



## Forth Estuary Transport Authority



# Financial Statements for the year to 31<sup>st</sup> March 2009



# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR TO 31<sup>st</sup> MARCH 2009

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# **FORTH ESTUARY TRANSPORT AUTHORITY**

## **MEMBERS AND OFFICIALS AS AT 31<sup>st</sup> MARCH 2009**

### **Members**

Convenor: Councillor Tony Martin, Fife Council  
Vice Convenor: Councillor Phil Wheeler, City of Edinburgh Council

City of Edinburgh Council Members: Councillor George Grubb  
Councillor Mark McInnes  
Councillor Phil Wheeler  
Councillor Norman Work

Fife Council Members: Councillor William Walker  
Councillor Ian Chisholm  
Councillor Tony Martin  
Councillor Mike Rumney

Perth and Kinross Council Member: Councillor Willie Robertson

West Lothian Council Member: Councillor Martyn Day

### **Officials**

Chief Engineer and Bridgemaster: Barry R. Colford BSc (Hons), C.Eng. MICE  
Chief Executive: Ronnie Hinds, CPFA  
Clerk: Iain Grant  
Treasurer: Donald McGougan, CPFA  
Solicitor: Gill Lindsay, LLB  
Monitoring Officer: Gill Lindsay, LLB

# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR TO 31<sup>st</sup> MARCH 2009

### FOREWORD BY THE TREASURER

#### Introduction

The Forth Estuary Transport Authority Order 2002 was passed by the Scottish Parliament on 27th February 2002 and established the Forth Estuary Transport Authority with effect from 1st April 2002.

The authority is responsible for the management, maintenance and operation of the bridge. It also has the power to develop, support and fund schemes and measures which it considers appropriate to reduce road traffic congestion on the bridge or to encourage an increase in the use of public transport.



The Order requires the Authority to comprise of ten members, of whom four are elected by the City of Edinburgh Council, four by the Fife Council and one each by the Perth and Kinross and West Lothian Councils. The Local Authority Accounts (Scotland) Regulations 1985 (as amended) require that all local government bodies submit their unaudited annual financial statements to the Controller of Audit by 30<sup>th</sup> June. Audit Scotland monitors compliance with this requirement and reports to the Accounts Commission on the extent to which it is met. These statements of accounts were authorised for issue on

5<sup>th</sup> June 2009 and therefore comply with the statutory requirement.

Following the Abolition of Bridge Tolls (Scotland) Act 2008, the Scottish Ministers replaced the former bridge toll income by direct grant funding. Separate Grant-in-Aid is offered in respect of budgeted revenue costs of maintaining and operating the Forth Road Bridge, and for the capital spending programme agreed between the Scottish Ministers and the Forth Estuary Transport Authority.

The Financial Statements present the financial position and performance of the Authority for the year to 31st March 2009. This foreword describes briefly the nature and purpose of each of the statements which follow and the principal items of interest or note which are contained within the accounts. The Financial Statements have been prepared in accordance with the following fundamental accounting principles: relevance, reliability, comparability, understandability and materiality. The accounting concepts of accruals, going-concern and primary of legislative requirements also apply.

The Income and Expenditure Account complies with Generally Accepted Accounting Practices (UK GAAP). However, to show the net position of the Authority, it is necessary to adjust the Income and Expenditure Account for additional items required by statute or non-statutory proper practice to be taken into account in determining the General Fund balance for the year. These are shown in **Note 9** within the notes to the core financial statements.

#### Financial Statements

The financial statements which follow show the financial results of the Authority for the year to 31st March 2009. They comprise the following individual statements:

# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR TO 31<sup>st</sup> MARCH 2009

### FOREWORD BY THE TREASURER

**Statement of Accounting Policies** which explains the basis for the recognition, measurement and disclosure of transactions and other events shown in the Financial Statements.

**Income and Expenditure Account** this summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day to day expenses and related income on an accruals basis and the real projected value of retirement benefits earned by employees in the year.

**Statement of Movement on the General Fund Balance** this summarises the difference between the outturn on the Income and Expenditure Account and General Fund Balance.

**Statement of Total Recognised Gains and Losses** this brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes re-measurement of the net liability to cover the cost of retirement benefits.

**Balance Sheet** this summarises in its top half all of the assets that the Authority owns and the liabilities that it owes to others. The bottom half sets out reserves needed to manage the complexities of local authority accounting.

