



Tyne and Wear Passenger Transport Authority

TITLE **Approval of Accounts – 2003/04 Post Audit**

REPORT OF **Treasurer and Deputy Clerk to the PTA**

1 INTRODUCTION

1.1 At the meeting of the PTA on 22 July 2004 the draft Annual Report and Accounts for the Authority for the year ending 31 March 2004 were considered.

2 INFORMATION

2.1 The examination of the Annual Report and Accounts of the Authority by the Audit Commission is now complete.

2.2 In accordance with Accounts and Audit Regulations 2003 the audited accounts of the PTA are required to be resubmitted to the Authority and approval sought for any changes to the draft accounts arising from this audit.

2.3 The reports of the external auditor are included as appendices to the resubmitted accounts and they state that in compliance with Statement of Auditing Standard (SAS) 610 "we have recently completed the review of your statements for 2003/04 and I am writing to confirm that I have no matters that I wish to raise with members under SAS 610" and further that "In my opinion the statement of accounts present fairly the financial position of Tyne and Wear Passenger Authority as at 31 March 2004 and its income and expenditure for the year then ended".

RECOMMENDATION

3.1 The authority is recommended to approve the publication of its audited annual accounts

Background Papers

Report to TWPTA 22 July 2004

Contact Officer:

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**TYNE & WEAR
PASSENGER TRANSPORT AUTHORITY**

**ANNUAL ACCOUNTS
FOR THE FINANCIAL YEAR
ENDED 31ST MARCH 2004**

**AS SUBMITTED TO THE PASSENGER TRANSPORT AUTHORITY
on 25 November 2004**

TYNE AND WEAR PASSENGER TRANSPORT AUTHORITY**ANNUAL REPORT AND ACCOUNTS 2003-2004**

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Explanatory Foreword by the Treasurer

Introduction

The 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 2003-04 and its financial position; and
- An overview of activities and significant matters which occurred during the year.

The Passenger Transport Authority's Finances

The Passenger Transport Authority is a joint authority consisting of members from the five Tyne & Wear District Councils. It was established by the Local Government Act 1985 and acts as strategic and policy making authority on local transport issues within the area and also has direct responsibility for the Tyne Tunnels.

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 80% of the total income. The other main source of income is derived from Tyne Tunnel tolls on vehicles which is used to fund the operation of the Tunnels and the development of the New Tyne Crossing.

The major item of PTA expenditure is a revenue grant to the Passenger Transport Executive (NEXUS) to support 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 which provides administrative, engineering, financial, legal and other advisory services directly to the Authority.

Further expenditure is incurred by the PTA on financing charges - which are mainly the repayment of principal and interest on debt inherited following the abolition of Tyne and Wear County Council. 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.

Explanatory Foreword by the Treasurer

Principal Financial Results for 2003-04

The principal financial results for the year can be summarised as follows:

Revenue Spending

The budget comparison shown in the table below excludes the impact of capital charges which are notional and overall have zero impact on the Authority's revenue account.

It provides a summary of actual spending against the revised budget for 2003-04 as reported to the January 2004 meeting of the Tyne and Wear Passenger Authority. To provide a comparison across years the table also shows actual spend for 2002-03.

PTA Revenue Spending	2002-03 Actual	2003-04		
		Revised Budget	Actual	Variation
	£'000	£'000	£'000	£'000
PTA Budget				
- Expenses of PTA	504	513	442	-71
- Pensions	749	1,071	1,071	0
- Transport Financing Charges	3,335	3,148	3,132	-16
- Interest on Revenue Balances	-98	-100	-111	-11
	4,490	4,632	4,534	-98
Tyne Tunnels	-4,523	-5,028	-5,016	12
Preliminary Costs of New Tyne Crossing				
- included in revenue estimates)	2,830	3,152	2,846	-306
- included in capital programme)		1,225	652	-573
	2,830	4,377	3,498	-879
Revenue Contributions to Capital	1,132	47	93	46
Public Transport Revenue Support to Nexus	40,631	41,587	41,587	0
Net Expenditure	44,560	45,615	44,696	-919
<i>Less</i>				
Levy on District Councils	-41,000	-46,300	-46,300	0
Contribution to/from Reserves	3,560	-685	-1,604	-919

The principal features of the 2003-04 revenue outturn are as follows:

Reserves:

The movement in revenue reserves of the Authority for 2003-04 show a surplus of £1.604m compared to deficit of £3.560m in the previous year. The major reason for this turn-round is the lower than expected spending on the preliminary costs of the New Tyne Crossing. This surplus goes some way towards restoring the position of the Authority following the decline in reserves in 2002-03 when in July 2002 a transfer to Nexus of £4m was approved by way of revenue grant to alleviate its financial difficulties.

The agreed level of working balances on the General Fund for the Authority has previously been set at £2m and so the current level of reserves at 31 March 2003 of £3.797m are considered adequate.

Explanatory Foreword by the Treasurer

In 2002-03 it was necessary for the Authority to make a "loan" of £304,930 from its reserves to support the Tyne Tunnels capital and revenue programme including the New Tyne Crossing. In 2003-04 this has been repaid. To aid transparency reserves attributable to the Tyne Tunnels are shown separately in the table below.

	2002-03 £'000	2003-04 £'000	Change £'000
Reserves at 31st March			
Passenger Transport Authority	-2,498	-2,677	-179
Tyne Tunnel	305	-1,120	-1,425
	-2,193	-3,797	-1,604

PTA Budget:

This budget heading shows an underspend compared to the revised estimate amounting to £0.098m. The variation is made up of a large number of relatively small variations - some of the larger items of which are listed below

	£'000
Staffing Costs	-6
Support Services - Human Resources / Treasurer	-20
Conferences	-7
IT Development	-9
Printing costs and consultancy	-27
Impact of Interest rate reduction on Financing Charges	-16
Increased interest on higher than expected balances	-11
	-96

Tyne Tunnels

The Passenger Transport Authority currently owns and operates the Tyne Tunnel which links the A19 under the River Tyne between Howdon and Jarrow. In addition to the vehicle tunnel there are also tunnels for pedestrians and cyclists.

The pedestrian and cyclist tunnels were opened in 1951. The vehicle tunnel was opened in 1967 since which time traffic movements have risen from under 4m to around 12m per annum in 2003-04. In recent years the vehicle tunnel has been operating at well beyond its original design capacity of 8.736m vehicles per annum.

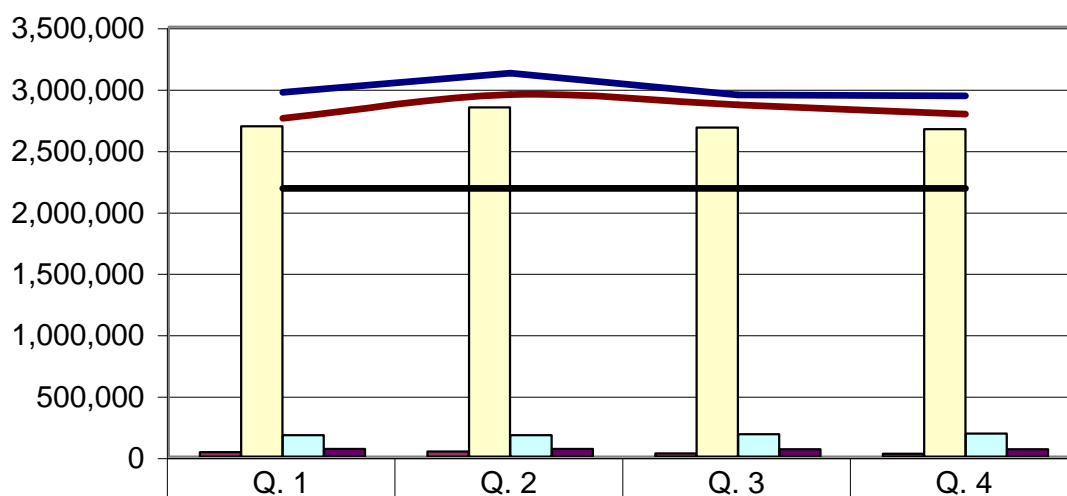
In 2003-04 net expenditure on operating the Tunnels was very close to that forecast in the revised estimate reported to the January 2004 meeting of the PTA (+ £0.012m). The increase in the operating surplus of £0.494m compared to the previous year is largely accounted for by a substantial annual increase in vehicle usage of the Tunnel - 0.616m more journeys (+ 5.4%)

Further details on spend can be found at disclosure Note 5 to the Revenue Accounts

Tolls for using the vehicle tunnel are currently 20p for motorcycles (Class 1), £1.00 for cars and light vans (Class 2) and £1.20 for heavy goods vehicles (Class 3). Vehicles that do not have to pay excise duty are exempt from tolls.

