFA/ SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at **www.twpta.gov.uk**. This statement explains how Tyne and Wear Passenger Transport Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Tyne and Wear Passenger Transport Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its 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 Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Tyne and Wear Passenger Transport Authority for the year ended 31 March 2008 and up to the date of approval of the TWPTA Annual Report and Accounts.

The Governance Framework

The Key elements of the systems and processes that comprise the Tyne and Wear Passenger Transport Authority Governance arrangements:

Identifying and communicating Authority's vision of its purpose and intended outcomes for citizens and service users

The Authority's priorities are set out in the Passenger Transport Policy Statement, published every three years. This sets out Authority priorities and targets for action in the coming years and records its key achievements in the preceding year providing the context for service delivery throughout the period.

The appointment of a PTA Policy Manager has strengthened the capacity of the existing PTA policy team. The production of a policy work programme has enabled us to be more forward looking and structured when taking reports to Members.

Reviewing Authority's vision and the implications for its governance arrangements

We are assisted by the work of our external auditors, in helping to identify strengths and weaknesses in our performance.

The Passenger Transport Policy Statement is reviewed every three years, with ongoing monitoring provided to members twice a year.

We are working with colleagues in Nexus and across Tyne and Wear to discuss the opportunities presented by the Local Transport Bill and the PTA becoming the Integrated Transport Authority.

We are also closely involved in the forthcoming review of transport governance across the Tyne and Wear City Region which could have implications for the PTA/ITA in the future.

Stakeholder consultations, the community engagement strategy and the corporate communications plan and close working relations with its key partners also ensures that the TWPTA continues to reflect upon its priorities and governance arrangements.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources

We measure value for money through the annual financial plan process which reviews services and identifies specific actions required to improve value for money which are then built into our budget.

We measure value for money by an annual self-assessment that we submit to the audit commission (value for money self-assessment and action plan). We also submit a broader self-assessment that looks at non-financial elements – the Audit Commission reviews our performance and reports back to us so that we can feed improvement areas into the policy plan.

Service level agreements with the lead authority are in place, and regularly monitored, to ensure best value is being achieved.

Performance measurement and management information includes Best Value Performance Indicators and local performance indicators. Targeting for all indicators includes analysis of past performance, comparative performance, priority identified through consultation and financial plans, and checks on achievability. Performance is reported to the Passenger Transport Authority.

Performance against the capital programme is also monitored on a regular basis, with quarterly reports taken to committee.

Defining and documenting the roles and responsibilities of the Authority, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The roles and responsibilities of members are clearly set out in the Authority's constitution, and are reviewed annually.

There is a clear scheme of delegation to officers.

The role of Scrutiny and Standards and Audit Committee are set out within their Terms of Reference, which have recently been reviewed.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

There is a Code of Conduct for Members, Code of Conduct for Employees.

The Standards and Audit Committee deals with issues of conduct and promotes high standards among officers and members.

Register of interests and register of gifts and hospitality for both members and officers.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Authority's constitution and scheme of delegation are reviewed annually in May.

Policy and decision making is undertaken by the Authority (and acts as a scrutiny committee).

The Authority has developed and maintains an effective scrutiny function which encourages constructive challenge and enhances overall performance.

The Authority has in place risk management processes within the Tyne Tunnel and for the New Tyne Crossing project, and during 2007/08 maintained an over-arching risk register for the PTA.

The PTA uses the risk management resources available within Newcastle City Council as required.

The PTA purchases appropriate levels of insurance to minimise financial risks, and self-insures wherever possible.

Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

We have established a Standards and Audit Committee which is independent of the Authority and scrutiny functions. It includes an independent chair and independent members to whom annual training is provided.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Clerk, Deputy Clerk & Treasurer (S73 of the 1985 Act), Monitoring Officer and other senior managers are responsible for advising the Authority and associated committees on legal, financial and other policy considerations.

The Authority is subject to internal and external audit and inspection regimes.

The Authority also has a Standards & Audit Committee, whose terms of reference ensure probity and further scrutiny of PTA activities.

The Authority has an internal audit service provided by the lead authority.

Whistle-blowing and for receiving and investigating complaints from the public

The Authority has an agreed whistle-blowing policy.

There is a corporate complaints procedure in place via the lead authority, with Nexus and the Tyne Tunnels (up to 31 January 2008) having separate procedures in place for managing complaints.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The Authority has a member Training programme and induction training for new members.

The Authority also holds a number of policy seminars with Nexus throughout the year to enhance member training.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Meetings are held in public.

The consultation and involvement strategy sets out how Nexus on behalf of the PTA are engaging with their partners and stakeholders.

There is also a communications plan.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships (*Governing Partnerships: Bridging the Accountability Gap*, Audit Commission, 2005.) and reflecting these in the Authority's overall governance arrangements

The PTA works closely with other districts as part of the LTP CORE team which includes the distribution of the LTP funding.

We are developing partnerships with city region colleagues and also individual Local Strategic Partnerships in the districts to raise the profile of the PTA.

Nexus establishes and monitors its objectives and performance through the Passenger Transport Policy statement and its Annual Performance Plan and 3 year business plan.

Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the lead officers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework, including some comment on the role of the authority is described below:

The review is informed by a variety of internal and independent external sources including:

- The Value for Money Self Assessment (conducted by the Audit Commission) – this is an assessment of the PTA which reports on our performance and the services we provide.
- The Annual Audit and Inspection Letter – this summarises the work carried out by the Audit Commission in their capacity as the Council's external auditors and under their own inspection powers.

- The PTA Officer Co-Ordination Group – this group consists of lead authority officers (and Tyne Tunnel management prior to 1 February 2008) who meet monthly to monitor ongoing performance issues and governance arrangements.
- The Authority's Strategic Risk Register, which captures the most significant risks associated with delivery of the Council's objectives.
- The work of the Standards and Audit Committee, which oversees governance and internal control arrangements and helps to secure improvements.
- The work of the LTP partnership responsible for delivering the LTP plan.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Authority, Standards & Audit Committee, and Scrutiny Advisory Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the Authority's objectives have been mitigated.

The following items were identified as significant internal control issues within the 2006/07 Statement on Internal Control (now the Annual Governance Statement) and have been successfully resolved or have experienced improvements to the extent that they did not constitute significant weaknesses during 2007/08. They include related issues within Newcastle City Council as the Lead Authority.

2006/07 Issues	Action taken/planned to resolve the issue
Information Governance	A Corporate Information Governance Officer was appointed in January 2007 and is working to an agreed project plan for Information Governance and Information Security issues, in conjunction with Directorates and appropriate ICT officers.
Arrangements for preparing fixed asset figures in accounts	Figures were corrected in the 2005/06 Final Accounts and work was completed to address future preparation arrangements.

The lead authority's annual review of effectiveness highlighted the following controls that impact on the PTA.

Significant Partnerships	The only significant partnership reviewed by the Authority affecting the PTA was the Local Transport Plan Improvement actions were identified and agreed but given the work to take place in the next 6 months it is sensible that these actions are undertaken when there is greater clarity over Transport The actions will form the basis of the significant partnership governance review in 2008/09.
Information Governance	This is the lead authority's framework for handling information in an effective, appropriately confidential and secure manner in line with ethical, quality and legal obligations and responsibilities. This framework ensures that information is held with appropriate security and confidentiality, obtained fairly and lawfully, recorded accurately and reliably, used effectively and ethically and shared appropriately and legally. The Council is implementing a detailed action plan to improve awareness and control around information management and security including a training and awareness programme for senior managers and standardisation of policies and robust implementation of management procedures. The action plan covers a three

continues

year period with priority aspects scheduled for completion by September 2008. The plan is monitored by the Information Governance Forum (a corporate and service officer task group), quarterly reviews of the Strategic Risk Register and quarterly reporting to the Audit Committee.

Other NCC related Issues	To follow (pending Chief Internal Auditor's Annual Review).
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The PTA has identified its own area of weakness for 2007/08 relating to the minimal Internal Audit coverage during the year, this was unusual owing to extenuating circumstances which were the review of the Standards & Audit Committee terms of reference and the transfer of the Tyne Tunnel to the concessionaire. Analytical work was carried out by the consultancy team and the external advisers relating to the toll arrangements as part of the handover of the Tyne Tunnel and the Internal Audit work was deferred until 2008/09.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Planned Improvements for 2008/09

- Member training to be improved.
- Annual Governance Statement processes to be embedded.
- Internal Audit to cover all activities to the Authority, the development of a new SLA for Audit services and an Internal Audit plan.
- Continuous improvements in the Standards & Audit Committee to include greater involvement in the work of Internal Audit.
- Management of the transition from Passenger to Integrated Transport Authority.
- Multi Area Agreements (MAAs).

Signed Date. 25th September 2008 .
 Chair of the Tyne and Wear Passenger Transport Authority

Signed Date. 25th September 2008 .
 Clerk to the Tyne and Wear Passenger Transport Authority

Signed Date. 25th September 2008 .
 Treasurer & Deputy Clerk to the Tyne and Wear Passenger Transport Authority

Statement of Accounting Policies

1. General Principles

The Chartered Institute of Public Finance and Accountancy (CIPFA) issues general guidance to authorities upon how their accounts should be compiled. These accounts conform to the requirements of the Institute as issued in its 2007 Statement of Recommended Practice (SORP). The SORP is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the PTA's accounts present fairly the financial position and transactions of the Authority.

In addition these accounts are also compiled, as far as practicable, in accordance with the Best Value Accounting Code of Practice (BVACOP). The original code was published in 2000 by CIPFA and it has been updated each year since. BVACOP sets out "proper practice" with regard to consistent financial reporting by local authorities. The purpose of this code is to ensure consistency and comparability in financial reporting between authorities.

The accounting concepts and policies which have a material impact on the accounts are as follows:

2. Accounting Concepts

These accounts provide information about the Passenger Transport Authority's financial performance and position for the year ended 31 March 2008. They act as a starting point for assessing its stewardship of public funds and for making economic decisions.

Certain general principles are employed when these accounts are compiled. These are:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

Three further concepts play a pervasive role in the financial statements and hence in the selection and application of accounting policies, estimation techniques, and the exercise of professional judgement.

Accruals

The financial statements, other than the cash flow statement, are prepared on an accruals basis. This means that transactions are reflected in the accounts of the period in which they take place, as opposed to the period in which payments are made or received.

Going Concern

The accounts are prepared on the assumption that the Authority will continue its operations for the foreseeable future.

Primacy of Legislative Requirements

The Passenger Transport Authority derives its powers from statute. Its financial and accounting framework is closely controlled by primary and secondary legislation. Where legislative requirements and accounting principle conflict, legislative requirements take precedence.

3. Estimation Techniques

Estimation techniques are the methods adopted by accountants to assess the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their exact value. As a general principle the estimation technique chosen should be the one that most closely reflects the economic reality of the transaction.

These techniques are applied on a case by case basis depending on the nature of the account and those used in the production of these accounts are discussed more fully in the notes below, most particularly in the section discussing capital accounting.

4. Detailed Accounting Policies

Changes to the 2007 SORP have resulted in a number of changes to the accounts. The main change being the replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account.

The following general information has also been updated as appropriate for changes in the SORP:

a. Reserves

The 2007 SORP has seen the replacement of the Fixed Asset Restatement Account (FARA) and the Capital Financing Account with the Revaluation Reserve and a Capital Adjustment Account. This is a change of accounting policy that would normally require prior year adjustments; however it has been agreed nationally that the 2006-2007 comparative figures can be restated as follows. On the balance sheet, the balance on the Revaluation Reserve at 31st March 2007 is shown as nil. The balance on the Capital Adjustment Account is shown as the combined total of the FARA and Capital Financing Account.