**Cash Flow Statement** which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**Statement of Responsibilities for the Financial Statements** which sets out the respective responsibilities of the Authority and the Treasurer for the accounts.

**Statements Reporting Reviews of Internal Controls or Internal Financial Controls** which sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.

These accounting statements are supported by the Statement of Accounting Policies which follows this foreword and appropriate notes to the core financial statements.

#### **Financial Performance 2008-9**

This review of financial performance is based on management accounting information rather than the financial statements wherein figures are adjusted in order to comply with SORP requirements.

The Statement of Movement on the General Fund Balance (page 12) shows an increase in the General Fund balance of £2.427 million (m). Since the abolition of tolls all revenue and capital expenditure is funded by Grant-in-aid through Transport Scotland. Under the terms and conditions of grant the under spend of £2.427m can be carried through the authority's reserves.

- Total revenue costs incurred during the year amounted to £5.030m compared to grant-in-aid of £7.070m and resulted in an under spend of **£2.037m**. The terms of grant state that the Grantee may carry over up to 10% of the revenue grant-in-aid awarded into the next financial year, **plus** any sums arising from unforeseen slippage on specific projects, identified within the agreed revenue budget. The grant under spend of £2.037m consists of **£0.694m** recurring revenue costs (within 10% £0.707m limit) and **£1.343m** slippage on revenue costs relating to Capital Plan projects.

# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR TO 31<sup>st</sup> MARCH 2009

### FOREWORD BY THE TREASURER

#### Financial Performance 2008-9 (Continued)

##### Revenue

The Revenue budget is split into two areas; revenue costs of a recurring nature and revenue costs associated with Capital Plan projects.

- The recurring costs under spend of **£0.694m** is due a £0.330m under spend within employee costs for time in lieu payments made to employees leaving the authority as a result of de-tolling which were budgeted for but met subsequently by Toll Abolition Grant. A further £0.364m of unbudgeted income was received mainly due to the balance of one-off grant to fund tolls abolition being retained, additional external interest being received and a reduction in support costs. This under spend is within the 10% carry-forward limit set out in the terms and conditions of grant.
- Revenue costs relating to Capital Plan projects were under budget by **£1.343m**. This was mainly due to slippage on the following projects; Anchorage Investigation £0.512m; Vehicle Parapet Study £0.589m and the contingency for Minor Works not being utilised £0.250m. The terms and conditions of grant state that under spends arising from unforeseen slippage can be carried forward.

##### Capital

- Expenditure on capital schemes for the year was £6.505m. When compared to £6.895m grant received the authority incurred an under spend of **£0.390m**. This is due to contract changes and the impact of weather causing deferrals on a number of projects: Tower Impact Strengthening, the Suspended Span Gantry Refurbishment, Main Cable Dehumidification, Main Tower Cathodic Protection and other projects totalling **£1.056m**. These underspendings have been partially off-set by an increase in the Main Tower Access Platform (DOC) tender and the Viaduct Bearing Replacement project brought forward; both totalling **£0.666m**.

The general fund balance at the beginning of the year amounted to **£4.486m** which, when added to the surplus incurred during the year of **£2.427m**, results in a general fund balance carried to the balance sheet at the end of the year totalling **£6.913m**.

#### FRS17 - Retirement Benefits

In accordance with the requirements of FRS17, the net pension liability of **£3.330m** (2007-8 **£0.950m**) is shown in **Note 6** within the notes to the core financial statements. This Note details the movement in surplus/(deficit) during the year. This liability is accounted for within the Balance Sheet and through the creation of a Pension Reserve.

FRS17 is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. Net cost of services in the Income and Expenditure Account therefore includes an appropriate amount for the retirement benefits the Authority has committed to give and has been balanced through inclusion of pension interest costs and the transfer from the pensions reserve.

Staff are admitted to the Lothian Pension Fund. Actuarial valuations will consider the appropriate employer's contributions and this, together with revenues generated from employee contributions and investments will be utilised to meet the fund's future commitments.

# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR TO 31<sup>st</sup> MARCH 2009

### FOREWORD BY THE TREASURER

#### FRS25, 26 and 29 – Financial Instruments

In accordance with FRS25 Financial Instruments: Presentation and Disclosures; FRS26 Financial Instruments: Recognition and Measurement; and FRS29 Financial Instruments: Disclosures; the accounts include **Note 19**. This note details the make up of financial instruments; both assets and liabilities, the key risks the Authority is exposed to in its management of its financial instruments, and how those risks are managed.

#### Borrowing Facilities

The Local Government in Scotland Act 2003 introduced the Prudential Code for capital finance in local authorities. The board has the power to decide how much to spend and borrow subject to demonstrating that its plans are prudent and affordable. There was no Prudential Borrowing during 2008-09.

#### Future Outlook



Work on the dehumidification of the Main Cables is continuing on site and is on programme to be completed at the end of 2009. A sum of £10.258m has been included in the capital plan for this project. Work on the Suspended Span Deck Joints has been deferred until the planned opening of the Forth Replacement Crossing in 2016. However, a sum of £0.80m has been set aside for the provision of permanent access to the Joints. A contract for the replacement of the Bearings on the Viaducts is being prepared and a sum of £16.478m has been included in the capital plan for this work. The condition of the Bridge Anchorages is also being

investigated and work on this unique project will involve significant excavation and full scale testing. A peer review panel has been set up to carry out a technical audit of the project and an indicative cost of £6.438m has been included in the Capital Plan 2008-12 for this work. Painting of the South Tower was completed in 2008 and work on site to remove the Dropped Object Canopy from the South Tower has commenced. The Dropped Object Canopy will be refurbished and then is programmed to be erected at the North Tower to allow painting of the North Tower above deck between 2010 and 2012. The total cost of the project is estimated at £8.261m.

#### Reserves and Future Funding

Following commencement of the Abolition of Bridge Tolls (Scotland) Act 2008, the Scottish Ministers replaced the former bridge toll income by direct grant funding. Separate Grant-in-aid is offered in respect of budgeted revenue costs of maintaining and operating the Forth Road Bridge, and for the capital spending programme agreed between the Scottish Ministers and the Forth Estuary Transport Authority. The overall level of grant support to 2011 is consistent with the provision made by the Scottish Government within its spending review 2007-2011. Ministers also recognise that contracts may run over several years and often beyond the period covered by spending reviews. Where such contracts are entered into in accordance with agreed policies and plans, ministers recognise that there is an obligation on the Scottish Government to continue to provide necessary funding.

The General Fund balance at 31st March 2009 is £6.913m. A detailed risk analysis was undertaken as part of the 2009-10 budget process.



# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR TO 31<sup>st</sup> MARCH 2009

### FOREWORD BY THE TREASURER

#### Reserves and Future Funding (Continued)

Key risks include:

- (i) Unpredictability of future maintenance requirements. Examples in the past include unforeseen strengthening works to the towers as a result of the introduction of new loading requirements in the UK and the provision of pier defences following an evaluation of the risk of shipping impact. More recently, the inspection and subsequent monitoring and remedial works to the main cables were unforeseen until carried out on Forth Road Bridge. As a result all other major suspension bridge operators in the UK are carrying out similar work.

- (ii) Estimation of contract costs - Much of the work on the Bridge is unique and few contractors have the skills required to carry out the works. In addition, given the high penalties set if contractors overrun allocated lane or carriageway occupancies, the pricing of that risk and other risks such as weather delays is difficult to predict. Therefore, there may be differences between the estimated and actual cost for contracts.



Examples in the past include: strengthening works to Towers estimated to cost £9.7m, actual cost £12.7m and provision of defences to the Main Tower Piers estimated cost £7.4m, actual cost £9.9m.

The contract tenders also received for the replacement of the Main Expansion Joints would have resulted in an additional cost of £5m due to the high cost of steel for temporary works and the risk element. This contract has been deferred until the after Forth Replacement Crossing is due for completion in 2016. Currently, contracts estimated to total £24m for Bearing and Joint Replacement and £65m for Suspended Span Painting are still to be awarded.

- (iii) A sum of £6.438m has been allowed to carry out an investigation into the long term structural integrity of the bridge anchorages. This is a unique project without precedent and there is a high risk attached to this work.

The balance on the General Fund is considered to be adequate, taking into account the Authority's overall financial resources, the risks identified, the arrangements in place to manage those risks and the agreement on future funding with the Scottish Government.

Donald McGougan, CPFA,  
Treasurer.