Explanatory Foreword by the Treasurer

Tyne Tunnel Vehicle Numbers in 2003-04



Class 1	37,357	41,162	24,878	23,268
Class 2	2,689,758	2,843,692	2,678,195	2,665,551
Class 3	175,538	174,711	181,975	188,218
Exempts	62,089	63,203	60,571	60,191
2003/2004	2,964,742	3,122,768	2,945,619	2,937,228
2002/2003	2,754,876	2,946,950	2,863,919	2,788,141
Capacity	2,184,000	2,184,000	2,184,000	2,184,000

New Tyne Crossing

The New Tyne Crossing is the proposed construction of a new Tunnel beneath the River Tyne, adjacent the existing road, pedestrian and cycle tunnels. The new tunnel would convey 2 lanes of southbound traffic and the existing tunnel would be altered to convey 2 lanes of northbound traffic.

In 2002-03 it was established that the concessionaire will hold the New Tyne Crossing as an asset in its balance sheet, once it is built and that all preliminary costs prior to the award of a contract are chargeable to revenue in the PTA's accounts.

Preliminary Costs	Revenue Budget	Capital Program	Total	Actual	Variation
	£'000	£'000	£'000	£'000	£'000
Professional Advisors	1,663	0	1,663	1,784	121
Environmental Monitoring	0	625	625	506	-119
Land and property	0	600	600	146	-454
Public Inquiry	1,489	0	1,489	1,062	-427
	3,152	1,225	4,377	3,498	-879

During 2003-04 work continued on the preliminary costs associated with the creation of a New Tyne Crossing. In July 2003 a review was carried out and it is currently anticipated that preliminary expenditure on the project will be largely complete by 31st March 2005.

Explanatory Foreword by the Treasurer

The main reasons for the variation of expenditure on the preliminary costs of the New Tyne Crossing were:

Professional Advisors - As a result of the better than forecast position of the Tunnel's finances the payment of bills from professional advisors was brought forward (by agreement these had previously been paid to the professional advisors in arrears and could have attracted interest payments). The slight deterioration in the Authority's cash flow position this has caused has been more than offset by savings in interest charges.

Environmental Monitoring - An overspend of £45k on the fish monitor at Riding Mill - arising from modifications required by the Environmental Agency and problems with the installation of temporary fish passes during periods of heavy river flows was offset by underspends elsewhere e.g. by the delays in the installation water quality monitors caused by the need to allow the Oil Platform Service vessel "BONGA" to leave the River Tyne.

Land and Property - This budget was set to allow the Authority to deal with property issues on an opportunistic basis i.e. as and when they arise. In the event the actual spend required in 2003-04 was lower than expected but the overall final costs on this head are anticipated to be broadly on budget.

Public Inquiry - This budget includes an allowance for dealing with objections and the development of agreements to remove them. The resolution of these objections is a continuing process

Revenue Contributions to Capital

The Passenger Transport Authority has a policy of financing Tyne Tunnel capital expenditure from revenue i.e. its operating surpluses, rather than from borrowing. After substantial investment in recent years on refurbishing and upgrading Tunnel facilities the capital programme for 2003-04 was relatively modest in size.

In 2003-04 there was overspend against the capital programme £0.046m. This is largely accounted for by work needed to complete the new automated toll system designed to enhance efficiency and flexibility of use of the Tyne Tunnel by motorists.

Capital Investment by PTA

	2002-03 £'000	2003-04 £'000	Change £'000
Capital Loans to Nexus	10,016	7,326	-2,690
Tyne Tunnels	1,132	93	-1,039
	11,148	7,419	-3,729

The capital loans to Nexus are used to finance their capital programme. The major projects supported in this way were Centrelink, Four Lane Ends Interchange, Sunderland Direct and the Stephenson Link.

Tyne Tunnel capital investment was financed by a contribution from revenue. The capital loans to Nexus were financed by PTA borrowing.

Explanatory Foreword by the Treasurer

Treasury Management Activities

In the 2003-04 the PTA's closing credit ceiling (which measures its underlying need to borrow for capital purposes) amounted to £88.245m, some £3.954m greater than the figure at the start of the year. This is accounted for by some £7.326m new borrowing by the PTA on behalf of Nexus (to finance its capital programme) less repayments of debt amounting to £3.372m

During 2003-04 the amount the PTA borrowed from the Public Works Loan Board fell from £87.202m to £69.395m as a result of normal repayment of debt. To replace this the Authority adopted the strategy of using temporary borrowing - with the aim of achieving interest savings. Short term borrowing in 2003-04 amounted to £18.850m.

Largely as a result of this change in borrowing strategy the "pool" rate of interest fell from 6.084% in 2002-03 to 5.729% in 2003-04. The benefit to the Authority from this decline was a reduction in interest rate payments of £0.258m (of which £0.149m of the saving relates to borrowing made on behalf of NEXUS)

Introduction of the Euro Currency

The Government announced that it would consider the UK's formal entry into the European Single Currency (Euro) only when certain economic criteria have been met, a referendum has been held and a vote made in favour of entry. In a statement to the House of Commons in May 2003 the Chancellor of the Exchequer announced that these conditions had not been met in full. It is therefore unlikely that early entry will be made into the Euro.

Nevertheless the Government expects public authorities to play a significant part in the process of preparation for entry and has requested authorities to prepare contingency plans.

The Tyne Tunnel being located next to a Roll On Roll Off Ferry Terminal has had to adapt early to the introduction of Euros in other EU countries. It has accepted Euros since January 2001. Since that time a standard exchange rate 60p per Euro has been adopted. This exchange rate fits in well with the existing toll regime i.e. lorries (£1.20) pay 2 Euros to use the Tunnel. Change is always given in UK sterling so cars (£1.00) receive 20p change upon payment of 2 Euros.

Since the introduction of the automated tolls system in August 2002 cash baskets at Tunnel Toll booths have also accepted Euro coinage. The system can even recognise a mix of Euro and UK coinage.

Significant Matters

New Tyne Crossing Public Inquiry

The Public Inquiry into the New Tyne Crossing was held between 4th March and 31st May 2003 in Jarrow Community Centre. The Inquiry is now closed and the PTA is awaiting the Secretary of State's decision. No firm date has been set for this announcement of his decision.

Looking ahead

Passenger Transport Authority Scrutiny Committee

The inaugural meeting of the PTA Scrutiny Committee was held in March 2004. Its remit is to independently review or scrutinise decisions made, or other actions taken with regard to the discharge of the PTA's functions and to make reports and recommendations to the PTA.

Over the course of 2004-05 the work of the Scrutiny Committee will evolve and develop - but it is anticipated that one of its early major areas of work will be an examination of policing and security on the Metro.

Explanatory Foreword by the Treasurer

Corporate Governance

The Financial Regulations of the Passenger Transport Authority were written in 1995. Since that time the statutory and non-statutory regulatory framework within which the Authority operates has changed. During the course of 2004-05 PTA financial regulations and other aspects of corporate governance e.g. in relation to Racial Equality policies will be reviewed and, where necessary, updated.

Internet

During 2003-04 a decision was made to move to a new web-provider (in partnership with NEXUS) in order to achieve savings and to improve integration and functionality. Once the new web-provider contract is put in place (late summer 2004) the format and content of the three PTA web-sites (PTA/Tyne Tunnel/New Tyne Crossing) will be reviewed and upgraded.

New Tyne Crossing

On the assumption that the Secretary of State for Transport decides to approve a New Tyne Crossing the next stage in the process is for the Authority to appoint a concessionaire to design, build, finance and operate the project.

To this end a notice inviting expressions of interest was posted in the Official Journal of the European Union in March 2004. This was followed up by issuing a pre-qualification questionnaire to those companies and consortia expressing interest in the project.

A bidders open day was held on 1 April 2004 and by the set date in May 2004 a number of completed Pre-Qualification Questionnaires and other requested documents had been submitted to the Authority.

It is anticipated that the Authority will consider these responses and agree a short list of organisations to be asked to bid at the meeting of the Authority to be held in September 2004. It is current Authority policy not to issue the Invitation to Negotiate (ITN) documents until the legal procedures relating to the Secretary of State's decision have been successfully completed.

At this point it is not known when this decision will be forthcoming but assuming all legal procedures were to be complete by November 2004, the programme for New Tyne Crossing is as set out below:

Stage	Planned Date
Issue Invitation to Negotiate (ITN)	December 2004
Bid Submission	May 2005
Second Stage Short-List for Best and Final Offer (BaFO)	July 2005
Invitation to submit BaFO	August 2005
Return of BaFO	November 2005
Appointment of Preferred Bidder	January 2006
Contract Award	May 2006
Contract Commencement	July 2006

Explanatory Foreword by the Treasurer

The Main Statements Within the Accounts and their Purposes are:

Consolidated Revenue Account

This account provides details of the cost of services that the Tyne and Wear Passenger Transport Authority provides. It also shows how the net cost has been financed from levies on Tyne and Wear District Councils.

Consolidated Balance Sheet

This summarises the overall financial position of the Authority.

It provides a statement showing the Authority's assets and liabilities at the end of the financial year (31 March 2004)

Statement of Movements in Reserves

This summarises the movements in the Authority's capital and revenue reserves

Cash Flow Statement

This summarises the total cash movements during the year for revenue and capital purposes.