The purpose of the Revaluation Reserve is to record the net gain (if any) from revaluations made after 1st April 2007. The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

A new reserve called Financial Instruments Adjustment Account has been set-up to hold the accumulated difference between the financing costs included in the Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

b. Provisions

Provisions are made where an event has taken place that gives the PTA an obligation that probably requires settlement by a transfer of economic benefits, but where the timing is uncertain. Currently the PTA has no provisions.

c. Fixed Assets

General

The 2007/08 accounts have been compiled in accordance with CIPFA's Code of Practice FRS 11 (Impairment of Fixed assets) and FRS 15 (Treatment of Tangible Fixed Assets).

Arising from the Code of Practice:

- Accounting for the use of fixed assets in service accounts is separate from their Financing Costs. Revenue accounts are charged with a cost based upon the value of the assets.
- All fixed assets owned by the Authority are capitalised and included in the balance sheet, in most cases at current values, except for infrastructure which is valued at historical cost.
- The impact of the Code is neutral on the Authority.

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised provided that either the fixed asset yields benefits to the Authority and the services it provides, or increases the value of the assets for more than one year.

The PTA's fixed assets were revalued in 2007/08. This was carried out by Newcastle City Council's Property Services Department in accordance with the Statements of Asset Valuation Practice & Guidance Notes of the Royal Institution of Chartered Surveyors.

Deminimis Levels

For all Capital expenditure the de-minimus level is £10,000.

Basis of Asset Valuations

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that either the fixed asset yields benefits to the Authority and the service it provides, or increases the value of the assets for more than one year.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuations Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The PTA complies with FRS11 "Impairment of Fixed Assets and Goodwill" and FRS15 "Tangible Fixed Assets". Fixed assets are classified into groupings required by the 1993 Code of Practice on Local Authority Accounting.

The closing balances at 31 March 2007 were stated as at 1 April on the following basis:

- Operational land, property and other assets at current replacement costs.
- Infrastructure Assets are valued at historical cost, net of depreciation where appropriate.
- The SORP requires detailed descriptions of the category "Non-operational Assets" analysing them into investment properties, assets under construction or surplus assets held for disposal. These assets are valued at market value.

Revaluation of Assets

The surpluses arising from the initial valuation of fixed assets in 1994/95 were credited to the Fixed Asset Restatement Account. This account has now been replaced (see paragraph 4a above) with a Revaluation Reserve.

Under the CIPFA Code of Practice, all assets must be revalued every five years. This work is carried out on behalf of the Authority by the Property Services Division of the lead authority. The first such revaluation took place in 1999/00, with the most recent revaluation done during 2007/08. These revaluations are detailed at Notes 17 and 18 to the Core Financial statements.

Charges to Revenue for Fixed Assets

Charges to service revenue accounts are based on depreciation (where applicable). Previously, notional interest was also included, but this requirement has been removed from 2007/08 onwards. Only actual interest payments and receipts go through the I&E account.

Depreciation

Depreciation is charged on all Authority assets except freehold land. The remaining useful life of

these assets has been estimated by Newcastle City Council's Property Services Division and by the Engineers - and depreciation is applied on a straight line method over the remaining useful economic life. This straight line method, which applies depreciation evenly over the life of the asset, is felt to more appropriately reflect the use of the assets rather than to apply higher charges in the earlier years which an alternative method would have done.

Life Expectancy of Assets (in years)			
	Initial	2006/07	2007/08
Freehold Land	n/a	n/a	n/a
Tyne Tunnels	120	76	75
Infrastructure	40	36	35
Other Properties			
- Gaslight Public House	n/a	n/a	n/a
- Grange Nursing Home	n/a	n/a	n/a

Land and Buildings

It should be noted that the Gaslight Public House and Grange Nursing Home (properties acquired in 2001/02 as part of the preliminary expenditure on the New Tyne Crossing project) are shown in the balance sheet at market value.

Infrastructure

Infrastructure assets (the approach roads (highways) to the north and south of the Tunnels) are now included in the balance sheet at their replacement cost, as indicated in the SORP.

Vehicles Plant & Machinery

As part of the transfer of the Tyne Tunnels to TT2 on the 1 February 2008, the equipment, plant and machinery were transferred at nil value and no longer appear on the balance sheet. The escalators previously shown as equipment are now included as infrastructure.

Grants

Where Grants and Contributions are received that are identifiable to capital expenditure where there is no asset, the amounts are credited to the revenue account to net off the deferred charge.

Work in Progress

New assets that are incomplete are classified as "fixed assets under construction" and are shown in the balance sheet as non-operational assets. No capital charge is made into revenue accounts until these assets become operational.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income & Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income & Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are classified as capital receipts and is credited to the Usable Capital receipts reserve and can be used for new capital investment.

d. Deferred Charges

Deferred charges represent expenditure which may be properly capitalised, but which does not represent tangible fixed assets. All deferred charges in respect of assets transferred or sold are written off the Capital Adjustment Account.

In accordance with the 2007 SORP, deferred charges (payments of a capital nature where no fixed asset is created e.g. capital grants) are no longer included within the balance sheet. This type of expenditure is charged to cost of services in accordance with CIPFA's recommended practice. The write-off is in the financial year in which the expenditure is incurred.

e. Interest Charges

Interest on loans outstanding is accrued. Interest earned by the Authority is shown in the Consolidated Revenue Account.

Interest charges have been calculated on the basis of the average credit ceiling for the year i.e. average debt outstanding. The interest rate for 2007/08 was 4.87% (4.38% for 2006/07).

f. Redemption of Debt

The Authority's revenue accounts have been charged with amounts which cover the Minimum Revenue Provision (MRP) required by the Local Government and Housing Act 1989. This has been set at 4% of the Authority's opening credit ceiling (the PTA's outstanding debt).

g. Investments

The investments shown on the Balance sheet at cash value plus accrued interest, include monies borrowed for the New Tyne crossing project of £100m which has been invested externally until required by the concessionaire. The earmarked reserve for the metro re-invigoration is also invested externally.

h. Public Private Partnership (PPP)

The Passenger Transport Authority is currently involved in a major PPP scheme – the construction of a new vehicle tunnel beneath the River Tyne.

In 2007/8 the scheme achieved financial close on the above project, and from 1 February the Tyne tunnels will be run for the next 30 years by the private sector concessionaire TT2.

i. Contingent Liabilities

The two contingent liabilities included in 2006/7 accounts have now been resolved and are no longer required.

j. Debtors and Creditors (Accruals)

The costs of supplies and services, together with receipts in the form of sales, fees and charges, are accrued and accounted for in the period which they are consumed or received. This is with the exception of utilities, which are paid purely on the basis of four quarters being paid annually, and toll permit income, which is on a cash basis.

k. Stocks, Stores and Work in Progress

Stocks are shown on the balance sheet at nil value following the transfer of the tunnel to TT2.

l. Pensions

The PTA participates in a Local Government Pension Scheme which provides members with defined benefits relating to pay and service.

The relevant fund is the Tyne and Wear Pension Fund administered by South Tyneside Metropolitan Borough Council, from whom a copy of the annual report may be obtained.

Financial Reporting Standard 17 (FRS 17) requires the recognition of the Authority's share of the Pension Funds assets and liabilities in its accounts. The Chartered Institute of Public and Accountancy (CIPFA) decided upon a phased implementation of this standard, with full compliance from 2003/04 onwards.

Further details are provided in Notes 8, 30, and 35 to the core financial statements.

m. Other Accounting Policies

Employee Costs

The full cost of employees, including holidays, is charged to the accounts of the period within which the employees worked.

Employee costs in the I&E Account include all direct salaries and wages and employer's contributions for National Insurance in respect of Tyne Tunnel staff. These employees are eligible to join the Local Government Superannuation Scheme which provides members with defined benefits relating to pay and service. The pension costs that are charged to the Authority's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees.

Officers of the Authority and other professional and technical support staff are primarily employed by the City of Newcastle upon Tyne. Their costs are charged to the PTA, together with a proportion for overhead costs, on the basis of estimated time spent on the Authority's business by the staff involved.

Overheads

The costs of central support services e.g. financial and legal services have been allocated to the PTA on the basis of Service Level Agreements in accordance with the guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Value Added Tax

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

Tyne Tunnel Income

The majority of income from tolls is received on a cash basis, and so no accruals are necessary. However, prepayments on permit accounts are also received. As these largely balance out at the start and end of the year, no accruals are made. This position may change should there be any increases in permit usage resulting in significant differences between balances at the start and the end of the year (see Note 5 to the core financial statements).

n. Group Accounts

The 2006 SORP requires the Authority to produce Group Accounts to include services provided to the Council Tax payers in the Tyne and Wear area by organisations other than the Authority itself but in which the Authority has an interest.

Although there has been no definitive ruling by CIPFA or by the government in relation to Passenger Transport Authorities and Passenger Transport Executives, it is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared under merger accounting conventions, prepared on the basis of a full consolidation of the financial

transactions and balances of the Authority and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

For the 2007/08 accounts, the Authority has fully complied with the requirements of the 2007 SORP, providing group figures for the 2007/08 accounts and comparators for 2006/07. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above, with the following additions and exceptions:

Local Government Pension Scheme

The employees of Nexus are members of the Local Government Pension Scheme, which is a defined benefits scheme (see note (i) above). Accounting policies consistent with those of the Authority have been adopted, except that the appropriate discount rate for liabilities has been assessed as 5.3%. In addition, there are no transactions between the Group Income and Expenditure Account and the Pensions Reserve in relation to movements in the net pensions liability for Nexus, such that the amounts debited and credited to the Account are reflected in the Group Income and Expenditure Reserve.

Value Added Tax

VAT paid by other group entities is accounted for in the Group Income and Expenditure Account to the extent that it is irrecoverable from HM Revenue and Customs.

Tangible Fixed Assets

Measurement

Increases in the valuations of fixed assets held by Nexus are accounted for by matching credits to the Revaluation Reserve. Impairments not charged to the Group Income and Expenditure Account are written off to the Revaluation Reserve.

Impairment

Impairment losses on fixed assets held by group entities have been charged to the Group Income and Expenditure Account where the loss takes the carrying amount of the relevant assets below their depreciated historical cost.

Disposals

Profits and losses on the disposal of fixed assets are credited or debited to the Group Income and Expenditure Account. The gross proceeds of disposals by the Council are appropriated out of the Account after Net Operating Expenditure to the Usable Capital Receipts reserve. Amounts written off to the Account in respect of Council assets are appropriated out after Net Operating Expenditure to the Fixed Asset Restatement Account.

Charges to Income and Expenditure for Fixed Assets

There are no transactions between the Group Income and Expenditure Account and the Capital Financing Reserve in relation to charges for fixed assets held by Nexus, such that the amounts debited and credited to the Account are initially reflected in the Group General Fund Reserve. However, a transfer is made from the Revaluation Reserve to the Group General Fund for the difference between depreciation charged on the current value of fixed assets held by Nexus and what would have been the historical cost depreciation for the year.

o. Repurchase or Early Settlement of Borrowing

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to net operating expenditure in the I&E Account in the year of repurchase/ settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet and written down to revenue on a straight-line basis over the term of the replacement loans.

p. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sale assets – assets that have a quoted market price and/ or do not have fixed or determinable payments. In the case of the PTA, available-for-sale financial assets, e.g. quoted investments, are not held.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the I&E Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount shown in the balance sheet is the outstanding principal receivable and interest credited to the I&E Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income & Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/ debited to the I&E Account.

q. Nature & Extent of Risks Arising from Financial Instruments & How the Authority Manages those Risks

In its dealings with financial instruments the City Council is exposed to a number of potential risks:

- credit risk – the possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party.
- liquidity risk – the possibility that a party will be unable to raise funds to meet its commitments associated with financial instruments.
- market risk – the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates etc.



As part of its treasury management activities, the PTA seeks to actively manage and control the risks associated with its money market and capital market transactions. The PTA regards the

successful identification, monitoring and control of risk to be the prime criteria by which its treasury management activities are measured. Therefore, the analysis and reporting of treasury management activities focuses on the risk implications for the organisation.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the relevant criteria as adopted within the PTA's Treasury Management Strategy. The Authority has regard to the Department of Communities & Local Government Guidance on Local Government Investment and CIPFA's Treasury Management Code. The PTA's investment priorities are the security of capital and the liquidity of its investments. The PTA will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

Liquidity risk – as the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Note 25 to the accounts shows the maturity analysis of financial liabilities.