Date signed : 5<sup>th</sup> June 2009



# FORTH ESTUARY TRANSPORT AUTHORITY

## Statement of Accounting Policies

1. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP) issued in 2008 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). Exceptions to this are stated in the Policies and Notes to the Accounts.

The accounts are intended to give a true and fair view of the financial position of the Authority and have been prepared in accordance with the basic accounting concepts of relevance, reliability, comparability, understanding, materiality, accruals, going concern and primacy of legislative requirements.

The accounts have been prepared on an historic cost basis, modified by the revaluation of certain categories of fixed assets.

2. **Basis upon which Debtors and Creditors are included in the Accounts**

All transactions are recorded on a system of receipts and payments during the year and converted to income and expenditure at the year end. Allowance has been made in the Accounts for amounts owed by the Authority in respect of goods and services supplied in the financial year. Debtors are taken into account for amounts owed to the Authority at 31st March 2009 in respect of work done or services rendered by the Authority during the financial year.

3. **Fixed Assets**

- 3.1 **Measurement**

- The Bridge, as an infrastructure asset, is included in the balance sheet at depreciated historic cost.
- Properties regarded by the Authority as operational are valued on the basis of open market value for existing use, or where this could not be assessed because of lack of market evidence, by the depreciated replacement cost method.
- Vehicles, Plant and Equipment are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.

- 3.2 **Revaluations**

Properties have been valued by the City of Edinburgh Council's Property Manager (Asset Management), W. Miller, FRICS in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. All properties are subject to full revaluation at intervals of not more than five years with inspections carried out in the intervening years where considered appropriate. All properties have been revalued at 1st April 2007. The sources of information and assumptions made in producing the various valuations are set out in the valuation report.

# FORTH ESTUARY TRANSPORT AUTHORITY

## Statement of Accounting Policies (Continued)

### 3.3 Depreciation

Depreciation is provided on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- Depreciation is not provided in the year of an asset's purchase. Assets in the course of construction are not depreciated until they are brought into use.
- Depreciation is calculated using the straight-line method over the following periods:
  - buildings 50 years
  - vehicles, plant and equipment 5 years
  - infrastructure 20 years

### 4. Distinction between Capital and Revenue

Expenditure on fixed assets is capitalised if it meets the criteria on enhancement.

Enhancement should be intended to achieve at least one of the following objectives:

- Lengthening substantially the life of the asset.
- Increasing substantially the market value of the asset.
- Increasing substantially the extent to which the asset can or will be used for the purposes of or in connection with the functions of the local authority or joint board concerned

Expenditure that does not yield benefit beyond the year of account is treated as revenue expenditure.

### 5. Stores and Materials

Stores and Materials are valued at latest invoice price. This does not comply with the Statement of Recommended Practice which states "Stocks should be included in the Balance Sheet at the total of the lower of cost and net realisable value of the separate items of stock or of groups of similar items". The difference is not considered to be material.

### 6. Pensions

The Authority is an admitted body to the Local Government Pension Scheme (LGPS) which is administered by the Lothian Pension Fund. The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. The Accounts have been prepared including pension costs, as determined under FRS17 - Retirement Benefits. The net cost of services includes expenditure equivalent to the amount of retirement benefits the Authority has committed to give during the year. Pensions interest cost and the expected return on pension assets have been charged to net operating expenditure. The pension costs charged to the Income and Expenditure Accounts in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under FRS17 are different from the contributions due under the pension scheme regulations are disclosed in the Statement of Movement on the General Fund.

Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

# FORTH ESTUARY TRANSPORT AUTHORITY

## Statement of Accounting Policies (Continued)

### 7. Reserves

- (i) The Revaluation Reserve records unrealised revaluation gains arising (since 1st April, 2007) from holding fixed assets.
- (ii) The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated and financed.
- (iii) The Pension Reserve which has been introduced to comply with the requirements of FRS17 Retirement Benefits.
- (iv) The General Fund Balance represents the balance of surpluses or deficits arising from the Revenue Account.