Changes in Accounting Policies and Practice

The following changes have been incorporated into the Authority's 2003-04 annual accounts

* The inclusion of a Statement on Internal Control signed by the Clerk and Chairman of the Passenger Transport Authority

Further Information

Interested members of the public have a statutory right to inspect the accounts before the audit is complete. The availability of the accounts is advertised in the local press. When these accounts are printed, copies will be available for consultation at the council offices and central libraries of the Tyne and Wear District Councils and at Customer Service Centres of the lead authority, Newcastle City Council.

During the course of 2004-05 access to these published accounts will also be made available to the wider public via the Authority's internet site.

Enquiries on the accounts or other general financial matters should be addressed in the first instance to the Chief Accountant, Newcastle City Council (0191 2116520)

As part of a programme of continuous improvement under Best Value and Comprehensive Performance Assessment (CPA) we are striving to improve our system of reporting back to users of services. If you have any problems understanding this publication, or have any suggestions on how it may be improved, please contact:-

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Tyne and Wear Passenger Transport Authority

Civic Centre

Newcastle upon Tyne

NE99 1RD

Statement of Responsibilities for the Statements of Account

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.
- * to approve the statement of accounts

Signed

Chair of Tyne and Wear Passenger Transport Committee

Date

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 2004.

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;
- * complied with the code.

The Treasurer has also

- * kept proper accounting records which were up to date;
- * 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 2004, 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 2004 and its income and expenditure for the year ended 31st March 2004.

Signed

P.V. Woods, Treasurer and Deputy Clerk

Date

Statement on the Systems of Internal Control

Introduction

The Accounts and Audit Regulations (England) 2003 came into force on 1 April 2003. Throughout these Regulations reference is made to carrying out activities in accordance with "proper practice". The requirement to publish a Statement on Internal Control with financial statement is in Regulation 4. At the time the Regulations came into force no such proper practice had been established. CIPFA (the accounting body for local and public authorities) has produced general guidance in this area and allows authorities the option of producing an interim statement for 2003-04.

The scope of internal control spans the whole range of the Passenger Transport Authority's activities - financial and non-financial - and covers controls designed to ensure:

- * the Authority's policies are put into practice
- * the Authority's values are met
- * law and regulations are complied with
- * required processes are adhered to
- * financial statements and other published information are accurate and reliable
- * human, financial and other resources are managed efficiently and effectively, and
- * high quality services are delivered

These are wide-ranging requirements. This statement will mainly confine itself to discussing the key areas of corporate governance, financial controls, operational controls at the Tyne Tunnels and controls in relation to the procurement process for the New Tyne Crossing. It will later detail what actions are planned to ensure more complete compliance with requirements in the next financial year.

The system of internal control is designed to manage risk at a reasonable level rather than to eliminate all risk of failure to achieve policies, aim and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process.

Statutory Background

The Tyne and Wear Passenger Transport Authority (PTA) is a joint authority consisting of members from the five Tyne and Wear District Councils. It was established by the Local Government Act 1985 and acts as strategic and policy making authority on local transport issues and also has direct responsibility for the Tyne Tunnels.

Relationship with Lead Authority and Executive (Nexus)

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

To implement its policies the PTA provides revenue and capital support to its executive arm, the Tyne and Wear Passenger Transport Executive (Nexus), with the remit to "procure or provide public transport facilities, plan for future service development and promote the use and convenience of public transport". Nexus also provides policy advice to the Authority and is committed to delivering the PTA's objectives.

Nexus is a separate public corporation distinct from the PTA with its governance determined by a board of directors.

Statement on the Systems of Internal Control

PTA Transport Policy Statement

The PTA goes through the process every three years of reviewing its overall policies and priorities and publishing a policy statement. The last such statement was agreed by PTA members in December 2003.

In order to contribute to the aspiration for improving the quality of life for people in Tyne and Wear the PTA has adopted the overarching objectives of:

- * Achieving modal shift from car use to public transport
- * Reducing transport-related social exclusion
- * Stimulating economic regeneration

The Authority formulates policies and develops programmes to achieve its overarching objectives but with the exception of the Tyne Tunnels are delivered or procured on behalf of the PTA by its executive NEXUS. These detailed policies are developed in accordance with government, regional and Local Transport Plan (LTP) policy and the principles of Best Value and the associated programme of reviews.

Key elements of PTA Internal Control

Corporate Governance

The Local Government Act 2000 stresses that Authorities should review their systems for managing internal affairs. Good corporate governance has a key role to play in modernisation and performance improvement, as well as underpinning credibility.

The Audit Commission in a review of the Authority's three primary documents

- * standing orders
- * financial regulations and,
- * the scheme of reservation and delegation

The Audit Commission recommended that these documents should be reviewed and updated regularly. However, their content remains generally in line with good practice.

The documents can be found on the Authority's web-site @ www.twpta.gov.uk

The Audit Commission identified a number of opportunities for improvements in other areas:

- * more frequent reporting to members of the financial position
- * the need for better control of planned savings - particularly those dependant on actions involving Nexus
- * arrangements around the implementation of new legislation need to be formalised
- * a fraud and corruption action plan should be developed in line with best practice

Arising from the work carried out by the Audit Commission an action plan for 2004-05 has been devised. This purpose of this plan is to address weaknesses in certain aspects of the Authority's corporate governance and financial controls that were identified by the Audit Commission.

In October 2003 the PTA approved the establishment of a Scrutiny Committee and the first meeting of that committee was held in March 2004

The terms of reference of the Scrutiny Committee are as follows:

- * To make reports or recommendations to the PTA with respect to the discharge of the PTA's functions;
- * To review or scrutinise decisions made, or other action taken in connection with the discharge of the PTA's functions; and

Statement on the Systems of Internal Control

* To make reports or recommendations to the PTA on matters which affect Tyne and Wear or the inhabitants of Tyne and Wear and which relate to the PTA's functions

Subsequent meetings of the Committee have concentrated on the development of a structured work programme - one which also allows time for the Committee to react to issues that may arise during the year and scrutiny of individual decisions.

Administrative and policy support to the Committee is provided by the lead authority principally through the Democratic Services Division and the Strategic Planning and Transportation Team.

Financial Controls

In relation to the accounts of the Tyne & Wear Passenger Transport Authority the Treasurer and Deputy Clerk, as s151 officer, has responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the lead authority. In particular, the system includes:

- * Financial Regulations
- * Comprehensive budgeting systems
- * Reviews of periodic and annual financial reports which indicate financial performance against the forecasts
- * Setting targets to measure financial and other performance
- * Clearly defined capital expenditure guidelines with quarterly reports submitted to the PTA Committee for scrutiny

The utilisation of the lead authority's Financial Administration, Management and Information System (FAMIS) underpins the monitoring systems necessary to manage the financial processes.

During 2003-04 accounting information at the Tyne Tunnel was improved by the implementation of "POPs" which enables managers to place orders and authorise payments to creditors on-line. With this new facility managers are better aware of outstanding commitments and thus better able to control their budgets. The additional information generated has also facilitated the development of an improved monitoring system

Based on the work undertaken by the Newcastle City Council Internal Audit department during the 2003-04 financial year to examine the systems that the PTA utilised and an audit of the Tyne Tunnel income, the opinion of the Audit Manager is that the Council's Financial Control environment, which governs the financial systems used by the PTA for those areas covered by the work of the internal audit service is adequate, although some weaknesses in controls were identified in payroll and payment systems.

Payroll System - management have agreed steps to address the identified weaknesses in the lead authority controls and the planned introduction of a new payroll system in 2004-05 will present an opportunity to further strengthen controls

Statement on the Systems of Internal Control

Payment System - the POPS system allows the same officer to both originate the order and then authorise payment for that order (this control weakness is currently being addressed). A control designed to compensate for this weakness did not operate consistently across the lead authority in 2003-04. Deficiencies were also identified in the processes for the authorisation on manual payments. Use of POPS rather than manual payments will be increased and controls tightened for the processing of manual payments

There is no evidence that the weaknesses identified have impacted upon the accounts of the PTA.

The review of the effectiveness of the system of internal financial control is informed by:

- * The work of managers within the Council, with whom regular meetings are held
- * The work of the internal auditors as described above
- * The external auditors in their annual audit letter and other reports

In 2003-04 the effectiveness of the Internal Audit section of the lead authority was reduced, due in part to difficulties in appointing suitably experienced and qualified staff to vacant posts. Action is being taken to improve the effectiveness of the section, including increased use of resources from the lead authority's external financial partner - Price Waterhouse Coopers experienced senior staff.

Tyne Tunnels

The mission statement for the Tyne Tunnels service in its Service Improvement Plan is to "operate and manage the Tunnels in a safe, efficient and cost effective manner both for the benefit of local users and longer district traffic, so as to support the social and economic well being of the region. To operate a vital link in the regional and national road networks and reduce the adverse impact on traffic on the Tyne & Wear conurbation"

There are large number of risks associated with the operation of the Tunnels.