Market risk - the authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance a raise in interest rates would have the following effects:

- borrowings at variable costs – the interest expense charged to the I&E Account will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the I&E Account will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the I&E Account or Statement of Recognised Gains & Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the I&E Account and affect the General Fund pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

Lead Authority treasury management officers, in conjunction with external advisers, continually monitor both the prevailing interest rates and market forecasts and adopt the following responses to a change of sentiment:

- if it were felt there was a significant risk of a sharp rise in long and short term rates then the portfolio position would be re-appraised with the likely action that fixed rate funding would be drawn whilst interest rates were still relatively cheap.
- if it were felt that there was a significant risk of a sharp fall in long and short term rates then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.



section 2

**Tyne and Wear
Passenger Transport Authority**
Annual Accounts
for the Financial Year
Ended 31 March 2008

Income and Expenditure Account for the Year Ended 31 March 2008

	Note	2006/07	2007/08	2007/08	2007/08
		£'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Central Services					
Corporate & Democratic Core	4, 40	548	639	(119)	520
Highways, Road and Transport Services					
New Tyne Crossing Preliminary Costs	6	87	29	-	29
T&W Districts LTP Grant	13, 40	1,700	1,761	(481)	1,280
Other Grants	13, 40	2,872	2,901	(1,047)	1,854
Public Transport Revenue Support	10	61,548	52,827	-	52,827
Net Cost of Services		66,755	58,157	(1,647)	56,510
Loss on Disposal of Fixed asset		1	-	-	-
Trading Accounts					
Tyne Tunnels	5	(4,828)	10,196	(13,488)	(3,292)
Interest Payable & Similar Charges		1,763	6,887	-	6,887
Interest & Investment Income		(404)	-	(6,021)	(6,021)
Pensions Interest Cost and Expected Return on Pension Assets	8	40	30	-	30
Net Operating Expenditure		63,327	75,270	(21,156)	54,114
Levy Income	10	(65,057)	-	(67,409)	(67,409)
Net (Surplus)/Deficit for the Year		(1,730)	75,270	(88,565)	(13,295)

Statement of Movement on the General Fund Balance

	Note	2006/07 £'000	2007/08 £'000
Surplus for the year on the Income & Expenditure account		(1,730)	(13,295)
Net additional amount required by statute and non statutory proper practices to be debited or credited to general fund balance for the year		<u>(1,194)</u>	<u>5,476</u>
Increase in General Fund balance for year		(2,924)	(7,819)
General fund balance brought forward		<u>(8,042)</u>	<u>(10,966)</u>
General fund balance carried forward		<u><u>(10,966)</u></u>	<u><u>(18,785)</u></u>

Note of Reconciling Items for the Statement of Movement on the General Fund Balance

		2006/07 £'000	2007/08 £'000
Amounts Included in the Income and Expenditure Account but required by a statute to be excluded when determining the Movement on the General Fund Balance for the year			
Amortisation of intangible fixed assets			
Depreciation and impairment of fixed assets	9 & 18	(1,456)	(3,868)
Write Down of deferred charges to be financed from capital resources	9	(4,572)	(3,134)
Net loss on sale of fixed assets		1	-
Net charges made for retirement benefits in accordance with FRS17	8	<u>(530)</u>	<u>(710)</u>
		(6,557)	(8,352)
Amounts not included in the Income and Expenditure Account but required by a statute to be included when determining the Movement on the General Fund Balance for the year			
Minimum Revenue provision for capital financing	9 & 11	1,622	1,746
Capital expenditure charged in year to general fund balance		500	-
Employers contribution payable to the pension fund and retirement benefits payable direct to pensioners.	35	<u>1,435</u>	<u>1,484</u>
		3,557	3,230
Transfers to or from the General Fund that are required to be taken into account when determining the movement on the General Fund balance for the year			
Voluntary revenue provision for capital financing		1,806	-
Net transfer to or from earmarked reserves.	31	<u>-</u>	<u>10,598</u>
		1,806	10,598
Net additional amount required to be credited to the General Fund Balance for the year		<u><u>(1,194)</u></u>	<u><u>5,476</u></u>

Statement of Total Recognised Gains & Losses

	Note	2006/07 £'000	2006/07 restated £'000	2007/08 £'000
Surplus for the Year on the Income & Expenditure Account		(1,730)	(1,730)	(13,295)
Unrealised (gain)/loss from the revaluation of fixed assets	39	11,415	11,327	(10,449)
Actuarial (gain) / losses on pension fund assets /liabilities	35	(460)	445	2,030
Financing of fixed assets & deferred charges written off		2,099	-	-
Any other gains or losses – receipt from sale of assets		(88)	-	-
Surplus or deficit arising on revaluation of available for sale financial assets	29	-	-	50
Any other gains or losses – movement in other reserves		(1,194)	4,773	-
Total recognised (gains)/losses for the year	36	10,042	14,815	(21,664)
Balance at 1 April 2007		(87,054)	(87,054)	(72,239)
Balance at 31 March 2008		(77,012)	(72,239)	(93,903)

Consolidated Balance Sheet as at 31 March 2008

Fixed Assets	Notes	2006/07		2006/07 restated *		2007/08	
		£'000	£'000	£'000	£'000	£'000	£'000
Operational Assets	17 – 20						
- Other Land & Buildings			7,700	7,700		12,135	
- Vehicles, Plant, Furniture & Equipment			3,242	3,242		-	
- Infrastructure Assets: Tunnels			93,208	93,208		103,014	
- Infrastructure Assets: Other			3,931	3,931		4,007	
Non Operational Assets							
- Assets under Construction			4,898	4,898		5,114	
- Investment Properties			383	383		332	
- Infrastructure Assets			-	-		-	
- Other Land & Buildings			-	-		4,077	
			<u>113,362</u>	<u>113,362</u>		<u>128,679</u>	
Long Terms Debtors	22						
- Loans to Nexus			58,970	54,197		54,994	
			<u>172,332</u>	<u>167,559</u>		<u>183,673</u>	
Total Long-Terms Assets							
Current Assets							
- Stocks		96		96		-	
- Debtors	26,41	8,400		8,400		7,658	
- Investments	25a, 41	-		-		111,484	
- Cash & Bank	23	<u>8,934</u>		<u>8,934</u>		<u>18,728</u>	
			17,430	17,430		137,870	
Current Liabilities							
- Creditors	27, 41	(4,127)		(4,127)		(3,794)	
- Borrowing repayable within 12 months	24	<u>(9,013)</u>		<u>(9,013)</u>		<u>(4,455)</u>	
			(13,140)	(13,140)		(8,249)	
Total Assets Less Current Liabilities			176,622	171,849		313,294	
Long Term Borrowing	25, 41		(91,100)	(91,100)		(208,985)	
Liability related to defined benefit pension scheme	30		<u>(8,510)</u>	<u>(8,510)</u>		<u>(10,406)</u>	
Total Assets Less Liabilities			<u>77,012</u>	<u>72,239</u>		<u>93,903</u>	
Being represented by:							
Capital Adjustment Account	21		(74,556)	(69,783)		(64,527)	
Revaluation Reserve	39		-	-		(10,449)	
Financial Instruments Adjustment Account	29		-	-		50	
Earmarked Balances	31		-	-		(10,598)	
General Fund Reserve	28		(10,966)	(10,966)		(18,785)	
Pensions Reserve	30		<u>8,510</u>	<u>8,510</u>		<u>10,406</u>	
Total Net Worth			<u><u>(77,012)</u></u>	<u><u>72,239</u></u>		<u><u>(93,903)</u></u>	

*Balance Sheet has been restated to correct treatment of longterm debtor which should have been grant

Treasurer's Certificate

I certify that the accounts set out on pages 41 to 61 fairly state the financial position of the Tyne and Wear Passenger Transport Authority as at 31 March 2008.

Signed:

Deputy Clerk and Treasurer

Date . 25th September 2008

Chair of the Authority

Date . 25th September 2008

Cash Flow Statement for Year Ended 31 March 2008

This statement summarises the flow of **cash** arising from the capital and revenue transactions of the Authority with third parties:

	Notes	2006/07 £'000	2007/08 £'000	Change £'000
Revenue Activities				
Payments				
Cash paid to and on behalf of Employees		3,372	2,941	(431)
Redundancy and Pension Adjustments		41	194	153
Pension Fund Costs		1,049	1,049	-
Other Operating Costs		4,101	1,845	(2,256)
Public transport revenue support		61,548	52,827	(8,721)
		<u>70,111</u>	<u>58,856</u>	<u>(11,255)</u>
Receipts				
Levy		(65,057)	(68,820)	(3,763)
Cash Received for Goods and Services		(12,076)	(13,675)	(1,599)
		<u>(77,133)</u>	<u>(82,495)</u>	<u>(5,362)</u>
Net cash inflow from revenue activities	32	<u>(7,022)</u>	<u>(23,639)</u>	<u>(16,617)</u>
Servicing of finance				
Payments				
Interest and Lease Payments		4,329	7,871	3,542
Receipts				
Interest on Revenue Balances		(404)	(4,481)	(4,077)
Interest reimbursed by Nexus		(2,845)	(2,002)	843
Net Cash outflow from servicing of finance		<u>1,080</u>	<u>1,388</u>	<u>308</u>
Capital Activities				
Payments				
Purchase of Fixed Assets		12,608	17,025	4,417
Receipts				
Repayment of Long Term Debtors		(2,258)	(2,686)	(428)
Net cash outflow from capital activities		<u>10,350</u>	<u>14,339</u>	<u>3,989</u>
Net cash outflow before financing		<u>4,408</u>	<u>(7,912)</u>	<u>(12,320)</u>
Financing				
Payments				
Repayments of Amounts Borrowed		3,506	9,061	5,555
Temporary investments		-	110,500	110,500
Receipts				
New Loans Raised		(11,068)	(119,915)	(108,847)
Capital Grant			(1,528)	(1,528)
Net Cash (Inflow)/Outflow from Financing	34	<u>(7,562)</u>	<u>(1,882)</u>	<u>(5,680)</u>
(Increase)/Decrease in Cash and Equivalents	33	<u><u>(3,154)</u></u>	<u><u>(9,794)</u></u>	<u><u>(6,640)</u></u>

Disclosure Notes to the Core Financial Statements

1 General Fund Expenditure relates to recurring day to day expenses such as salaries and wages, premises costs, supplies and services, the payment of the revenue grant to the Passenger Transport Executive (Nexus) to support public transport services, capital charges for the use of fixed assets and additional superannuation contributions in respect of former Busways employees. Income includes toll charges and other charges for services at the Tyne Tunnel.

2 The General Fund is maintained in accordance with Section 72 of the Local Government Act 1985.

3 In accordance with the Debt Management Order (Section 66 of the Local Government Act 1985), principal repayments in respect of debt held by the PTA for the Tyne Tunnels and Nexus were made during the year as shown in Note 9.