### 8. Investments

The authority's External Investments are managed by the City of Edinburgh Council via the Treasury Cash Fund. The Treasury Cash Fund was set up from 1st April 2007 to allow the cash monies of the City of Edinburgh Council, Lothian Pension Fund, and other associated bodies to be placed together for investment purposes. This has a number of advantages, including:

- (i) Interest to third parties is directly related to their monies invested;
- (ii) Interest paid is directly related to the market rate for deposits outstanding that day;
- (iii) Smaller funds have the benefit of investment within financial institutions or investment types which require larger deposit sizes; and
- (iv) The arrangement is completely transparent.

Monies from the Treasury Cash Fund are invested in the name of the City of Edinburgh Council in line with the Treasury Cash Fund's prevailing investment strategy. Interest received on deposits is ring-fenced to the Treasury Cash Fund and interest accrued to the underlying cash holders on a daily basis. The monies invested in the Treasury Cash Fund are therefore not lent to the City of Edinburgh Council, but are put together for the purposes of joint investment. Any investment of cash carries an inherent risk to the capital invested. However the portfolio is invested in such a manner as to manage and diversify the risk to which the portfolio is exposed.

The City of Edinburgh Council has an agreed Treasury Policy Statement which details the types of investment allowable within the Treasury Cash Fund, and the counterparties with whom the Treasury Cash Fund may invest. In addition, the Council's Treasury Manager has the discretion to further limit the list of counterparties, both by restricting time periods for investment and by excluding counterparties from the list entirely in order to further manage the counterparty risk. However, should the Treasury Cash Fund incur any loss through non payment of interest or non-return of invested principal, FETA would share in that loss pro-rate to the extent of their investment relative to the overall value of the Treasury Cash Fund. The Authority has formally adopted the key recommendations contained in CIPFA's Treasury Management in the Public Services' Code of Practice.

**FORTH ESTUARY TRANSPORT AUTHORITY**

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009**

2007-8 Actual £'000		2008-9 Budget £'000	2008-9 Actual £'000	
	<b>EXPENDITURE</b>			
	<b>Administration</b>			
1,197	Employee Costs	923	882	<b>Note 1</b>
66	Property Costs	78	79	
940	Supplies and Services	702	661	
7	Plant and Transport	16	16	
<b>2,210</b>		<b>1,719</b>	<b>1,638</b>	
	<b>Maintenance of Bridge, Buildings, etc.</b>			
1,336	Employee Costs	1,772	1,703	<b>Note 1</b>
76	Property Costs	116	116	
355	Supplies and Services	694	694	
1,810	Consultant Fees and Contractor Costs	1,860	517	<b>Note 4</b>
40	Plant and Transport	56	56	
<b>3,617</b>		<b>4,498</b>	<b>3,086</b>	
	<b>Traffic Operations</b>			
857	Employee Costs	1,133	1,102	<b>Note 1</b>
9	Property Costs	12	12	
112	Supplies and Services	191	191	
40	Plant and Transport	48	48	
<b>1,018</b>		<b>1,384</b>	<b>1,353</b>	
	<b>Toll Collection</b>			
721	Employee Costs	1,024	835	<b>Note 1</b>
9	Property Costs	0	0	
150	Supplies and Services	2,187	2,187	
<b>880</b>		<b>3,211</b>	<b>3,022</b>	
<b>7,725</b>	<b>Total Running Costs</b>	<b>10,812</b>	<b>9,099</b>	
4,068	Capital charges	0	3,671	
<b>11,793</b>	<b>GROSS OPERATING EXPENDITURE</b>	<b>10,812</b>	<b>12,770</b>	
	<b>INCOME</b>			
(10,218)	Revenue from tolls	0	0	<b>Note 20</b>
(81)	Miscellaneous Income	(101)	(150)	
<b>1,494</b>	<b>NET COST OF SERVICE</b>	<b>10,711</b>	<b>12,620</b>	
(580)	Interest on Investment Income	(197)	(343)	<b>Note 5</b>
(544)	Grant for one-off toll abolition costs	(2,827)	(2,956)	
(141)	Pension Interest cost and expected return on pension assets	47	47	<b>Note 6</b>
229	<b>NET OPERATING (SURPLUS)/DEFICIT</b>	7,734	9,368	
12,302	Revenue contribution to Capital	0	0	
<b>12,531</b>	<b>GROSS (SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>7,734</b>	<b>9,368</b>	
0	Less: Revenue Grant-in-aid	(7,070)	(7,070)	<b>Note 20</b>
<b>12,531</b>	<b>NET (SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>664</b>	<b>2,298</b>	