The major categories of risk are listed below:

- * Terrorism / wilful acts of vandalism
- * Engineering / structural failures
- * Hazards dangerous to Tunnel traffic e.g. abnormal or dangerous loads, weather conditions, congestion, noxious gases, poor visibility
- * Hazards disruptive to Tunnel traffic e.g. vehicle breakdowns, lane closures
- * Infrastructure e.g. power failure, ventilation and other plant, drainage, communication systems

Safety

The objectives of the organisation are reliant on safety and are linked to

- i. The Safety policy
- ii. Safe Working Instructions
- iii. Risk Assessment Manual
- iv. Tyne Tunnel Emergency Procedures
- v. All current and relevant health and safety legislation

Efficient and effective passage of customers

The passage of customers is the fundamental reason and objective of the Tunnel and is governed by

Statement on the Systems of Internal Control

- a. The Tyne Tunnel Act
- b. Tyne Tunnel Bylaws
- c. Standing Procedures
- d. Quality Assurance Policy and Procedures
- e. Safe Working Instructions

Management of Traffic

The public have expectations of the level of service provided and so the effective management of traffic, whether vehicle, pedestrian or cyclist is extremely important.

The policies and procedures followed are set out in b. to e. above.

Tolls Plaza Operation

The operation of the tolls plaza is founded on the requirement to collect all "due" revenue on behalf of the PTA in a manner which causes the minimum of delay or interruption of each customers journey.

Again the policies and procedures followed are set out in b. to e. above.

Maintenance and Support Services

The primary activity of the Tunnels is facilitated by support activities that maintain the Tunnels, their plant, systems and infrastructure.

The policies and procedures set out in b. to e. above are supplemented by

- a. Departmental Operating Procedures
- b. COSSH Assessments

Management, Administration and Information

The management and administration of a safety critical site with high levels of revenue require the service to be operated in a structured, procedurally correct and proactive manner.

Management, co-ordination and support has its origins and sources in

- a. The Tyne Tunnel Act
- b. Tyne Tunnel Bylaws
- c. All PTA policies and procedures .e.g. financial regulations, codes of conduct.
- d. Lead Authority policy and procedures e.g. human resources and IT, monitoring officer.
- e. All current and relevant legislation
- f. Tyne Tunnels own policies and procedures e.g. Tyne Tunnels Customer Charter, Tyne Tunnels Training Policy, Tyne Tunnels Safety Policy
- g. Best value process and plans
- h. Tyne Tunnels Service Plan 2003-04

Statement on the Systems of Internal Control

New Tyne Crossing

Background

The main aim of the Authority in promoting this project is to:

- * Improve cross-Tyne movement for all vehicles
- * Dual the last stretch of single carriageway along the entire length of the A19; and
- * Remove congestion on approach roads and through the tunnel itself thereby aiding inward investment

The Authority is seeking the necessary power to realise this project. In May 2002 a draft Order under the Transport and Works Act 1992 was submitted to the Office of the Deputy Prime Minister. Over 700 objections were received and nearly 200 letters of support. A public Inquiry was called and duly held between 4 March and 31 May 2003. A decision by the Secretary of State is awaited.

It is proposed the Authority will finance the project through the toll income and the initial capital investment will be raised by the private sector through a concession expected to run for approximately 30 years.

The procurement of the concession has begun: a short list of organisations to be invited to submit bids is being prepared and will be put to the Authority for decision in September 2004. The tendering process will not begin until all the legal procedures are complete. The project is therefore at risk until the Secretary of State has made a decision to confirm the Order and the associated challenge period has expired without a challenge being mounted.

Procurement

The project team for the New Tyne Crossing works under the direction of the Tyne Tunnel Steering Group which in turn reports to the Passenger Transport Authority:

The strategy underpinning the New Tyne Crossing procurement process is identified below:

1. Building and operating a new tunnel to meet all current safety requirements and refurbishing and operating the existing tunnels to best practice, consistent with their construction and listed status.
2. Facilitating the amicable transfer of Tyne Tunnel employees to the concessionaire
3. Minimising the actual toll levels charged to users, the majority of whom use the tunnel for "local" cross-Tyne Journeys
4. Promoting public transport, cycle and pedestrian usage of the tunnels
5. Making the procurement of the new crossing affordable, without the need to seek Government PFI credits
6. Minimising the environmental, ecological and social impact of the tunnel on local residents and businesses, during both construction and operation
7. Providing incentives to the contractor to complete the tunnel as soon as practicable
8. Allowing flexibility in the term of the concession i.e. between 30 and 40 years, to facilitate the above objectives
9. After paying for tunnel operating, and subject to maintaining a strategic funding reserve of toll income, utilising the full balance of toll income during the construction phase to reduce overall financing costs (feeding into lower tolls) and providing incentives to the contractor to meet these strategic objectives

Statement on the Systems of Internal Control

10. Taking account of the above, wherever sensible, adopt the OGC Standardisation of PFI contracts (SoPC). This will facilitate approaches to the Government in the unlikely event that PFI credits are required.

11. Supporting the Port of Tyne as the road, rail and marine freight hub for the North East Region

12. Proactively communicating with and managing the riparian authorities, local community and business relations, and publicity requirements of tunnel related issues with the objective of creating transparency, whilst upholding the Authority's reputation for public consultation on this politically sensitive issue.

New Tyne Crossing - Project Management

The project is overseen by the Project Director who reports on a regular basis to the Authority, the Tyne Tunnel Working Group and the New Tyne Crossing Steering Group. The first two bodies are made up of PTA members and generally meet bi-monthly. The latter is an officer working group made up of lead authority officers, riparian authority officers, representatives from GONE and 4Ps and the professional Advisor appointed by the Authority.

[4Ps is the local government project procurement agency set up to provide project support and independent advisory services to local and public authorities with the aim of ensuring best value for money.]

The Advisor's primary objectives are to obtain all the necessary Transport and Works Act Orders and the successful award of the concession in the form of a Public Private Partnership (PPP) for the New Tyne Crossing project.

These bodies provide the strategic and financial framework to the project.

The decision making responsibilities of each body and officer were defined by a report to the Authority in November 2002.

- * **PTA** - the Authority has responsibility on decisions involving law, strategic decisions, and decisions having significant budgetary implications
- * **Tyne Tunnel Working Group** - all other decisions not dealt with by the Engineer to the Tunnels or the project director
- * **Engineer to the Tunnels / Project Director** - Urgent decisions (after consultation with the Chair), or decisions that are complementary to the Authority's strategic decisions and/or in line with the commitment to support the project.

All delegated decisions made by the Engineer to the Tunnels or Project Director are recorded on a system administered by the Head of Legal Services of the lead authority, who retains all original documentation relating to the decisions.

The Project Director also chairs a procurement board consisting of lead authority officers, advisors and 4Ps representatives that meets bi-monthly (or as required). For major strategic decisions this board makes formal recommendations which are reported by the Project Director for consideration by the PTA. Other procurement decisions may be made utilising delegated powers of the Project Director.

The procurement board receives reports from the procurement team (and its sub-groups which are more informal groups which focus on particular aspects of procurement documentation). The procurement team is chaired by the Advisor and is run in accordance with the Advisor's own Quality Assurance Procedures. The Advisor and his procurement team regularly report to the project director to review progress.

Statement on the Systems of Internal Control

Contracts for the provision of services and works or the purchase of property in relation to the New Tyne Crossing are, like any other contract, made in compliance with the Authority's financial regulations and are, where necessary, reported to the Authority for formal approval. In the case of property valuations the Advisor is required to state to the Authority that the terms negotiated represent value for money.

Press and other media contact operate within communications protocols. All press releases relating to the project are submitted to the Project Director for clearance. If considered necessary the Project Director may consult with other officers of the authority e.g. Clerk, Engineer or Treasurer, officers from the riparian authorities, or the Chairman and Vice Chairs of the PTA. These protocols require updating.