4 PTA Expenses

	2006/07 £'000	2007/08 £'000	Change £'000
Expenditure			
Supplies and Services	293	354	61
Central Support Services	255	285	30
	<u>548</u>	<u>639</u>	<u>91</u>
Income			
Other Income	-	(119)	(119)
Net Expenditure	<u>548</u>	<u>520</u>	<u>(28)</u>

5 Tyne Tunnels Expenditure

	2006/07 £'000	2007/08 £'000	Change £'000
Expenditure			
Employees	3,025	2,694	(331)
FRS 17 Current Service Costs Pension Adjustment	490	410	(80)
FRS 17 Past Service Costs Pension Adjustment	-	290	290
FRS 17 Loss on Curtailment	-	620	620
Premises	779	539	(240)
Transport	105	65	(40)
Supplies and Services	1,037	875	(162)
Usage Payments	-	498	498
Central Support Costs	357	337	(20)
Capital Charges	<u>1,456</u>	<u>1,600</u>	<u>144</u>
	<u>7,249</u>	<u>10,196</u>	<u>2,947</u>
Income			
Toll Income *	(12,025)	(13,407)	(1,382)
Other Income **	<u>(52)</u>	<u>(81)</u>	<u>(29)</u>
	<u>(12,077)</u>	<u>(13,488)</u>	<u>(1,411)</u>
Net Expenditure	<u>(4,828)</u>	<u>(3,292)</u>	<u>(1,536)</u>

* Toll income does not include an accrual for pre-payments. This is estimated at £572,459 at 31.3.08

** Other income relates primarily to staff meal charges and other minor income-generating activities.

The following analysis reconciles the above analysis with the figures for the Tyne Tunnel shown in the budget comparison table in the Explanatory Foreword:

	2006/07 £'000	2007/08 £'000	Change £'000
Net Expenditure	(4,828)	(6,180)	(1,352)
Adjustments			
- New Tyne Crossing Prelim Costs	-	29	29
- Pension Adjustment	435	(346)	(781)
- Capital Charges	(1,456)	(3,868)	(2,412)
- Financing Charges	2,152	1,017	(1,135)
- Interest	(287)	(623)	(336)
Figures as per the Explanatory Foreword	(3,984)	(7,083)	(3,099)

6 New Tyne Crossing preliminary costs:

	2006/07 £'000	2007/08 £'000	Change £'000
Premises	-	-	-
Supplies and Services	23	5	(18)
Support Services	-	24	24
Interest Charges	64	-	(64)
	87	29	(58)

Preliminary costs associated with the New Tyne Crossing relate primarily to the provision of legal, technical and financial advice from external consultants and internal PTA / Newcastle City Council officers. Due to the expectation that prudential borrowing will be used to finance the project (and hence the tunnels will be on the balance sheet), the majority of development costs have been capitalised.

7 Expenditure on Publicity

Section 5 of the Local Government Act 1986 requires an authority to keep a separate record of its expenditure on publicity and staff advertising.

	2006/07 £	2007/08 £	Change £
Advertising Staff Vacancies	14,185	3,689	(10,496)
PTA Websites	35,000	35,880	880
PTA Policy statements	4,641	2,351	(2,290)
	53,826	41,920	(11,906)

8 Tyne and Wear Pension Fund - FRS17 Disclosures at 31 March 2008

Employees of Tyne and Wear Passenger Authority are admitted to the Tyne and Wear Pension Fund ("the Fund") which is administered by South Tyneside Council under the Regulations governing the Local Government Pension Scheme ("LGPS"), a defined benefit scheme.

The employers contributions to the Fund in respect of the period 1 April 2003 to 31 March 2008 are set out below:

Period	Percentage of Members Contribution
1 April 2002 to 31 March 2003	1.97
1 April 2003 to 31 March 2004	1.97
1 April 2004 to 31 March 2005	1.97
1 April 2005 to 31 March 2006	2.51
1 April 2006 to 31 March 2007	2.51
1 April 2007 to 31 March 2008	2.51

The following tables present an analysis of the amounts that have been charged to the Income & Expenditure Account

	2006/07 £'000	2007/08 £'000	Change £'000
Current service cost	490	410	(80)
Past service costs	-	290	290
Curtailments / settlements	-	620	620
Amount charged to net service cost	490	1,320	830
Expected return on pension scheme assets	(1,500)	(1,660)	(160)
Interest on pension scheme liabilities	1,540	1,690	150
Amount (credited)/debited to other income finance	40	30	(10)
Total revenue charge before deduction	530	1,350	820

Data provided by the Administering Authority used by actuary in the FRS 17 disclosure at 31 March 2008:

	2006/07	2007/08	Change
Active Members at 31 March 2004			
Number	91	98	7
Total Pay (£000s)	2,014	2,330	316
Pensioner and deferred pensioner members			
Deferred members	29	30	1
Total Pay (£000s)	45	48	3
Pensioners and dependants	83	83	-
Total Pay (£000s)	397	423	26

The above figures have been provided by the actuaries to the Tyne & Wear Pension Fund using information provided by the scheme and assumptions determined by the Authority in conjunction with the actuary.

Actuarial calculations involve estimates about events and circumstances in the future, which can mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

9 Capital Financing

The Local Government and Housing Act 1989 requires the Authority to set aside an amount from revenue, the Minimum Revenue Provision (MRP), for the repayment of external loans. Although these regulations were superseded by amendments to the Capital Finance Regulations during the year (for new schemes only), the Authority continues to set aside more than 4% (see also Note 11). The 1993 Code of Practice on Local Authority Accounting requires that for the purpose of compliance with the statutory requirements, the provision for depreciation in the service accounts should be regarded as part of the MRP. The difference is charged to the statement of movement on the general fund balance.

This appropriation to the capital financing reserve reflects the adjustments required to the accounts to ensure that the statutory MRP for debt repayment has been charged to the statement of movement on the general fund balance.

	2006/07 Total £'000	2007/08 Tyne Tunnel £'000	2007/08 PTA £'000	2007/08 Total £'000
Statutory MRP:				
- Department of Transport	1,624	-	-	-
- PWLB	4,028	367	3,637	4,004
- Nexus Principal Repayment	(2,223)	-	(2,258)	(2,258)
Less: Deferred Charges	(4,573)	-	(4,663)	(4,663)
	(1,143)	367	(3,283)	(2,916)
Revenue Contributions	500	-	-	-
Less: Grant	-	-	1,528	1,528
Less: Provision for Depreciation and Impairment	(1,456)	(3,868)	-	(3,868)
Appropriation	(2,099)	(3,501)	(1,755)	(5,256)

10 Levy on Districts and Revenue Support Grant to Nexus

The total levy was set by the PTA and allocated to constituent Authorities pro-rata to resident population. It is used to fund the net operating costs of the PTA and to provide the Public Transport Revenue Support Grant to Nexus.

In 2005/06, the levy was increased by 3%, with the grant to Nexus being increased by 3.5%.

In 2006/07, the levy was increased by 2.4%, plus a further £12.9m for concessionary fares. The grant to Nexus was increased to meet their requirements.

In 2007/08, the levy was increased by 3%, with a further technical adjustment relating to financing charges.

	2005/06 £'000	2006/07 £'000	2007/08 £'000
Levy on Tyne & Wear Districts	(50,933)	(65,057)	(67,409)

Details of the levy on individual districts is shown at Note 13.

A comparative analysis of the Revenue Support Grant to Nexus is shown below.

	2005/06 £'000	2006/07 £'000	2007/08 £'000
Payment to Nexus	46,424	61,548	52,827

11 Minimum Revenue Provision (MRP)

The MRP is a minimum amount which must be charged to the I&E account each year and set aside as provision for repaying external loans and meeting other credit liabilities.

	2006/07 £'000	2007/08 £'000	Change £'000
PTA / Tyne Tunnel			
Opening Capital Financing Requirement	34,106	38,471	4,365
Closing Capital Financing Requirement *	38,471	47,473	9,002
Amount set aside	3,284	1,539	(1,745)
Minimum Revenue Provision (4%)	1,477	1,539	62
Loans to Nexus			
Opening Capital Financing Requirement	55,574	56,456	881
Closing Capital Financing Requirement	56,456	57,285	829
Amount set aside (recoverable)	2,223	2,258	35
Minimum Revenue Provision (4%)	2,223	2,258	35
Loans to Tyne & Wear Districts			
Opening Capital Financing Requirement	3,631	5,186	1,554
Closing Capital Financing Requirement	5,186	6,255	1,069
Amount set aside	145	207	62
Minimum Revenue Provision (4%)	145	207	62
Total			
Opening Capital Financing Requirement	93,311	100,112	6,801
Closing Capital Financing Requirement	100,112	111,013	10,901

12 Members' Allowances

	2006/07 £	2007/08 £	Change £
Expenditure	72,195	74,240	2,045

Increases in members allowances arise from the recommendations made by the "Independent Remuneration Panel", which reports annually to the PTA. The last report taken to committee was on 27 March 2008.

13 Related Party Transactions

	2006/07 £'000	2007/08 £'000	Change £'000
Receipts			
Levies on Tyne and Wear Councils			
Gateshead MBC	(11,463)	(11,787)	(324)
Newcastle City Council	(16,149)	(17,012)	(863)
North Tyneside MBC	(11,427)	(11,836)	(409)
South Tyneside MBC	(9,078)	(9,312)	(234)
City of Sunderland	(16,940)	(17,462)	(522)
	<u>(65,057)</u>	<u>(67,409)</u>	<u>(2,352)</u>
Payments			
LTP Grant Payments			
Gateshead MBC	590	520	(70)
Newcastle City Council	647	637	(10)
North Tyneside MBC	196	63	(133)
South Tyneside MBC	193	179	(14)
City of Sunderland	74	362	288
	<u>1,700</u>	<u>1,761</u>	<u>61</u>
Congestion Funding Grant			
Gateshead MBC	-	26	26
Newcastle City Council	-	95	95
North Tyneside MBC	-	38	38
South Tyneside MBC	-	29	29
	<u>-</u>	<u>188</u>	<u>188</u>
Receipts			
Newcastle City Council			
Interest on Revenue Balance	(404)	(734)	330
Nexus			
Loans from PTA - Principal	(2,223)	(2,258)	(35)
Loans from PTA - Interest	(2,502)	(2,812)	(310)
	<u>(4,725)</u>	<u>(5,070)</u>	<u>(345)</u>
Payments			
Newcastle City Council			
Capital grant - Eldon Square	1,629	-	(1,629)
Provision of Support Services	872	968	96
Nexus			
Revenue Support Grant	61,548	52,827	(8,721)
Grant to fund capital expenditure	1,241	1,854	613
Loan to fund capital expenditure	3,104	3,088	(16)
	<u>65,893</u>	<u>57,769</u>	<u>(8,124)</u>
Tyne & Wear Superannuation Fund			
Employers Contributions	1,394	1,484	90

The Clerk to the PTA, Deputy Clerk and Treasurer, and Head of Planning and Transportation are Non-Executive Directors of Nexus.

14 Fees Payable to Audit Commission

The 2007 Statement of Recommended Practice (SORP) issued by CIPFA requires that all fees payable to the Audit Commission, the external auditors of the Passenger Transport Authority, are disclosed. This should include both work carried out in performing statutory functions and in providing additional services.

	2006/07 £	2007/08 £	Change £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	37,348	46,151	8,803
Fees payable in respect of other services provided by the appointed auditor	-	-	-
	<u>37,348</u>	<u>46,151</u>	<u>8,803</u>

15 Support Services

The Passenger Transport Authority does not currently employ its own support staff. The lead authority for the PTA (including the Tyne Tunnel, prior to 1 February 2008) is Newcastle City Council, which provides administrative, banking, engineering, financial, internal audit, legal and other advisory services directly to the Authority. Charges for these services are made through service level agreements.