Summary

The PTA has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and managers within the authority and managers within the lead authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Signature

I have been advised on the implications of the results of the review of the effectiveness of the system of internal control by the Authority and the following plan has been devised for implementation in 2004-05 to address weaknesses and ensure the continuous improvement of the system is in place

Signed

Chair of Tyne and Wear Passenger Transport Authority Committee

Date

Signed

I. Stratford, Clerk to Tyne and Wear Passenger Transport Authority

Date

Statement on the Systems of Internal Control - Action Plan

Proposed Action in 2003-04	Responsibility	Comments	Date
Corporate Governance			
1. Review and update standing orders, financial regulations and scheme of delegation	Chief Internal Auditor to the PTA	It Is planned to review annually	December 2004
2. PTA to receive quarterly monitoring reports for revenue income and expenditure.	Treasurer to the PTA	Commenced July 2004	
3. PTA to review and update terms of reference for Standards Committee and specify minimum number of meetings	Clerk to the PTA	Report to September 2004 meeting of PTA re appointments and terms of reference	
4. Establish a formal framework for identifying control weaknesses and for managing risks	Clerk & Treasurer to the PTA	Scrutiny Committee established March 2004. Report to September 2004 PTA.	
5. Formalise arrangements for implementing new legislation	Clerk to the PTA	Monitoring officer to provide regular updates to PTA lead officers / newsletter for members	
6. Update PTA Codes of conduct and include guidance on action in event of any breaches. Ensure members and staff sign up to Codes.	Clerk to the PTA	Will be updated to take account of ODPM consultation paper	
7. Review Employees Code of Conduct	Clerk to the PTA	Code of lead authority adopted in May 2001.	To be reviewed when lead authority revises its code
8. Devise a formal action plan to support the Fraud and Corruption Policy I.e. improve formal documentation	Chief Internal Auditor to the PTA		December 2004
Financial Controls			
1. Improve information provided to Tyne Tunnel Managers.	Treasurer to the PTA	Monthly budget monitors from April 2004	
2. Internal Audit of Tyne Tunnel Toll Income	Chief Internal Auditor to the PTA		Annual
3. Regularity audit of feeder systems e.g. payroll and creditors	Chief Internal Auditor to the PTA		Annual
New Tyne Crossing			
1. Review and update communications protocols	Project Manager - NTC	To go toTTWG September 2004	

Statement of Accounting Policies

1. General Principles

The Chartered Institute of Public Finance and Accountancy (CIPFA) - the professional body for accountants in the public sector - 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 Statements of Recommended Practice (SORP). Any exceptions are noted in the paragraphs below.

2. Accounting Concepts

These accounts provide information about the Passenger Transport Authority's financial performance and position for the year ended 31 March 2004. 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 accrual 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

This means 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.

Statement of Accounting Policies

4. Detailed Accounting Policies.

a. Reserves

Capital Reserves

From 1 April 1984, the introduction of the new system of capital accounting created two new reserve accounts in the consolidated revenue account

Fixed Asset Restatement Reserve

This reserve reflects any surpluses or deficits arising from valuations and disposals of PTA assets. Assets that are held in the balance sheet at current value should be revalued at intervals of not more than five years - the next revaluation will be carried out in 2004-05. Changes in valuations will either increase or decrease this reserve, but because they are not backed by cash they do not represent resources available to the Authority

Capital Financing Reserve

The capital financing reserve reflects all financing transactions. It is debited or credited with the adjustment made in the Consolidated Revenue Account for the Minimum Revenue Provision (MRP) less than, or in excess of the provision made for depreciation already charged to revenue, to adjust the provision in line with statutory requirements.

Further details can be found at note 10 to the Consolidated Revenue account and from the Statement of Total Movement in Reserves.

b. Fixed Assets

General

The 2003-04 accounts have been compiled in accordance with CIPFA's 2000 Code of Practice and updated in 2001 and also in accordance with FRS 11 (Impairment of Fixed assets) and FRS 15 (Treatment of Tangible Fixed Assets)

Arising from this 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.

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.

Statement of Accounting Policies

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 2000 were restated as at 1 April on the following basis

- * Operational land, property and other assets @ current replacement costs
- * Non-operational land @ market realisable value
- * Non-operational infrastructure assets @ historic cost

Revaluation of Assets

The surpluses arising from the initial valuation of fixed assets in 1994-05 were credited to the Fixed Asset restatement Reserve. Subsequent revaluations are planned at five yearly intervals, the 1999-2000 being the first, although material changes to asset valuations will be adjusted in the interim period as they occur.

Charges to Revenue for Fixed Assets

Charges to service revenue accounts are based on depreciation (where applicable) plus notional interest.

Notional interest has been calculated on the following basis

- * Land and Buildings @ 3.5%
- * Non-operational assets @ 3.5%
- * Infrastructure @ 4.625%

In 2002-03 a change in accounting policy was introduced to bring the Authority's policy on the depreciation of fixed assets in line with the 2000 Statement of Recommended Practice.

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 Department 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, was felt to more appropriately reflect the use of the assets than to apply higher charges in the earlier years which an alternative method would have done.

Life Expectancy of Assets

	Life Expectancy (in Years)	
	Initial	2003-04
Freehold Land	n/a	n/a
Tyne Tunnels	120	79
Infrastructure	40	39
Other Properties		
- Gaslight Public House	n/a	n/a
- Grange Nursing Home	n/a	n/a

It is envisaged that the "Other" properties will be used as temporary storage facilities during the construction phase of the New Tyne Crossing.

Statement of Accounting Policies

It should be noted that the charges calculated for 2003-04 were based on the value of assets as at 1 April 2003 before any adjustment for expenditure during year.

Land and Buildings

The value of assets shown in the balance sheet is derived by taking the opening value as at 1 April 2003, adjusted for actual expenditure on assets during 2003-04.

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 now shown in the balance sheet valued at purchase price.

In 2002-03 and 2003-04 accounts these properties were initially depreciated on the assumption that they were operational assets. As the result of further guidance from the Audit Commission they are now classified as non-operational assets and the accounts for 2002-03 and 2003-04 have now been adjusted accordingly.

Work in Progress

No capital charge is made into revenue accounts until these assets become operational

c. 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 Fixed Asset Restatement Reserve.

d. 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 2003-04 was 5.7609% (6.0284% for 2002-03). Interest charged to the revenue account on the Tyne Tunnel loan managed by the Department of Transport is at the fixed rate of 9.3822%.

e. 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 (PTA debt outstanding)

f. Private Finance Initiative

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

The estimated cost of preliminary expenses prior to the letting of the concession to operate the tunnels and construct a new tunnel are estimated at £16.584m, of which £9.847 has been incurred prior to 1 April 2003. The sum incurred on preliminary expenses during 2003-

During 2003-04 the sum incurred on preliminary expenses - professional advice, public enquiry costs, environmental monitoring and land and property amounted to £3.498m (£2.858m in 2002-03) and have been included in the revenue account.

g. Creditors and Debtors

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.

Statement of Accounting Policies

h. Stocks, Stores and Work in Progress

Stocks and stores are valued at the lower of cost or net realisable value. Cost is based on latest invoice price and issues have been charged into the accounts on the same basis.

i. Pensions

The Passenger Transport Authority 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 MBC, from whom a copy of the annual report may be obtained.

Financial Reporting Standard 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 has decided upon a phased implementation of this standard, with full compliance in 2003-04.

Disclosure Note 8 to the Consolidated Revenue Account provides further details.

j Other Accounting Policies

Employee Costs

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

Employee costs in the Revenue Accounts 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 provide 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.

In the main, officers of the Authority and other professional and technical support staff are employed by the City of Newcastle Upon Tyne and their costs are charged to the PTA Authority, together with a proportion of overheads, on the basis of estimated time spent on the Authority's business by the staff involved.

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 and Wear PTA Consolidated Revenue Account

<u>2002-03</u>		<u>2003-04</u>		
£'000	Note	Expenditure £'000	Income £'000	Net Expenditure £'000
PTA Services				
1,155	Expenses of PTA	1,846	-333	1,513
1,709	Tyne Tunnels	12,832	-11,614	1,218
2,858	New Tyne Crossing Revenue Items	3,498	0	3,498
40,631	Public Transport Revenue Support	41,587	0	41,587
46,353	Net Cost of PTA Services	59,763	-11,947	47,816
-3,749	Asset Management Revenue Account			-4,075
-98	Interest on revenue balances			-111
42,506	Net Operating Expenditure			43,630
Appropriations				
2,054	Capital Financing Reserve	10		1,066
44,560	Amounts to be met from Levy			44,696
-41,000	Levy Income	11		-46,300
3,560	Net General Fund Surplus / Deficit			-1,604

Disclosure Notes to the Tyne and Wear PTA Revenue Account

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 PTE (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 made under Section 66 of the Local Government Act 1985, principal repayments in respect of debt held by the PTA for Tyne Tunnels and Transport (Metro) and debt held by the Department of Transport were made during the year as shown in Note 9.
-

4. PTA Expenses:

	2002-03 £'000	2003-04 £'000	Change £'000
Expenditure			
Supplies and Services	179	231	52
Central Support Services	523	544	21
Redundancies and Related Pension Adjustment	29	26	-3
Deficiency Payments to Superannuation Fund	720	1,045	325
	<u>1,451</u>	<u>1,846</u>	<u>395</u>
Income			
Recharges			
Tyne Tunnels	-260	-277	-17
New Tyne Crossing	-20	-54	-34
Other Income	-16	-2	14
	<u>-296</u>	<u>-333</u>	<u>-37</u>
Net Expenditure	<u>1,155</u>	<u>1,513</u>	<u>358</u>

The line 'Redundancies and Related Pension Adjustment' was added in 2002-03 to clarify the costs relating to two Newcastle City Council staff made redundant, whose workload related entirely to the Passenger Transport Authority.

5. Tyne Tunnels expenditure:

	2002-03 £'000	2003-04 £'000	Change £'000
Expenditure			
Employees	2,782	2,659	-123
Redundancies and Related Pension Adjustment	178	189	11
Premises	444	443	-1
Transport	74	72	-2
Supplies and Services	560	716	156
Central Support Costs	260	277	17
Lease Charges	55	48	-7
Capital Charges	8,172	8,148	-24
	<u>12,525</u>	<u>12,552</u>	<u>27</u>
Income			
Toll Income	-11,057	-11,569	-512
Other Income	-40	-45	-5
	<u>-11,097</u>	<u>-11,614</u>	<u>-517</u>
Net Expenditure	<u>1,428</u>	<u>938</u>	<u>-490</u>

Other income relates mainly to staff meal charges

The line 'Redundancies and Related Pension Adjustment' was included for the first time in 2002-03 to clarify the costs relating to twenty-three Tyne Tunnel staff made redundant in 2001-02 and 2002-03.

Disclosure Notes to the Tyne and Wear PTA Revenue Account

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

	2002-03	2003-04	Change
	£'000	£'000	£'000
Net Expenditure	1,428	938	-490
Adjustments			
Capital Charges	-8,172	-8,148	24
Financing Charges	2,221	2,194	-27
Explanatory Foreword	<u>-4,523</u>	<u>-5,016</u>	<u>-493</u>

6. New Tyne Crossing expenditure:

	2002-03	2003-04	Change
	£'000	£'000	£'000
Engineering Support Services	20	54	34
Supplies and Services	<u>2,866</u>	<u>3,444</u>	<u>578</u>
	2,886	3,498	612
Income	<u>-28</u>	<u>0</u>	<u>28</u>
	<u>2,858</u>	<u>3,498</u>	<u>640</u>

Prior to 2002-03 the New Tyne Crossing costs were capitalised. However it is now clear that the New Tyne Crossing will be built by a Concessionaire and that the New Tyne Crossing will not appear as an asset in the PTA balance sheet. Therefore from 2002-03 accounting practice was amended and New Tyne Crossing costs charged to revenue.

Income in 2002-03 relates to a grant from the Highways Agency to undertake traffic studies in preparation for the New Tyne Crossing Public Inquiry.

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. Expenditure on publicity during 2003-04 (and also during 2002-03) was nil.

8. Pension Arrangements

The Group operates a funded pension scheme for employees under the Local Government Pension Regulations 1997. The scheme is of a defined benefit type whereby benefits are based on employee pensionable remuneration and length of service.

The scheme's assets are held within the Tyne & Wear County Pension Fund. Contributions to the scheme are set by an independent actuary at a rate designed to eliminate any surplus or deficiency in the fund, based on a three yearly valuation.

The Fund's actuary has advised that under FRS17 'Accounting for Pension Costs', contributions have been accounted for on a defined contribution basis because the employer is unable to identify its underlying share of assets and liabilities. This has arisen because the assets and benefit cash flows are not held separately for each of the three participating bodies; The Tyne & Wear Passenger Transport Authority, Nexus and Busways. An additional issue is the complex system of recharging of pension increases, which adds a further layer of approximation to both the assets and liabilities derived for each of the three bodies.

Disclosure Notes to the Tyne and Wear PTA Revenue Account

The actuarial valuation carried out for March 2001 identified a deficit on the fund of £6.4m, being approximately 29%. Since then an interim indicative valuation was carried out on 30 September 2003 which indicated an increase in the deficit to 37%. It is not expected that the situation will have improved at 31 March 2004. The deficit will be rectified by making additional annual payments into the fund.

	2002-03 £	2003-04 £	Change £
Ordinary employers contributions	225,535	233,729	8,194
<i>being percentage of pensionable pay</i>	11.72%	11.72%	0.00%
Added years benefits and related increases	0	0	0
* Deficiency Payments	720,000	1,045,054	325,054
Redundancy and Pension Adjustments			
Passenger Transport Authority	29,346	25,973	-3,373
Tyne Tunnel	178,211	189,343	11,132
Number of Employees in Pension Fund	98	92	-6

* The deficiency payment for 2003-04 includes a voluntary contribution of £300,000 approved by the January 2004 meeting of the Passenger Transport Authority. The purpose of this one-off contribution is to reduce liabilities in future years.

Further information can be found in the Tyne & Wear County Superannuation Fund Annual Report, available upon request from South Tyneside MBC which administers the Fund.

9. Asset Management Revenue Account

This account was introduced by the 1993 Code of Practice on Local Authority Accounting In Great Britain. It shows the adjustment that has been made to offset the impact of including capital charges in the revenue accounts. This ensures that the impact of the Code in arriving at the total level of expenditure to be financed from the levy is neutral.

The detailed entries included in the Asset Management Revenue Account are shown below:

	2002-03 £'000	2003-04 £'000	Change £'000
Income:			
Tyne Tunnel	-8,453	-8,428	25
Nexus Interest	-2,585	-2,855	-270
	<u>-11,038</u>	<u>-11,283</u>	<u>-245</u>
Expenditure:			
Provision for Depreciation	1,736	1,735	-1
External Interest:			
Department of Transport	636	531	-105
Consolidated Loans Pool	4,917	4,942	25
	<u>7,289</u>	<u>7,208</u>	<u>-81</u>
Balance to Consolidated Revenue Account	<u>-3,749</u>	<u>-4,075</u>	<u>-326</u>

10. Capital Financing Reserve

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. The Authority has set aside more than 4%.

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 Minimum Revenue Provision, with the difference being charged to the appropriations section of the Consolidated Revenue Account.

Disclosure Notes to the Tyne and Wear PTA Revenue Account

This appropriation to the capital financing reserve reflects the adjustments required to the Consolidated Revenue account to ensure that the statutory MRP for debt repayment has been charged to the revenue account.

	2002-03	2003-04		
	Total £'000	Tyne Tunnel £'000	PTA £'000	Total £'000
Statutory MRP:				
- Department of Transport	1,109	1,221	0	1,221
- PWLB	3,095	184	3,188	3,372
- Nexus Principal Repayment	-1,546	0	-1,885	-1,885
	2,658	1,405	1,303	2,708
Revenue Contributions	1,132	93	0	93
Less:				
Provision for Depreciation	-1,736	-1,735	0	-1,735
Appropriation	2,054	-237	1,303	1,066

11. 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 2002-03 the grant was increased by 20% to support the new Sunderland Metro extension and maintain the quality levels of service provided by Nexus (the first increase in seven years). In 2003-04 the levy was increased partly to avoid the need to further deplete revenue reserves. It also reflects the passporting back to the PTA of new funding that districts received directly from Central Government revenue support grant for the Authority's expenditure on age equalisation and the financing costs of the PTA's capital programme.

	2002-03 £'000	2003-04 £'000	Change £'000
Tyne and Wear Districts levy	-41,000	-46,300	-5,300

Details of the levy on individual districts is shown at note 14.

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

	2002-03 £'000	2003-04 £'000	Change £'000
Payment to NEXUS	40,631	41,587	956

12. Minimum Revenue Provision (MRP)

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute as being 4% of the opening credit ceiling. For both years the amount set aside by the Authority was above the amount required by statute.

	2002-03 £	2003-04 £	Change £
PTA / Tyne Tunnel			
Opening Credit Ceiling	45,499,373	42,840,860	- 2,658,513
Closing Credit Ceiling (*)	42,840,860	40,133,361	- 2,707,499
Amount set aside	2,658,513	2,707,499	48,986
Minimum Revenue Provision (4%)	1,819,975	1,713,634	- 106,341
Loans to Nexus			
Opening Credit Ceiling	38,644,217	47,114,059	8,469,842
Closing Credit Ceiling	47,114,059	52,555,180	5,441,121
Amount set aside (recoverable)	1,545,769	1,884,562	338,793
Minimum Revenue Provision (4%)	1,545,769	1,884,562	338,794

Disclosure Notes to the Tyne and Wear PTA Revenue Account

		2002-03 £	2003-04 £	Change £
* Balance Outstanding on Loan from Department of Transport at 31 March	£	5,664,016	£ 4,443,591 -£	1,220,425

13. Members' Allowances

The total paid in members' allowances during the year

	2002-03 £	2003-04 £	Change £
Expenditure	£47,411	£61,057	£13,646

Increases in members allowances arise from of the recommendations made by "Independent Remuneration Panel" which reported to the October 2003 meeting of the Passenger Transport Authority.

14. Related Party Transactions

	2002-03 £'000	2003-04 £'000	Change £'000
Receipts			
Levies on District Councils			
Gateshead MBC	-7,314	-8,224	-910
Newcastle City Council	-10,049	-11,166	-1,117
North Tyneside MBC	-7,210	-8,259	-1,049
South Tyneside MBC	-5,673	-6,572	-899
City of Sunderland	-10,754	-12,079	-1,325
Newcastle City Council			
Interest on Revenue Balance	-98	-111	-13
Nexus			
Loans from PTA - Principal	-1,546	-1,885	-339
Loans from PTA - Interest	-2,585	-2,855	-286
Payments			
Newcastle City Council			
Provision of Support Services	523	544	21
Nexus			
Revenue Support Grant	40,631	41,587	956
Loan to fund capital expenditure	-10,016	-7,326	-2,690
Tyne & Wear Superannuation Fund			
Employers Contributions	1,142	1,494	352

The Clerk to the PTA, Deputy Clerk and Treasurer, and Engineer to the Tunnels are Non-Executive Directors of NEXUS.