16 Passenger Transport Authority Lead Officers

The Authority is principally advised by three senior officers employed by the lead authority:

Responsibility	Title
Policy / Legal / Administration:	Clerk - Ian Stratford
Financial advice:	Deputy Clerk and Treasurer - Paul Woods
Engineering:	Engineer to the Tunnels - John Miller

17 The assets of the Authority, excluding Vehicles Plant & Equipment, were valued as at 1 April 2007 by Newcastle City Council's Property Department on the under-mentioned basis in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

	£m
The Tyne Tunnel with supporting building, including the administrative block and two ventilator buildings valued at depreciated replacement cost	90.000
The pedestrian/cycleway tunnel valued at depreciated replacement cost	13.360
The infrastructure approach roads to the north and south of the tunnel valued at historical cost	4.000
Other operational land at market value based on alternative uses	12.135
Other non-operational land at market value based on current use	0.062
Non-Operational commercial properties at market value or business value as a going concern	0.332
Total	<u>119.889</u>

18 Movements on Fixed Assets

Movements in fixed assets during the year were as follows:

Operational Assets

	2007/08			Total £'000
	Other Land & Buildings £'000	Vehicles, Plant, etc £'000	Infra- Structure £'000	
Net Book Value of Assets at 31 March 2007	7,700	3,242	97,139	108,081
Movement in 2007/08				
Additions	1,950	166	121	2,237
Disposals	-	-	-	-
Transfer	2,268	(1,032)	1,032	2,268
Impairment	-	(2,268)	-	(2,268)
Revaluations	217	-	10,221	10,438
Depreciation	-	(108)	(1,492)	(1,600)
Net Book Value as at 31 March 2008	12,135	-	107,021	119,156

Non-Operational Assets

	2007/08		Total £'000
	Other Land & Buildings £'000	Asset Development Costs £'000	
Net Book Value of Assets at 31 March 2007	2,383	2,898	5,281
Movement in 2007/08			
Additions*	4,015	2,484	6,499
Disposals	-	-	-
Transfer	(2,000)	(268)	(2,268)
Revaluations	11	-	11
Depreciation	-	-	-
Net Book Value as at 31 March 2008	4,409	5,114	9,523

During 2007/08, the PTA transferred operational control of the Tyne Tunnels to a private concessionaire, who will operate the Tunnels for 30 years, and will also construct and operate the New Tyne Crossing. As part of this change, the PTA has transferred ownership of the vehicles, plant, furniture & equipment to the concessionaire. The land & tunnels infrastructure remain in PTA ownership, as will the new tunnel once completed. In addition Land shown as non operational in 2006/7 has been reclassified as operational.

19 Capital Expenditure and Financing

	2006/07 £'000	2007/08 £'000	Change £'000
Opening Capital Financing Requirement	93,311	100,113	6,802
Capital Investment			
Operational Assets	379	2,237	1,858
Non-Operational Assets	4,898	6,499	1,601
Deferred Charges	4,073	4,662	589
Loans to Outside Bodies	3,104	3,088	(16)
Sources of Finance			
Grant received	-	(1,528)	(1,528)
Capital receipts applied	-	(52)	(52)
Sums set aside from revenue	(5,652)	(4,005)	1,647
Closing Capital Financing Requirement	100,113	111,014	10,901
Explanation of Movements in Year			
Increase in underlying need to borrow (supported by Government financial assistance)	3,312	4,110	798
Increase in underlying need to borrow (unsupported by Government financial assistance)	3,490	6,791	3,301
Increase/Decrease in Capital Financing Requirement	66,802	10,901	4,099

20 Tyne Tunnel Capital Expenditure

	2006/07 £'000	2007/08 £'000	Change £'000
Main items of expenditure were:			
Tyne Tunnels Improvements	379	287	(92)
Major capital commitments at the start of following year are:			
Tyne Tunnels Improvements	309	-	(309)

21 Capital Adjustment Account

	2006/07 £'000	2007/08 £'000	Change £'000
Opening Balance 1st April	(87,982)	(69,783)	18,199
Revenue Reserve	(500)	-	500
Capital receipts	(88)	52	140
Capital receipts applied	-	(52)	(52)
Government grants for deferred charges & fixed assets applied	-	(1,528)	(1,528)
MRP	(3,429)	(1,746)	1,683
Deferred Charges written off	4,572	4,662	90
Depreciation	1,456	1,600	144
*Prior Year adjustment correction of grant	4,773	-	(4,773)
Revaluation/Impairment	11,415	2,268	(9,147)
Closing Balance 31st March	(69,783)	(64,527)	5,256

The capital adjustment account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital financed from revenue, capital receipts and grants. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. It also includes the balance on the fixed asset restatement reserve at 31 March 2007.

22 Long Term Debtors

This mainly represents loans made to the Nexus to finance the capital expenditure on works relating to metro operations, special needs transport and bus stations.

	2006/07 £'000	2007/08 £'000	Change £'000
Opening Balance 1st April	58,124	54,197	(3,927)
Loans to NEXUS			
New loans	3,104	3,088	(16)
Loan repayments	(2,223)	(2,258)	(35)
Prior Year adjustment correction of grant	(4,773)	-	(4,773)
Movement in Loans due within one year	(35)	(33)	2
Closing Balance 31st March	54,197	54,994	797

23 Cash

PTA cash balances are raised during the year by Newcastle City Council for which they credit interest at the three month London Inter-Bank Bid (LIBD) rate.

	2006/07 £'000	2007/08 £'000	Change £'000
Local bank accounts	8,908	18,728	9,820
Cash in Transit	-	-	-
Cash in hands of officers	26	-	(26)
	8,934	18,728	9,794

24 Short Term Borrowing (< 1 year)

	2006/07 £'000	2007/08 £'000	Change £'000
Source of Loan			
Newcastle City Council	(9,013)	(4,455)	4,558
	<u>(9,013)</u>	<u>(4,455)</u>	<u>4,558</u>

25 Long Term Borrowing (>1 year)

	2006/07 £'000	2007/08 £'000	Change £'000
Source of Loan			
Public Works Loan Board	(62,100)	(118,957)*	(56,857)
Market Loans	(29,000)	(90,028)	(61,028)
Department of Transport	-	-	-
	<u>(91,100)</u>	<u>(208,985)</u>	<u>(117,885)</u>
Maturity Pattern of Loans:			
1 to 2 Years	-	-	-
2 to 3 Years	-	-	-
4 to 5 Years	-	-	-
5 to 6 Years	-	-	-
6 to 10 Years	(5,800)	(3,404)	2,396
10 to 15 Years	-	(4,306)	(4,306)
Over 15 Years	<u>(85,300)</u>	<u>(201,275)</u>	<u>(115,975)</u>
	<u>(91,100)</u>	<u>(208,985)</u>	<u>(117,885)</u>
Fair value of debt portfolio			
Public Works Loan Board	(63,391)	(127,240)	(63,849)
Market Loans	<u>(30,629)</u>	<u>(75,647)</u>	<u>(45,018)</u>
	<u>(94,020)</u>	<u>(202,887)</u>	<u>(108,867)</u>

The increase in Borrowing relates to Prudential borrowing for the New Tyne crossing which is currently invested until required by the concessionaire.

25a Investments

	2006/07 £'000	2007/08 £'000	Change £'000
Investments	-	111,484	111,484
Fair value of investments	-	108,811	108,811

26 Debtors

Amounts falling due within one year:

	2006/07 £'000	2007/08 £'000	Change £'000
Repayments due on Loans to Nexus	6,488	6,842	354
Tyne & Wear Districts	1,412	-	(1,412)
Accrued Interest on Loans	-	-	-
Tax to be Recovered	500	563	63
Other debtors and prepayments	-	253	253
	<u>8,400</u>	<u>7,658</u>	<u>(742)</u>

27 Creditors

Amounts falling due within one year:

	2006/07 £'000	2007/08 £'000	Change £'000
Payments due to Nexus	(758)	(1,209)	(451)
Tyne & Wear Districts - LTP Claims	(832)	(1,231)	(399)
Tyne & Wear Districts - Other	(125)	(13)	112
Accrued Interest on Loans	(1,152)	-	(1,152)
Accrued Payments to Pension Fund	(87)	(87)	-
New Tyne Crossing Advisors	(969)	(211)	758
Payments due to TT2	-	(498)	(498)
Other Accruals	(204)	(545)	(341)
	<u>(4,127)</u>	<u>(3,794)</u>	<u>333</u>

28 General Reserves

The movement in reserves is explained by the following summary:

	2006/07 £'000	2007/08 £'000	Change £'000
Opening Balance	(8,042)	(10,966)	(2,924)
Net Expenditure during Year			
Levy on Districts	(65,057)	(67,409)	(2,352)
Payment to Nexus	61,548	52,827	(8,721)
Revenue Expenditure			
- PTA	3,982	3,273	(709)
- Tyne Tunnel	(3,984)	(7,112)	(3,128)
- New Tyne Crossing	87	29	(58)
	<u>85</u>	<u>(3,810)</u>	<u>(3,895)</u>
Capital Expenditure	500	-	(500)
Transfer to earmarked reserve	-	10,573	10,573
Closing Balance	<u>(10,966)</u>	<u>(18,785)</u>	<u>(7,819)</u>

29 Financial Instruments Adjustment Account

A new Reserve called Financial Instruments Adjustment account has been set up to hold the accumulated difference between the financing costs included in the Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund balance.

30 Tyne and Wear Pension Fund - FRS17 Disclosures at 31 March 2007

Employees of Tyne and Wear Passenger Authority are admitted to the Tyne and Wear Pension Fund ("the Fund") which is administered by South Tyneside Council under the Regulations governing the Local Government Pension Scheme ("LGPS"), a defined benefit scheme.

Notes relating to pension fund disclosures can also be found at Notes 8 and 35 to the Core Financial Statements.

The most recent triennial pension fund revaluation was undertaken as at 31 March 2007. The main financial assumptions as at 31 March 2008 were as follows:

	2006/07 %	2007/08 %	Change %
a. Discount Rate	5.3	6.8	1.5
b. Inflation	3.2	3.7	0.5
c. Pension Increases	3.2	3.7	0.5
d. Deferred Pension Increases	3.2	3.7	0.5
e. Salary Increases	4.7	5.2	0.5

The proportion of Fund Assets (for the Fund as a whole) held in each asset type at 31 March were:

	2006/07 %	2007/08 %	Change %
Equities	67.08	63.61	(3.47)
Property	10.06	10.56	0.5
Government Bonds	13.5	10.93	(2.65)
Corporate Bonds	7.59	8.91	1.32
Other	1.69	5.99	4.3

The total value of the assets of Tyne & Wear Pension Fund as at 31 March 2008 was £3677.1m

The long-term rate of return expected on these assets at 31 March were:

	2006/07 %	2007/08 %	Change %
Equities	7.7	7.6	(0.1)
Property	6.7	6.6	(0.1)
Government Bonds	4.1	4.6	0.5
Corporate Bonds	5.3	6.8	1.5
Other	5.6	6.0	0.4
Total	7.0	7.0	0.0

The following amounts, needed for the reconciliation to the balance sheet were measured in accordance with the requirements of FRS 17:

	2006/07 £m	2007/08 £m	Change £m
Share of assets	24.77	18.34	6
Estimated funded liabilities	(32.43)	(27.97)	4
Estimated unfunded liabilities	(0.85)	(0.77)	-
T&W PTA deficit	(8.51)	(10.40)	(2)

31 Earmarked Reserve

This has been set up to contribute to the capital costs of metro re-invigoration

2006/07 £m	2007/08 £m
-	10.598

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This statement is a reconciliation between the increase on the general fund balance as shown in the statement of movement of general fund balance and the net cash flow arising from revenue activities.

	2006/07 £'000	2007/08 £'000	Change £'000
Deficit / Surplus for the year			
General Fund	(2,924)	(7,819)	(4,895)
Items in another classification in the cash flow statement			
Revenue - Levy Income			
- Payments	(1,827)	(4,074)	(2,247)
- Receipts	404	3,183	2,779
Financing			
- Payments	(3,429)	(1,747)	1,682
Non-Cash Transactions			
- capital reserve	-	(10,573)	(10,573)
- Capital expenditure charged to revenue	(500)	-	500
Items on an Accruals Basis			
- Movement in Debtors	1,406	(1,157)	(2,563)
- Movement in Creditors	(169)	(1,356)	(1,187)
- Movement in Stock	17	(96)	(113)
Net Cash Flow on Revenue Activities	(7,022)	(23,639)	(16,617)

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This statement reconciles the net movement in cash for all activities to cash and cash equivalents.