15. Fees Payable to Audit Commission

The 2003 Statement of Recommended Practice issued by CIPFA requires that all fees payable to the Audit Commission, the external auditors of the Passenger Transport Authority, are disclosed.

	2002-03 £	2003-04 £	Change £
Audit services carried out in accordance with Section 5 of the Audit Commission Act 1998	19,537	36,267	16,730
Statutory inspection under Section 10 of the Local Government Act 1999.	0	0	0
Certification of grant claims and returns under Section 28 of the Audit Commission Act 1998	0	0	0
Other fees paid to Audit Commission	0	0	0
	<u>19,537</u>	<u>36,267</u>	<u>16,730</u>

Disclosure Notes to the Tyne and Wear PTA Revenue Account

Accruals	16,063	-357	-16,420
	<u>35,600</u>	<u>35,910</u>	<u>310</u>

16. Support Services

The Passenger Transport Authority does not currently employ its own support staff. The lead authority for the PTA (including the Tyne Tunnel) 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.

17. Passenger Transport Authority Lead Officers

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

<i>Responsibility</i>	<i>Title</i>
Policy / Legal / Administration	Clerk
Financial advice	Deputy Clerk and Treasurer
Engineering	Engineer to the Tunnels

Tyne and Wear PTA Consolidated Balance Sheet at 31 March 2004

Notes	Fixed Assets	2002-03		2003-04	
		£'000	£'000	£'000	£'000
Notes 2&3	Operational Assets				
	- Tyne Tunnel		129,201		127,659
	- Other Land & Buildings		6,018		6,018
	Non Operational Assets				
	- Infrastructure		3,900		3,800
	- Other Land & Buildings		1,573		1,573
			<u>140,692</u>		<u>139,050</u>
	Long Terms Debtors				
Note 6	- Loans to Nexus		45,229		50,453
Note 6	- Other		0		1
	Total Long-Terms Assets		<u>185,921</u>		<u>189,504</u>
	Current Assets				
	- Stock	61		65	
Note 12	- Debtors	6,048		7,364	
	- Cash	<u>8,154</u>		<u>4,536</u>	
			14,263		11,965
	Current Liabilities				
Note 13	- Creditors	-7,278		-6,070	
Note 14	- Short Term Borrowing	<u>0</u>		<u>-18,850</u>	
			-7,278		-24,920
	Total Assets Less Current Liabilities		<u>192,906</u>		<u>176,549</u>
Note 10	Long Term Borrowing		-92,866		-73,839
	Total Assets Less Liabilities		<u><u>100,040</u></u>		<u><u>102,710</u></u>
	<i>Being represented by:</i>				
Note 5	Fixed Asset Restatement Reserve		-41,191		-41,191
Note 11	Capital Financing Reserve		-56,656		-57,722
Note 15	General Fund Reserve		-2,193		-3,797
	Total Equity		<u><u>-100,040</u></u>		<u><u>-102,710</u></u>

TREASURER'S CERTIFICATE

I certify that the accounts set on pages 18 to 38 fairly state the financial position of the Tyne and Wear Passenger Transport Authority as at 31 March 2004.

Signed

P.V. Woods, Treasurer and Deputy Clerk

Date

Disclosure Notes to the Tyne & Wear PTA Balance Sheet

1. This is a summary of all the assets, liabilities, funds and reserves of the Authority, and brings together all the accounts of the Authority.

2. The assets of the Authority were valued as at 1st April 2000 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
(i) The Tyne Tunnel with supporting building, including the administrative block and two ventilator buildings, valued at current replacement cost	108.81
(ii) The pedestrian/cycleway tunnel valued at current replacement cost	18.90
(ii) The infrastructure approach roads to the north and south of the tunnel valued at historic cost	4.00
(ii) Other operational land valued at current replacement cost	6.02
(ii) Other non-operational land valued at market realisable value	0.04
Total	<u>137.77</u>

Additions to these valuations represents capital expenditure on the Tyne Tunnels since 31st March 2000.

3. Fixed Assets

Movements in fixed assets during the year were as follows:

2002-03 Total		2003-04			Total
		Tyne Tunnel	Infra- Structure	Other Land & Buildings	
£'000		£'000	£'000	£'000	£'000
141,296	Book Value as at 1st April	129,201	3,900	7,591	140,692
0	Revaluations	0	0	0	0
1,132	Additions	93	0	0	93
0	Disposals	0	0	0	0
-1,736	Depreciation	-1,635	-100	0	-1,735
<u>140,692</u>	Book Value as at 31 March	<u>127,659</u>	<u>3,800</u>	<u>7,591</u>	<u>139,050</u>

The costs associated with the New Tyne Crossing were capitalised in previous years. In 2002-03 it was established that the Concessionaire and not the PTA will hold the New Tyne Crossing as an asset on their balance sheet, and therefore costs which had been previously capitalised were re-stated as revenue.

Disclosure Notes to the Tyne & Wear PTA Balance Sheet

4. Tyne Tunnel Capital Expenditure			
	2002-03	2003-04	Change
	£'000	£'000	£'000
<i>Main items of expenditure were:</i>			
Tyne Tunnels - Improvements	1,132	93	-1,039
<i>Major capital commitments at the start of following year are:</i>			
Tyne Tunnels - Improvements	175	432	257

5. Fixed Asset Restatement Reserve			
	2002-03	2003-04	Change
	£'000	£'000	£'000
Opening Balance 1st April	-41,191	-41,191	0
Movement during the year	0	0	0
Closing Balance 31st March	<u>-41,191</u>	<u>-41,191</u>	<u>0</u>

The new system of capital accounting requires the establishment of the fixed asset restatement reserve. The reserve will be written down by the net book value of assets and deferred charges as they are disposed of, and debited or credited with the deficits or surpluses arising on revaluations. The next revaluation is programmed for 2004-05.

6. Long Term Debtors

This mainly represents loans made to the PTE (Nexus) to finance the capital expenditure on works relating to metro operations, special needs transport and bus stations. In 2003-04 it also includes advances made to employees arising from a change from weekly to monthly payment. These advances on salary are repayable on termination of employment

	2002-03	2003-04	Change
	£'000	£'000	£'000
Opening Balance 1st April	37,098	45,229	8,131
Loans to NEXUS			
New loans	10,016	7,326	-2,690
Loan repayments	-1,546	-1,885	-339
Movement in Loans due within one year	-339	-217	122
	<u>45,229</u>	<u>50,453</u>	<u>5,224</u>
Other	0	1	1
Closing Balance 31st March	<u>45,229</u>	<u>50,454</u>	<u>5,225</u>

Disclosure Notes to the Tyne & Wear PTA Balance Sheet

7. Financing of Total Capital Expenditure

Total capital expenditure has been financed as follows:

	2002-03 £'000	2003-04 £'000	Change £'000
Nexus - Supplementary Credit Approval	-10,016	-7,326	2,690
Tyne Tunnels - Revenue Reserves	-1,132	-93	1,039
	<u>-11,148</u>	<u>-7,419</u>	<u>3,729</u>

8. Leasing Transactions

Leasing transactions and commitments are as follows:

	2002-03 £'000	2003-04 £'000	Change £'000
Rentals Paid	55	48	-7
Value of Assets Acquired during year	0	0	0
Commitment to further rental charges at 31 March	26	17	-9

No new leases were entered into during 2003-04.

Rentals paid in 2003-04 includes the sum of £23,000 for the buy-out of 4 vehicle leases on the termination of their primary lease period.

9. Cash

PTA cash balances are raised during the year by Newcastle City Council for which they credit interest at the three month LIBID rate.

	2002-03 £'000	2003-04 £'000	Change £'000
Local bank accounts	8,133	4,518	-3,615
Cash in hands of officers	21	18	-3
	<u>8,154</u>	<u>4,536</u>	<u>-3,618</u>

10. Long Term Borrowing

Source of Loan	2002-03 £'000	2003-04 £'000	Change £'000
Public Works Loan Board	-87,202	-69,395	17,807
Department of Transport	-5,664	-4,444	1,220
	<u>-92,866</u>	<u>-73,839</u>	<u>19,027</u>

Maturity Pattern of Loans:

Less than 1 year	-17,807	-22,542	-4,735
Between 1 and 2 Years	-8,199	-20,179	-11,980
Between 2 and 4 Years	-7,078	-6,000	1,078
Between 4 and 10 Years	-6,664	-1,000	5,664
More than 10 Years	-53,118	-24,118	29,000
	<u>-92,866</u>	<u>-73,839</u>	<u>19,027</u>

Disclosure Notes to the Tyne & Wear PTA Balance Sheet

11. Capital Financing Reserve

	2002-03 £'000	2003-04 £'000	Change £'000
Opening Balance 1st April	-54,602	-56,656	-1,773
Revenue Reserve	-1,132	-93	1,039
Minimum Revenue Provision	-2,658	-2,708	-50
Depreciation	1,736	1,735	0
	<u>-56,656</u>	<u>-57,722</u>	<u>-784</u>

The capital financing reserve 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.