	2006/07 Change £'000	Balance 31.3.07 £'000	2007/08 Balance 31.3.08 £'000	Change £'000
Cash in hand and at bank	3,146	8,908	18,728	9,820
Cash in Hands of Officers	8	26	-	(26)
	3,154	8,934	18,728	9,794

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This statement analyses Net Cash Inflow from financing:

	2006/07 £'000	2007/08 £'000	Change £'000
Financing			
Repayments			
- Department of Transport Loan	1,624	-	(1,624)
- PWLB	1,882	50	(1,832)
- Short Term Borrowing	-	9,012	9,012
- Temporary Investments	-	110,500	110,500
New Borrowing			
- PWLB	-	(115,460)	(115,460)
- Short Term Borrowing	(11,068)	(4,456)	(6,612)
Capital grant	-	(1,528)	(1,528)
Closing Balance 31 March	(7,562)	(1,882)	(5,680)

35 Tyne and Wear Pension Fund - FRS17 Disclosures at 31 March 2008

Employees of Tyne and Wear Passenger Authority are admitted to the Tyne and Wear Pension Fund ("the Fund") which is administered by South Tyneside Council under the Regulations governing the Local Government Pension Scheme ("LGPS"), a defined benefit scheme. Notes relating to pension fund disclosures can also be found at Notes 8 and 30 to the Core Financial Statements.

The most recent triennial pension fund revaluation was undertaken as at 31 March 2007. The main financial assumptions are as follows:

Analysis of amounts recognised in Statement of Total Recognised Gains & Losses:	2006/07 £'000	2007/08 £'000	Change £'000
Actual return less expected return on pension scheme assets	(140)	(460)	(320)
Experience gains and losses arising on the scheme liabilities	(120)	(4,660)	(4,540)
Changes in assumptions underlying the present value of scheme liabilities (financial & demographic)	(190)	3,090	3,280
Actuarial gain / loss	(450)	(2,030)	(1,580)

Analysis of the movement in the deficit in the Fund during the period	2006/07 £'000	2007/08 £'000	Change £'000
Deficit in scheme at 1 April	(8,970)	(8,510)	460
Contributions towards funded liabilities	1,385	1,434	49
Unfunded benefit payments (estimated)	50	50	-
Current service cost	(490)	(410)	80
Past service costs	-	(290)	(290)
Curtailments / settlements	-	(620)	(620)
Other finance income	(40)	(30)	10
Actuarial gain / (loss)	(445)	(2,030)	(1,585)
Deficit in scheme at 31 March	(8,510)	(10,406)	(1,896)

Significance of Pension Reserve Deficit

The deficit in the scheme shows the underlying commitments that the PTA has in the long run to pay retirement benefits. The total liability of £8.5m has a substantial impact on the net worth of the PTA recorded in the balance sheet. However statutory arrangements for funding the deficit means that the financial position of the PTA remains healthy. The deficit on the scheme will be made good by increased contributions over the working life of employees as assessed by the actuary.

History of experience of gains and losses	2006/07	2007/08	Change
Difference between expected and actuarial return on scheme assets			
Amount (£m)	(0.14)	(0.46)	(0.32)
Percentage of scheme assets	-0.6%	-2.5%	-1.9%
Experience gains / (losses) on scheme liabilities			
Amount (£m)	(0.12)	(4.66)	(4.54)
Percentage of present value of scheme liabilities %	-0.4%	-16.2%	-15.8%
Change in assumptions			
Amount (£m)	(0.19)	3.09	3.28
Percentage of present value of scheme liabilities	-0.6%	-10.8%	-10.2%
Total amount recognised in STRGL			
Amount (£m)	0.45	(2.03)	(1.58)
Percentage of present value of scheme liabilities	-1.4%	-7.1%	-5.7%

The above figures have been provided by the actuaries to the Tyne & Wear Pension Fund using information provided by the scheme and assumptions determined by the Authority in conjunction with the actuary.

Actuarial calculations involve estimates about events and circumstances in the future, which can mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

36 Details of Total Movements in Reserves

	Capital Reserves				Revenue Reserves		Total
	Revaluation Reserve (£000)	Capital Adjustment Account (CAA) (£000)	Financial Instrument Adjustment Account	Capital Earmarked Reserve	Pension Reserve (£000)	General Fund (£000)	(£000)
Balance at 1st April 2007	-	(69,783)	-	-	8,510	(10,966)	(72,239)
Net (surplus)/deficit for year	-	-	50	(10,598)	(134)	(7,819)	(18,501)
Unrealised (gain)/loss from the revaluation of fixed assets	(8,181)	-	-	-	-	-	(8,181)
Effects of disposals of fixed assets							
Disposal of fixed assets	(2,268)	2,268	-	-	-	-	-
Financing of fixed assets and deferred charges written off	-	4,516	-	-	-	-	4,516
Government grant applied	-	(1,528)	-	-	-	-	(1,528)
Movements in Pensions Reserve							
Actuarial losses/(gains) in the year	-	-	-	-	2,030	-	1,270
Balance at 31st March 2008	(10,449)	(64,527)	50	(10,598)	10,406	(18,785)	(93,903)

The Capital Adjustment Account (CAA) is not backed by cash and therefore cannot be called upon to support spending. Further details of the movement in Capital Adjustment account (CAA) can be found at Note 9 and Note 21 to the Core Financial Statements.

37 Future Capital Commitments

The New Tyne crossing project is a Public Private partnership. The contract awarded to TT2 on Financial Close November 2007. Construction of the new Tunnel started April 2008.

The PTA as part of the New Tyne Crossing Construction are obliged to make the following Constuction Contributions Payments and Environmental milestone payments as set out in the table below.

	£000
2008/09	340
2009/10	12,900
2010/11	57,300
2011/12	45,627
Total	116,167.00

38 Contingent Liabilities

The two contingent liabilities included in 2006/7 accounts have now been resolved and are no longer required.

39 Revaluation Reserve

The Revaluation Reserve is used to store the gains or losses on the revaluation of fixed assets not yet realised through sales. The account has been introduced as part of the changes required by the 2007 SORP.

	2006/07 £'000	2007/08 £'000	Change £'000
Opening balance at 1 April	-	-	-
- Revaluation adjustments	-	(10,449)	(10,449)
Closing balance at 31 March	-	(10,449)	(10,449)

40 Grants

	2006/07 £'000	2007/08 £'000	Change £'000
Paid			
Newcastle City council	1,629	-	1,629
Nexus -capital expenditure	1,241	1,854	613
Congestion Funding	-	188	188
	<u>2,870</u>	<u>2,042</u>	<u>(828)</u>
Received			
s31 Transport Grant	-	(1,459)	(1,459)
Congestion Funding - capital	-	(69)	(69)
Congestion Funding - Revenue	-	-	(119)
	<u>-</u>	<u>(1,647)</u>	<u>(1,647)</u>

41 Financial instruments – amounts recognised In the Balance Sheet

The table below show the carrying values of financial Instruments included within the PTA 's Balance sheet. In accordance with the SORP, any accrued interest as at 31 March 2008 is included within the carrying values.

Financial assets	2007/08 £'000
Loans & receivables	
Long term debtors	54,994
Debtors (all are contractual rights)	7,658
Investments	111,484
	<u>174,136</u>
Financial Liabilities	
Creditors (all are payable)	(3,794)
Borrowing repayable within one year	(4,455)
Long term borrowing	(208,985)
	<u>(217,234)</u>

Nature and extent of risk arising from financial instruments and how the Council manages those risks

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

In its dealings with financial instruments the City Council is exposed to a number of potential risks:

- **credit risk** – the possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party
- **liquidity risk** – the possibility that a party will be unable to raise funds to meet its commitments associated with financial instruments
- **market risk** – the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates etc.

As part of its treasury management activities the PTA seeks to actively manage and control the risks associated with its money market and capital market transactions. The PTA regards the successful identification, monitoring and control of risk to be the prime criteria by which its treasury management activities are measured. Therefore the analysis and reporting of treasury management activities focuses on the risk implications for the organisation.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the relevant criteria as adopted within the PTA's Treasury Management Strategy. The PTA has regard to the Department of Communities & Local Government Guidance on Local Government Investment and CIPFA's Treasury Management Code. The PTA's investment priorities are the security of capital and the liquidity of its investments. The PTA will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. Contractors are assessed taking into account their financial position and credit limits are set in accordance with internal ratings.

Liquidity risk - as the PTA has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Core financial statement note 25 'balance on long term borrowing and deferred liabilities' shows the maturity analysis of financial liabilities

Market risk - the authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the PTA. For instance a raise in interest rates would have the following effects:

borrowings at variable costs – the interest expense charged to the Income & Expenditure Account will rise
 borrowings at fixed rates – the fair value of the liabilities will fall
 investments at variable rates – the interest income credited to the Income & Expenditure Account will rise
 investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income & Expenditure Account or Statement of Recognised Gains & Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the I&E Account and affect the General Fund pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

Treasury Management officers, in conjunction with external advisers, continually monitor both the prevailing interest rates and market forecasts and adopt the following responses to a change of sentiment:

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Sensitivity to market interest rates – changes in market interest rates affecting the fair value of financial assets and liabilities would have no impact on their carrying values as the PTA currently has no financial instruments carried at fair value. However, the PTA is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It should be noted that had interest rates been higher the PTA would in practice have taken different decisions in relation to rescheduling of debt and to new borrowing and investments undertaken. The likely impact of such different decisions is not possible to quantify. However, the table below shows the extent to which the PTA's interest payable and interest receivable would have been different had market interest rates during the year been 1% higher than they actually were, calculated based on the actual new and variable loans and investments that the authority held during the year.

	Actual £'000	With 1% increase £'000	Change £'000
Recognised in Income & Expenditure account			
Interest receivable on loans & receivables	(2,474)	(2,863)	(389)
Financial Liabilities – interest Payable	6,886	7,489	604
	4,412	4,626	215

There is no impact on the Income and Expenditure account or how the PTA manages risk arising from financial instruments.

42 Events After the Balance Sheet Date

The accounts were approved for issue by the Treasurer on the 26th June 2008. There were no events between the Balance Sheet date and this date that may affect the users' understanding of the accounting statements and therefore requires disclosure.



section 3

**Tyne and Wear
Passenger Transport Authority**
Group Accounts
for the Financial Year
Ended 31 March 2008

The following group accounts comprise entries for both the PTA and Nexus, prepared under merger accounting rules.

Copies of the single entity accounts for Nexus will be available in due course from
www.nexus.org.uk

Group Income & Expenditure Account for the Year Ended 31 March 2008

	Note	2006/07 £'000	2007/08 Gross Expenditure £'000	2007/08 Income £'000	2007/08 Net Expenditure £'000
General Fund Services	3				
Planning and Development		883	902	-	902
Corporate & Democratic Core		2,005	2,318	-	2,318
Non-Distributed Costs		4,928	6,156	-	6,156
Transport		74,116	129,808	(53,440)	76,368
Exceptional Items not included in specific services	4	(499)	-	(1,785)	(1,785)
Net Cost of Services		81,433	139,184	(55,225)	83,959
Trading Accounts					
Tyne Tunnels	5	(4,828)	10,196	(13,488)	(3,292)
Interest Payable		1,762	4,074	-	4,074
Interest on revenue balances		(2,121)	-	(5,601)	(5,601)
Pensions Interest costs and Expected Return on Pension Assets	6	420	310	-	310
Taxation of Group Entities		426	(90)	-	(90)
Net Operating Expenditure		77,092	153,674	(74,314)	79,360
Levy /grant income		(88,465)			(92,920)
Total Net General Fund Surplus *		(11,373)			(13,560)

* This is the surplus before appropriation for statutory provisions in respect of depreciation, minimum revenue provision for debt repayment and contributions to the pension reserve. The surplus after this is £9.383m, as shown in the following statement.

Statement of Movement on the General Fund Balance

	2006/07 £'000	2007/08 £'000
Surplus for the year on the Income & Expenditure account	(11,373)	(13,560)
Net additional amount required by statute and non statutory proper practices to be debited or credited to general fund balance for the year	(8,026)	4,177
Increase in General Fund balance for year	(3,347)	(9,383)
General fund balance brought forward	(14,092)	(17,439)
General fund balance carried forward	(17,439)	(26,822)
Analysis of Surplus		
PTA	859	(736)
Tyne Tunnels	(3,783)	(7,083)
Nexus	(423)	(1,564)

Reconciliation of Single Entity Surplus Or Deficit For Year with Group Surplus Or Deficit

	2006/07 £'000	2007/08 £'000
(Surplus) Or Deficit On Authority's Income and Expenditure account	(1,730)	(13,295)
Add(Surplus) or Deficit on Nexus	(9,643)	(265)
Group Account Surplus Or Deficit For the year	(11,373)	(13,560)

Note of Reconciling Transactions

Amounts Included in the Income and Expenditure Account but required by a statute to be excluded when determining the Movement on the General Fund Balance for the year

	2006/07 £'000	2007/08 £'000
Depreciation and impairment of fixed assets	(1,456)	(3,868)
Write Down of deferred charges to be financed from capital resources	(4,572)	(3,134)
Net loss on sale of fixed assets	1	-
Net charges made for retirement benefits in accordance with FRS17	(910)	(8,300)
	<u>(6,937)</u>	<u>(15,302)</u>

Amounts not included in the Income and Expenditure Account but required by a statute to be included when determining the Movement on the General Fund Balance for the year

Minimum Revenue provision for capital financing	1,622	1,746
Capital expenditure charged in year to General fund balance	500	-
Employers contribution payable to the pension fund and retirement benefits payable direct to pensioners.	<u>4,885</u>	<u>11,504</u>
	7,007	13,250

Transfers to or from the General Fund that are required to be taken into account when determining the movement on the General Fund balance for the year

Voluntary revenue provision for capital financing	1,806	-
Net transfer to or from earmarked reserves.	<u>6,150</u>	<u>6,229</u>
	7,956	6,229

Net additional amount required to be credited to the General Fund Balance for the year

8,026	4,177
<u>8,026</u>	<u>4,177</u>

Statement of Total Recognised Gains & Losses

	Note	2006/07 £'000	2006/07 restated £'000	2007/08 £'000	Change £'000
Surplus for the Year on the Income & Expenditure account		(11,373)	(11,373)	(13,560)	(2,187)
Unrealised (gain)/loss from the revaluation of fixed assets		11,415	11,327	(10,449)	(21,776)
Actuarial (gain)/losses on pension fund assets /liabilities	22	(2,370)	1,605	(14,720)	(16,325)
Surplus or deficit arising on revaluation of available for sale finance assets		-	-	50	50
Financing of fixed assets & deferred charges written off		(1,765)	-	-	-
Any other gains or losses		<u>7,938</u>	<u>2,286</u>	<u>1,172</u>	<u>(1,114)</u>
Total recognised gains for the year		<u>3,845</u>	<u>3,845</u>	<u>(37,507)</u>	<u>(41,352)</u>
Balance at 1st April		(352,663)	(352,663)	(348,818)	(3,845)
Balance at 31st March		<u>(348,818)</u>	<u>(348,818)</u>	<u>(386,325)</u>	<u>(37,507)</u>

Group Balance Sheet as at 31 March 2008

	Notes	2006/07		2007/08	
		£'000	£'000	£'000	£'000
Fixed Assets					
Operational Assets	11-12				
- Other Land & Buildings		10,317		14,722	
- Vehicles, Plant & Machinery		43,338		38,197	
- Infrastructure Assets		388,021		400,764	
- Community Assets		18,375		19,049	
Non Operational Assets		5,281		9,523	
Long Term Investments		1		1	
			<u>465,333</u>		<u>482,256</u>
Long Terms Debtors		-	-	-	-
Total Long-Terms Assets			<u>465,333</u>		<u>482,256</u>
Current Assets					
- Stock		3,187		3,152	
- Debtors	15	10,102		11,208	
- Short Term Investments		43,768		150,607	
- Cash		<u>9,697</u>		<u>19,283</u>	
			66,754		184,250
Current Liabilities					
- Creditors	16	(17,077)		(19,287)	
- Short Term Borrowing	13	<u>(9,012)</u>		<u>(4,455)</u>	
			<u>(26,089)</u>		<u>(23,742)</u>
Total Assets Less Current Liabilities			505,998		642,764
Long Term Borrowing	14		(91,100)		(208,985)
Provisions for Liabilities & Charges	17		(5,480)		(4,778)
Pension Liability	19		<u>(60,600)</u>		<u>(42,676)</u>
Total Assets Less Liabilities			<u><u>348,818</u></u>		<u><u>386,325</u></u>
Being represented by:					
Capital adjustment account			(131,600)		(122,064)
Revaluation reserve			-		(10,449)
Financial Instruments Adjustment account			-		50
Usable Capital receipts reserve			(88)		-
General Fund Reserve			(17,439)		(26,822)
Earmarked Reserve			-		(10,598)
Financial Instruments Adjustment account			-		-
Deferred Capital Grants	18		(260,291)		(259,118)
Pension Reserve	19		60,600		42,676
Total Balances & reserves			<u><u>(348,818)</u></u>		<u><u>(386,325)</u></u>

Treasurer's Certificate

I certify that the accounts set out on pages 62 to 76 fairly state the financial position of the Tyne and Wear Passenger Transport Authority as at 31 March 2008.

Deputy Clerk and Treasurer

Date . 25th September 2008

Chair of the Authority

Date . 25th September 2008

Group Cash Flow Statement for Year Ended 31 March 2008

This statement summarises the flow of cash arising from the capital and revenue transactions of the Authority with third parties:

	Notes	2006/07 £'000	2007/08 £'000	Change £'000
Net cash flow from revenue activities	20	(21,605)	(28,269)	(6,664)
Servicing of finance				
Payments				
Interest and Lease Payments		5,523	9,064	3,541
Receipts				
Interest on Revenue Balances		(3,029)	(7,069)	(4,040)
Net cash flow from servicing of finance		2,494	1,995	(499)
Taxation		-	-	-
Capital Activities				
Payments				
Purchase of Fixed Assets		28,505	35,442	6,937
Receipts				
Sale of Fixed Assets		(2)	(12)	(10)
Net cash flow from capital activities		28,503	35,378	6,875
Net cash flow before financing		9,392	9,156	(236)
Management of Liquid Resources				
Temporary Investments		-	-	-
Net cash flow from management of liquid resources		-	-	-
Financing				
Payments				
Repayments of Amounts Borrowed		3,411	8,597	5,186
Temporary Investments		-	110,500	110,500
Grant Finance Raised		(5,750)	(8,663)	(2,913)
Receipts				
New Loans Raised		(14,173)	(124,531)	(110,358)
Net cash flow from financing		(16,512)	(14,097)	(2,415)
(Increase)/Decrease in Cash and Equivalents	21	(7,120)	(4,941)	2,179

Disclosure Notes to the Group Core Financial Statements

- 1** These accounts have been prepared by merger accounting conventions, combining the Tyne and Wear Passenger Authority and Nexus. They have been merged as at 31 March 2008.

- 2** Further detail to these accounts may also be found within the previous section (single entity accounts) and within the Nexus accounts. Any item without a specific disclosure note below is purely calculated as the sum of the values in the single entity accounts.

3 Analysis of General Fund Services

	Net Expenditure 2006/07 £'000	Net Expenditure 2007/08 £'000	Change £'000
Central PTA Costs:			
- Supplies & Services	294	235	(59)
- Central Support Services	255	285	30
New Tyne Crossing preliminary costs	87	29	(58)
District Grants (LTP)	4,572	3,134	(1,438)
Metro - Operating	8,502	8,336	(166)
- Capital and Provisions	7,298	9,544	2,246
Ferry	851	993	142
Rail	4,104	4,171	67
Bus Services	10,061	10,276	215
Bus Infrastructure	3,230	3,157	(73)
Transport Promotion and Information	2,062	1,961	(101)
Deregulation and Pensions	4,928	6,155	1,227
Concessionary Travel	39,138	40,818	1,680
Current Pension cost adjustment	(3,450)	(3,350)	100
Exceptional Item	(499)	(1,785)	(1,286)
	<u>81,433</u>	<u>83,959</u>	<u>2,526</u>

- 4** This relates to proceeds from the disposal of Airspace and the costs of disposal of properties.

5 Trading Operations: Tyne Tunnels

	2006/07 £'000	2007/08 £'000	Change £'000
Expenditure			
Employees	3,025	2,694	(331)
Current Pension Cost Adjustment	490	410	(80)
Past Service Costs Pension Adjustment	-	290	290
Loss on Curtailment	-	620	620
Premises	779	539	(240)
Transport	105	65	(40)
Supplies and Services	1,037	875	(162)
Central Support Costs	357	498	141
Lease Charges	-	337	337
Depreciation Charges & Impairment	1,456	3,868	2,412
	7,249	10,196	2,947
Income			
Toll Income	(12,025)	(13,407)	(1,382)
Other Income	(52)	(81)	(29)
	(12,077)	(13,488)	(1,411)
Net Expenditure	(4,828)	(3,292)	(1,536)

6 Full notes to the pension fund disclosures can be found within the single entity account disclosures. Both the PTA and Nexus are member of the Tyne and Wear Pension Fund, and as such the disclosures are identical, with the exception of the following: The following tables present an analysis of the amounts that have been charged to the I&E Account:

	2006/07		2007/08	
	£'000 PTA	£'000 Nexus	£'000 PTA	£'000 Nexus
Current service cost	490	3,450	410	4,920
Past service costs	-	-	290	1,750
Curtailments / settlements	-	-	620	-
Amount charged to net service cost	490	3,450	1,320	6,670
Expected return on pension scheme assets	(1,500)	(8,700)	(1,660)	(10,020)
Interest on pension scheme liabilities	1,540	9,080	1,690	10,300
Amount credited to other income finance	40	380	30	280
Total revenue charge before deduction	530	3,830	1,350	6,950

7 Minimum Revenue Provision (MRP)

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. It is calculated as 4% of the Authority's opening Capital Financing Requirement.

	2006/07 £'000	2007/08 £'000	Change £'000
PTA / Tyne Tunnel			
Opening Capital Financing Requirement	34,106	38,471	4,365
Closing Capital Financing Requirement*	38,471	47,473	9,002
Amount set aside	3,284	1,539	(1,745)
Minimum Revenue Provision (4%)	1,477	1,539	124
Loans to Nexus			
Opening Capital Financing Requirement	55,574	56,456	882
Closing Capital Financing Requirement	56,456	57,286	830
Amount set aside (recoverable)	2,223	2,258	35
Minimum Revenue Provision (4%)	2,223	2,258	35
Loans to Tyne & Wear Districts			
Opening Capital Financing Requirement	3,631	5,186	1,555
Closing Capital Financing Requirement	5,186	6,256	1,070
Amount set aside	145	207	62
Minimum Revenue Provision (4%)	145	207	62
Total			
Opening Capital Financing Requirement	93,311	100,113	6,802
Closing Capital Financing Requirement	100,113	111,015	10,902

8 Related Party Transactions

	2006/07 £'000	2007/08 £'000	Change £'000
Receipts			
Levies on Tyne and Wear Councils			
Gateshead MBC	(11,463)	(11,787)	(324)
Newcastle City Council	(16,149)	(17,012)	(863)
North Tyneside MBC	(11,427)	(11,836)	(409)
South Tyneside MBC	(9,078)	(9,312)	(234)
City of Sunderland	(16,940)	(17,462)	(522)
	<u>(65,057)</u>	<u>(67,409)</u>	<u>(2,352)</u>
LTP Grant Payments			
Gateshead MBC	590	520	(70)
Newcastle City Council	647	637	(10)
North Tyneside MBC	196	63	(133)
South Tyneside MBC	193	179	(14)
City of Sunderland	74	362	288
	<u>1,700</u>	<u>1,761</u>	<u>61</u>
Congestion Funding Grant			
Gateshead MBC	-	26	26
Newcastle City Council	-	95	95
North Tyneside MBC	-	38	38
South Tyneside MBC	-	29	29
City of Sunderland	-	-	-
	<u>-</u>	<u>188</u>	<u>188</u>
Newcastle City Council			
Interest on Revenue Balance	(404)	(734)	(330)
	<u>(404)</u>	<u>(734)</u>	<u>(330)</u>
Payments			
Newcastle City Council			
Provision of Support Services	612	968	356
	<u>612</u>	<u>968</u>	<u>356</u>
Tyne & Wear Superannuation Fund			
Employers Contributions	1,394	1,484	90
	<u>1,394</u>	<u>1,484</u>	<u>90</u>

9 The 2007 Statement of Recommended Practice (SORP) issued by CIPFA requires that all fees payable to the Audit Commission, the external auditors of the Passenger Transport Authority, are disclosed. This should include both work carried out in performing statutory functions and additional work.