Depreciation was charged in 2002-03 for the first time; the previous policy was not to depreciate on the grounds of the assets having useful economic lives beyond 20 years. This is no longer allowed by the Statement of Recommended Practice 2000. Item 3b of the 'Statement of Accounting Policies' explains this accounting treatment further.

12. Debtors

Amounts falling due within one year:	2002-03 £'000	2003-04 £'000	Change £'000
Repayments due on Loans to Nexus	5,499	6,271	772
Tax to be Recovered	517	1,090	573
Other debtors and prepayments	32	3	-29
	<u>6,048</u>	<u>7,364</u>	<u>1,316</u>

13. Creditors

Amounts falling due within one year:	2002-03 £'000	2003-04 £'000	Change £'000
Payments due to Nexus	-4,429	-3,029	1,400
Department of Transport	-1,427	-1,486	-59
Accrued Interest on Loans	-896	-795	101
Accrued Payments to Pension Fund	-71	-410	-339
Other Accruals	-455	-350	105
	<u>-7,278</u>	<u>-6,070</u>	<u>1,208</u>

14. Short Term Borrowing

	2002-03 £'000	2003-04 £'000	Change £'000
Balance at 31st March	0	-18,850	-18,850

During 2003-04 the Authority's borrowing was re-structured in order to reduce reliance on long term (mainly PWLB) borrowing with the aim of benefiting from lower interest rates.

Further background information may be obtained from the Treasury Management section of the Explanatory Foreword section.

Disclosure Notes to the Tyne & Wear PTA Balance Sheet

15. General Reserves

The movement in reserves is explained by the following summary:

	2002-03	2003-04	Change
	£'000	£'000	£'000
Opening Balance	-5,752	-2,193	3,559
Net Expenditure during Year			
Levy on Districts	-41,000	-46,300	-5,300
Payment to Nexus	40,631	41,587	956
Revenue Expenditure			
- PTA	4,490	4,534	44
- Tyne Tunnel	-4,524	-5,016	-492
- New Tyne Crossing	2,830	3,498	668
	<u>2,796</u>	<u>3,016</u>	<u>220</u>
Capital Expenditure	1,132	93	-1,039
Closing Balance	<u>-2,193</u>	<u>-3,797</u>	<u>-1,604</u>

16. Prior Year Adjustment in 2002-03

Until 2002-03 costs associated with the New Tyne Crossing were capitalised, because of uncertainty about how the crossing would be treated once the Concessionaire was appointed. However it is now clear that the completed crossing will be held as an asset on the balance sheet of the Concessionaire, and therefore the past costs are no longer to be classed as capital expenditure/fixed assets on the balance sheet of the PTA.

Statement of Total Movements in Reserves

	Capital Reserves		Revenue Reserves	Total
	Fixed Asset Restatement Reserve (FARR) £000	Capital Financing Reserve (CFR) £000	General Fund £000	£000
Balance at 1st April 2003	(41,191)	(56,375)	(2,193)	(99,759)
Net (surplus)/deficit for year	0	(784)	(1,604)	(2,388)
Unrealised (gain)/loss from the revaluation of fixed assets	0	0	0	0
Effects of disposals of fixed assets				
Cost or value of assets disposed	0	0	0	0
Proceeds of disposals	0	0	0	0
Net (surplus) deficit on disposals	0	0	0	0
Financing of fixed assets and deferred charges	0	0	0	0
Balance at 31st March 2004	<u>(41,191)</u>	<u>(57,159)</u>	<u>(3,797)</u>	<u>(102,147)</u>

NOTES TO THE RESERVES STATEMENT

The Fixed Asset Restatement Reserve (FARR) and the Capital Financing Reserve (CFR) are not backed by cash and therefore cannot be called upon to support spending.

Further details of the movement in Capital Financing Reserve (CFR) can be found at Note 10 to the Consolidated Revenue Account and Note 11 to the Consolidated Balance Sheet

Cash Flow Statement for year ended 31st March 2004

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

	Notes	2002-03 Original £'000	2002-03 Re-stated £'000	2003-04 £'000	Change £'000
Revenue Activities					
Payments					
Cash paid to and on behalf of Employees		2,829	2,684	2,713	29
Redundancy and Pension Adjustments		207	382	216	-166
Pension Fund Costs		720	786	745	-41
Public Transport Revenue Support (Nexus)		40,631	40,631	41,587	956
Other Operating Costs	(a)	3,375	4,839	5,551	712
		<u>47,762</u>	<u>49,322</u>	<u>50,812</u>	<u>1,490</u>
Receipts					
Levy		-41,000	-41,000	-46,300	-5,300
Government Grants	3	0	-28	0	28
Cash Received for Goods and Services		-11,184	-11,220	-11,667	-447
		<u>-52,184</u>	<u>-52,248</u>	<u>-57,967</u>	<u>-5,719</u>
Net cash inflow from revenue activities	1	<u>-4,422</u>	<u>-2,926</u>	<u>-7,155</u>	<u>-4,229</u>
Servicing of finance					
Payments					
Interest and Lease Payments		3,007	5,019	5,675	656
Receipts					
Interest on Revenue Balances		-98	-98	-111	-13
Interest reimbursed by Nexus		0	-1,955	-2,068	-113
Net Cash outflow from servicing of finance		<u>2,909</u>	<u>2,966</u>	<u>3,496</u>	<u>530</u>
Capital Activities					
Payments					
Purchase of Fixed Assets		9,214	9,085	8,757	-328
Receipts					
Repayment of Long Term Debtors		-1,247	-1,561	-1,546	15
Net cash outflow from capital activities		<u>7,967</u>	<u>7,524</u>	<u>7,211</u>	<u>-313</u>
Net cash outflow before financing		<u>6,454</u>	<u>7,564</u>	<u>3,552</u>	<u>-4,012</u>
Financing					
Payments					
Repayments of Amounts Borrowed		16,228	8,793	18,916	10,123
Receipts					
New Loans Raised		-31,082	-24,757	-18,850	5,907
Net Cash (Inflow)/Outflow from Financing	4	<u>-14,854</u>	<u>-15,964</u>	<u>66</u>	<u>16,030</u>
(Increase)/Decrease in Cash and Equivalents	2	<u>-8,400</u>	<u>-8,400</u>	<u>3,618</u>	<u>12,018</u>

Notes

The cash flow analysis for 2002-03 has been re-stated so that the figures for both years have been produced on the same basis, thus enhancing comparability.

- (a) The major reason for increased Other Operating Costs is the increased expenditure by the Authority on the Preliminary Expenses of the New Tyne Crossing.

Cash Flow Statement - Notes and Disclosures

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

	2002-03 £'000	2003-04 £'000	Change £'000
Deficit / Surplus for the year			
General Fund	3,560	-1,604	-5,164
Items in another classification in the cash flow statement			
Servicing of Finance			
- Payments	-5,607	-5,521	86
- Receipts	98	111	13
Financing			
- Payments	-4,204	-4,592	-388
Non-Cash Transactions			
- Capital expenditure charged to revenue	-1,132	-93	1,039
- Movement in Provisions	8	0	-8
Items on an Accruals Basis			
- Movement in Debtors	4,051	4,713	662
- Movement in Creditors	289	-172	-461
- Movement in Stock	11	3	-8
Net Cash Flow on Revenue Activities	-2,926	-7,155	-4,229

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

	2002-03 Change £'000	2003-04 Balance 31.3.03 £'000		Balance 31.3.04 £'000	Change £'000
Cash in Transit	-6	0	0	0	0
Cash in hand and at bank	8,389	8,133	4,518	-3,615	
Cash in Hands of Officers	17	21	18	-3	
	<u>8,400</u>	<u>8,154</u>	<u>4,536</u>	<u>-3,618</u>	

3. This statement analyses Other Government Grants:-

	2002-03 £'000	2003-04 £'000	Change £'000
Department of Transport - A19 Corridor Study	-28	0	28

4. This statement analyses Net Cash Inflow from financing:-

	2002-03 £'000	2003-04 £'000	Change £'000
Financing			
Payments			
- Temporary Loan	8,709	0	-8,709
- Department of Transport Loan	0	1,109	1,109
- European Investment Bank Loan	84	0	-84
- PWLB	0	17,807	17,807
New Borrowing			
- PWLB	-24,757	0	24,757
- Short Term Borrowing	0	-18,850	-18,850
Closing Balance 31 March	<u>-15,964</u>	<u>66</u>	<u>16,030</u>