	2006/07 £'000	2007/08 £'000	Change £'000
Expenditure			
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	107	116	9
Fees payable in respect of other services provided by the appointed auditor	-	-	-
	<u>107</u>	<u>116</u>	<u>9</u>

10 Passenger Transport Authority Lead Officers

The Authority is principally advised by three senior officers employed by the lead authority. These officers are also non-executive directors of Nexus:

Responsibility	Title
Policy / Legal / Administration:	Clerk - Ian Stratford
Financial advice:	Deputy Clerk and Treasurer - Paul Woods
Engineering:	Head of Planning and Transportation - Harvey Emms

The Nexus Board comprises the above officers and the following Nexus directors:

Director General	Bernard Garner
Director of Finance & Administration	Shirley Atkinson (resigned May 2008)
Director Of Rail and Infrastructure	Ken Mackay

Further detail to these accounts may also be found within the previous section (single entity accounts) and within the Nexus accounts. Any item without a specific disclosure note below is purely calculated as the sum of the values in the single entity accounts.

11 Fixed Assets

The 2007 Statement of Recommended Practice (SORP) issued by CIPFA requires that all fees payable to the Audit Commission, the external auditors of the Passenger Transport Authority, are disclosed. This should include both work carried out in performing statutory functions and additional work.

Operational Assets	2007						Total £'000
	Land & Buildings £'000	Vehicles, Plant, etc £'000	Ferry £'000	Infra-Structure £'000	Other Assets £'000	Capital Projects £'000	
Cost or Vested Value							
Value at 31 March 2007	11,984	113,472	6,410	434,384	21,439	4,358	592,047
Additions	1,950	166	-	121	-	18,786	21,023
Disposals	-	-	-	-	(113)	-	(113)
Transfers	2,490	3,087	23	11,624	2,058	17,014	2,268
Depreciation							
Value at 31 March 2007	(1,667)	(70,134)	(1,874)	(50,899)	(7,422)	-	(131,996)
Disposals	-	-	-	-	113	-	113
Depreciation for Year	(252)	(6,126)	(227)	(10,817)	(1,358)	-	(18,780)
Impairment	-	(2,268)	-	-	-	-	(2,268)
Revaluations	217	-	-	10,221	-	-	10,438
Net Book Value at 31 March 2008	14,722	38,197	4,332	394,634	14,717	6,130	472,732
Non-Operational Assets							
Value at 31 March 2007	2,383	-	-	-	-	2,898	5,281
Additions	4,015	-	-	-	-	2,484	6,499
Transfers	(2,000)	-	-	-	-	(268)	(2,268)
Disposals	-	-	-	-	-	-	-
Revaluations	11	-	-	-	-	-	11
Depreciation	-	-	-	-	-	-	-
Net Book Value at 31 March 2008	4,409	-	-	-	-	5,114	9,523

The primary assets of the Group are the Tyne Tunnels and the Metro network.

12 Total Capital Expenditure

	2006/07 £'000	2007/08 £'000	Change £'000
Nexus – grant	1,244	2,901	1,657
Nexus loan	3,104	3,088	(16)
Tyne & Wear Districts – local transport plan	1,700	1,761	61
Newcastle – grant	1,629	-	(1,629)
Tyne Tunnels	378	287	(91)
New Tyne crossing	4,810	8,449	3,639
	<u>12,865</u>	<u>16,486</u>	<u>3,621</u>

13 Short Term Borrowing

Source of Loan	2006/07 £'000	2007/08 £'000	Change £'000
Newcastle City Council	(9,012)	(4,455)	4,557
	<u>(9,012)</u>	<u>(4,455)</u>	<u>4,557</u>

14 Borrowing

All borrowing is carried out by the PTA on behalf of Nexus, so all disclosures are in the PTA single entity accounts.

15 Debtors

Amounts falling due within one year	2006/07 £'000	2007/08 £'000	Change £'000
Trade Debtors	826	1,198	372
Tyne & Wear Districts	1,411	-	(1,411)
Tax to be Recovered	500	563	63
Other debtors and prepayments	7,365	9,447	2,082
	<u>10,102</u>	<u>11,208</u>	<u>1,106</u>

16 Creditors

Amounts falling due within one year

	2006/07 £'000	2007/08 £'000	Change £'000
Trade Creditors	(4,527)	(5,207)	(680)
Department of Transport	-	-	-
Tyne & Wear Districts - LTP Claims	(832)	(1,231)	(399)
Tyne & Wear Districts - Other	(125)	(13)	112
Bank Overdraft	(1,152)	-	1,152
Loans repayable by instalments	(4,481)	(4,550)	(69)
Accrued Interest on Loans	-	-	-
Accrued Payments to Pension Fund	(87)	-	87
Newcastle City Council Income	-	(87)	(87)
New Tyne crossing advisors	(969)	(211)	758
Other Accruals	(4,904)	(7,490)	(2,586)
Payments Due to TT2	-	(498)	(498)
	<u>(17,077)</u>	<u>(19,287)</u>	<u>(2,210)</u>

17 Provision for Liabilities and Charges

	2006/07 £'000	2007/08 £'000	Change £'000
Deferred Taxation	2,423	2,333	(90)
Provision for Pensions	271	-	(271)
Provision for Uninsured Losses	807	952	145
Land Acquisition, Compensation and Contractors	1,979	1,493	(486)
	<u>5,480</u>	<u>4,778</u>	<u>(702)</u>

18 Deferred Capital Grants

	2006/07 £'000	2007/08 £'000	Change £'000
Beginning of year	262,578	260,291	(2,287)
Additions	7,223	8,663	1,440
Amortisation to revenue account	(9,510)	(9,836)	(326)
End of year	<u>260,291</u>	<u>259,118</u>	<u>(1,173)</u>

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Full notes to the pension fund disclosures can be found within the single entity account disclosures. Both the PTA and Nexus are member of the Tyne and Wear Pension Fund, and as such the disclosures are identical, with the exception of the following: The following amounts, needed for the reconciliation to the balance sheet were measured in accordance with the requirements of FRS 17:

	2006/07			2007/08		
	PTA £m	Nexus £m	Total £m	PTA £m	Nexus £m	Total £m
Share of assets	24.8	142.8	167.6	18.3	139.4	157.8
Estimated funded liabilities	(32.4)	(187.3)	(219.7)	(28.0)	(164.7)	(192.7)
Estimated unfunded liabilities	(0.9)	(7.6)	(8.5)	(0.8)	(7.0)	(7.7)
T&W PTA deficit	<u>(8.5)</u>	<u>(52.1)</u>	<u>(60.6)</u>	<u>(10.4)</u>	<u>(32.3)</u>	<u>(42.7)</u>

This statement is a reconciliation between the net surplus on the revenue account and the net cash flow arising from revenue activities:

	2006/07 £'000	2007/08 £'000	Change £'000
Deficit / Surplus for the year			
General Fund (after grants)	(12,993)	(7,995)	4,998
Items in another classification in the cash flow statement			
Revenue - Levy Income	-	-	-
Servicing of Finance			
- Payments	(4,691)	(6,886)	(2,195)
- Receipts	2,121	5,577	3,456
Financing			
- Payments	(3,429)	(1,747)	1,682
Non-Cash Transactions			
- Capital reserve	-	(10,573)	(10,573)
- Capital expenditure charged to revenue	(500)	-	500
- Depreciation	(15,685)	(17,180)	(1,495)
- Movement on Deferred Capital Grants	9,510	9,836	326
- Movement on Provisions	(1,651)	612	2,263
- Movement on Pensions	3,070	3,070	-
- Losses on Disposal	-	12	12
Items on an Accruals Basis			
- Movement in Debtors	628	1,378	750
- Movement in Creditors	1,887	(4,338)	(6,225)
- Movement in Stock	128	(35)	(163)
- Deferred Income	-	-	-
Net Cash Flow on Revenue Activities	(21,605)	(28,269)	(6,664)

This statement reconciles the net movement in cash for all activities to cash and cash equivalents:

	2006/07 Balance 31.3.07 £'000	2007/08 Balance 31.3.08 £'000	Change £'000
Deficit / Surplus for the year			
Cash & Bank	9,697	19,283	9,586
Investments	43,768	39,123	(4,645)
	53,465	58,406	4,941

22 Tyne and Wear Pension Fund – FRS17 Disclosures at 31 March 2008

Employees of Tyne and Wear Passenger Authority are admitted to the Tyne and Wear Pension Fund ("the Fund") which is administered by South Tyneside Council under the Regulations governing the Local Government Pension Scheme ("LGPS"), a defined benefit scheme.

Notes relating to pension fund disclosures can also be found at Note 6 to the Consolidated Revenue Account and Note 19 to the Consolidated Balance Sheet.

Analysis of amounts recognised in Statement of Total Recognised Gains and losses

	2006/07		2007/08	
	£'000 PTA	£'000 Nexus	£'000 PTA	£'000 Nexus
Actual return less expected return on pension scheme assets	(140)	(840)	(460)	(17,230)
Experience gains and losses arising on the scheme liabilities	(120)	(430)	(4,660)	5,720
Changes in assumptions underlying the present value of the scheme liabilities (financial and demographic)	(190)	110	3,090	28,260
Actuarial gain / loss	(450)	(1,160)	2,030	16,750

Analysis of the movement in the deficit in the Fund during the period

	2006/07		2007/08	
	£'000 PTA	£'000 Nexus	£'000 PTA	£'000 Nexus
Deficit in scheme at 1 April	(8,970)	(54,000)	(8,510)	(52,090)
- Contributions towards unfunded liabilities	1,390	8,480	1,434	10,020
- Unfunded benefit payments (estimated)	45	-	50	-
Current service cost	(490)	(4,900)	(410)	(4,920)
Past service costs	-	(130)	(290)	(1,750)
Curtailments / settlements	-	-	(620)	-
Other finance income	(40)	(380)	(30)	(280)
Actuarial gain / (loss)	(445)	(1,160)	(2,030)	16,750
Deficit in scheme at 31 March	(8,510)	(52,090)	(10,406)	(32,270)

History of experience of gains and losses:

	2006/07		2007/08	
	£'000 PTA	£'000 Nexus	£'000 PTA	£'000 Nexus
Difference between expected and actuarial return on scheme assets	(0.14)	(0.84)	(0.46)	(17.23)
Percentage of scheme assets	0.6%	-0.6%	-2.5%	-12.4%
Experience gains / (losses) on scheme liabilities				
Amount (£m)	(0.12)	(0.43)	(4.66)	5.72
Percentage of present value of scheme liabilities	0.5%	-0.2%	-16.2%	-3.3%
Change in assumptions				
Amount (£m)	(0.19)	0.11	3.09	28.26
Percentage of present value of scheme liabilities	0.8%	0.1%	-10.8%	16.5%
Total amount recognised in STRGL				
Amount (£m)	0.46	(1.16)	(2.03)	16.75
Percentage of present value of scheme liabilities	1.8%	-0.6%	-7.1%	9.8%



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