## FORTH ESTUARY TRANSPORT AUTHORITY

### STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007-8 Actual £'000		2008-9 Budget £'000	2008-9 Actual £'000	
12,531	Deficit in the Income and Expenditure Account	664	2,298	
(3,963)	Net Additional Amount required by Statute of Non-Statutory Proper Practices to be debited to the General Fund Balance for the Year.	(664)	(4,725)	<b>Note 9</b>
8,568	General Fund Deficit/(Surplus)	0	(2,427)	
(13,054)	General Fund Balance Brought Forward		(4,486)	
<b>(4,486)</b>	<b>General Fund Balance Carried Forward</b>		<b>(6,913)</b>	

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2007-8 Actual £'000		2008-9 Actual £'000	
12,531	(Surplus) or deficit on the Income and Expenditure Account for the Year	2,298	
(411)	(Surplus) or deficit arising on Revaluation of Fixed Assets	0	
(12,302)	(Surplus) or deficit arising on Revenue contribution to Capital	0	
(819)	Actuarial (Gain) or loss on Pension Assets and Liabilities	1,716	<b>Note 6</b>
<b>(1,001)</b>	<b>Total Recognised (Gains) / Losses for the Year</b>	<b>4,014</b>	<b>Note 10</b>

# FORTH ESTUARY TRANSPORT AUTHORITY

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2009

2007-8 £'000		2008-9 £'000	2008-9 £'000	
<b>FIXED ASSETS</b>				
<b>Operational Assets</b>				
1,946	Land and Buildings	1,919		
156	Vehicles, Plant and Equipment	185		
86,962	Infrastructure	89,570		
89,064			91,674	<b>Note 11</b>
<b>CURRENT ASSETS</b>				
104	Stores and Materials	108		
374	Sundry Debtors	389		
8,008	Investments	8,423		<b>Note 5 &amp; 19</b>
3	Cash Imprest	3		
8,489			8,923	
<b>LESS CURRENT LIABILITIES</b>				
(3,205)	Sundry Creditors		(1,106)	
(798)	Balance due to City of Edinburgh Council		(905)	
<b>4,486</b>	<b>NET CURRENT ASSETS</b>		<b>6,912</b>	
(28,500)	Government Grants Deferred		(35,170)	<b>Note 14</b>
(950)	Net Pension Liabilities		(3,330)	<b>Note 6</b>
<b>64,100</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>60,086</b>	
<b>Represented By:</b>				
(60,153)	Capital Adjustment Account		(56,092)	<b>Note 10</b>
(411)	Revaluation Reserve		(411)	<b>Note 10</b>
950	Pension Reserve		3,330	<b>Note 6 &amp; 10</b>
(4,486)	General Fund		(6,913)	<b>Note 10</b>
<b>(64,100)</b>			<b>(60,086)</b>	
<p>The unaudited accounts were issued on 5th June and the audited accounts were authorised for issue on 29<sup>th</sup> September 2009</p>				

Donald McGougan, CPFA,  
Treasurer.

Date signed : 5<sup>th</sup> June 2009

**FORTH ESTUARY TRANSPORT AUTHORITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009**

2007-8 £'000	2007-8 £'000		2008-9 £'000	2008-9 £'000
		<b>REVENUE ACTIVITIES</b> <b>(Note 15a)</b>		
		<b>Cash Outflows</b>		
4,181		Cash paid to and on behalf of employees	3,908	
3,262		Other operating cash payments	3,680	
		<b>Cash Inflows</b>		
(9,750)		Toll income	0	
0		Revenue Grant received	(7,070)	
(3,542)		Other Government Grants	41	
50		Other operating cash receipts	(118)	
	<b>(5,799)</b>	<b>Net Cash (Inflow) from Revenue Activities</b>		<b>441</b>
		<b>SERVICING OF FINANCE</b>		
		<b>Cash Inflows</b>		
	(602)	Interest received		(360)
		<b>CAPITAL ACTIVITIES</b>		
		<b>Cash Outflows</b>		
22,159		Purchase of fixed assets	6,505	
		<b>Cash Inflows</b>		
(6,445)		Capital Grant received	(6,895)	
	<b>15,714</b>	<b>Net Cash Outflow from Capital Activities</b>		<b>(390)</b>
	<u><b>9,313</b></u>	<b>Net (increase)/decrease in cash</b> <b>(Note 15b)</b>		<u><b>(309)</b></u>



# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Employee Costs

To ensure compliance with FRS17, the amounts shown on the face of the Revenue Accounts for Administration, Maintenance of Bridges, Buildings, etc. Traffic Operations and Toll Collection include the following notional FRS17 charges:

	2007-8 Actual £'000	2008-9 Budget £'000	2008-9 Actual £'000
Bridge Operations service costs/budget	1,188	795	754
FRS 17 adjustments	9	128	128
<b>Adjusted Administration costs</b>	<b>1,197</b>	<b>923</b>	<b>882</b>
Maintenance actual service costs/budget	1,323	1,456	1,387
FRS 17 adjustments	13	316	316
<b>Adjusted Maintenance costs</b>	<b>1,336</b>	<b>1,772</b>	<b>1,703</b>
Traffic Operations actual service costs/budget	850	972	941
FRS 17 adjustments	7	161	161
<b>Adjusted Traffic Operation costs</b>	<b>857</b>	<b>1,133</b>	<b>1,102</b>
Toll Collection actual service costs/budget	714	1,011	823
FRS 17 adjustments	7	13	12
<b>Adjusted Toll Collection costs</b>	<b>721</b>	<b>1,024</b>	<b>835</b>

The costs within Tolls Collection relate to costs incurred through the agreed employee support policy as a result of tolls abolition. Also included here are one-off redundancy costs in relation to detolling which were funded by separate grant from the Scottish Government.

#### 2. Publicity Account

Section 5 of the Local Government Act 1986 requires Local Authorities to maintain a separate Publicity Account. In 2008-9 £2,785 was incurred by the Authority on publicity as defined by the relevant statutory provisions (2007-8 £7,329).

#### 3. Audit Fees

The fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice are detailed below:

	2007-8 Actual £'000	2008-9 Actual £'000
Agreed audit fee	15	13
Fixed charge element	3	3
	<b>18</b>	<b>16</b>

There are no fees payable in respect of any other service provided by Audit Scotland over and above the duties undertaken in accordance with the Code.

# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Consultants Fees and Contractor Costs

Following a review of capital expenditure some costs have been reclassified as expenditure of a revenue nature. These are as follows:

	2007-8 Actual £'000	2008-9 Budget £'000	2008-9 Actual £'000
Administration Block Upgrade	0	40	0
Vehicle Parapet Study	0	650	61
Minor Schemes	139	250	0
Strengthen HSFGB connection	22	100	146
Contribution to Rosyth link road	800	0	287
Bridge Specific Assessment Live Load (BSALL)	0	20	0
Anchorage Investigation	0	800	0
Main Cable replacement/augmentation study	849	0	23
	<b>1,810</b>	<b>1,860</b>	<b>517</b>

#### 5. External Investments

As set out in **Note 8** of the Statement of Accounting Policies; the authority's External Investments are managed by the City of Edinburgh Council. Previously, as part of the arrangements for the management of surplus funds, the City of Edinburgh Council placed deposits externally in the name of the Authority. However, as economic conditions worsened and the global banking system came under severe pressure, the Authority's funds were added to the funds of the City of Edinburgh Council, Lothian Pension Fund and some other bodies which are pooled for investment purposes as a Treasury Cash Fund to diversify the Authority's investment and reduce the Authority's individual counterparty risk. The Authority had £8.423m invested externally at 31 March 2009 (£8.008m 2007-8).

#### 6. Pensions

Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. The Fund's Actuary reported that, as at 31st March 2008, the funding level was 85% and that a period of 20 years had been adopted in assessing the level of contribution required to fund that deficit. In addition, the Authority is responsible for all pensions relating to added years' benefits it has awarded, together with the related increases.



From April 2009 Employees' contributions to the Fund vary depending on rates of pay and employer's contributions are assessed every three years by an independent actuary. The employer's contribution is calculated to ensure that the Fund can meet its future pension and pensions increase liabilities. The latest Actuarial Valuation was at 31st March 2008. The funding objectives are to build up assets to provide adequate security for the benefits as they accrue. The actuarial method of valuation used is the "Projected Unit Method", which assumes a stable long term contribution rate over time and a steady flow of new entrants to the Fund.

# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009

### NOTES TO THE FINANCIAL STATEMENTS

#### 6. Pensions (continued)

Employer contributions are calculated by the Fund Actuary. They are made up of two elements:

- a) an estimate of the cost of benefits accruing in the future (19.2% of salaries), referred to as the “future service rate”; and
- b) an adjustment for the solvency of the Fund based on the benefits already accrued. If there is a surplus, there may be a contribution reduction; if there is a deficit there may be a contribution increase. For the financial years 2007-8, 2008-9 and 2009-10 the adjustment is £98k, £142k and £92k respectively.

Further information can be found in the Lothian Pension Fund’s Funding Strategy Statement which is available on application to the City of Edinburgh Council’s Director of Finance.

#### Pension Assets and Liabilities

In accordance with Financial Reporting Standard No. 17 - Retirement Benefits, the Authority is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in **Note 6** of the Accounting Policies, the Authority participates in the Local Government Pension Scheme, which is administered by Lothian Pension Fund. The Authority has liabilities for discretionary pension payments outside the main scheme. The Authority’s assets and liabilities amounted to:

	2007-8 Actual £'000	2008-9 Actual £'000
Share of assets in Lothian Pension Fund	13,052	10,236
Less: Est. liabilities in Lothian Pension Fund	13,697	12,896
Less: Est. liabilities for discretionary pensions	305	670
<b>Net pension asset/(liability)</b>	<b>(950)</b>	<b>(3,330)</b>

Assets are valued at fair value, principally market value for investments, and consist of:

	Asset Distribution 2007-8 £'000	Rate of Return 2007-8 %	Asset Distribution 2008-9 £'000	Rate of Return 2008-9 %
Equity investments	9,908	7.7	8,086	7.0
Bonds	1,159	5.7	1,126	5.4
Property	1,554	5.7	1,024	4.9
Cash	431	4.8	0	4.0
	<b>13,052</b>		<b>10,236</b>	

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009

#### NOTES TO THE FINANCIAL STATEMENTS

#### 6. Pensions (continued)

##### Pension Assets and Liabilities

Liabilities are valued on an actuarial basis using the Projected Unit Method which assesses the future liabilities of the Fund discounted to their present value. The valuations are based on a valuation as of 31st March 2008 and updated by Hymans Robertson, the independent actuaries to Lothian Pension Fund. The main assumptions used in the calculations are:

	2007-8	2008-9
	%	%
Price Increases	3.6	3.1
Salary Increases	5.1	4.6
Pension Increases	3.6	3.1
Expected return on Assets	7.2	6.6
Discount Rates	6.9	6.9

##### Income and Expenditure

From the financial year ended 31st March 2004, the Authority was required to disclose, in the Financial Statements, the pension charge under FRS17. In accordance with this Financial Reporting Statement, the charge is included in the Income and Expenditure Account. The budget has been adjusted to reflect the pension charge under FRS17.

	2007-8		2008-9	
	£'000	£'000	£'000	£'000
<b>Analysis of Charge to Revenue</b>				
Employer pension contributions	541		524	
Contributions in respect of unfunded benefits	<u>23</u>	564	<u>149</u>	673
<b>Less FRS17 Charges:</b>				
Current Service Costs	(600)		(270)	
Curtailment and Settlements	-		(1,020)	
Expected return on assets	962		937	
Interest on pension scheme liabilities	<u>(821)</u>	<u>(459)</u>	<u>(984)</u>	<u>(1,337)</u>
Contribution to/(from) pension reserve		<u>105</u>		<u>(664)</u>

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 6. Pensions (continued)

##### Income and Expenditure

The change in the balance sheet liabilities has been shown below in the Analysis of amount recognised in Statement of Total Recognised Gains and Losses.

	2004-5	2005-6	2006-7	2007-8	2008-9
	£'000	£'000	£'000	£'000	£'000
<b>Analysis of amount recognised in Statement of Total Movement in reserves:</b>					
Actual return less expected return on pension scheme assets	280	1,932	79	(1,364)	(3,699)
Experience gains and losses arising on the scheme liabilities	(59)	(26)	2	(197) *	1,011
Changes in financial assumptions underlying the present value of scheme liabilities restated	(1,918)	(1,408)	885	2,380	972
<b>Actuarial gain/(loss) in Pension Plan</b>	<b>(1,697)</b>	<b>498</b>	<b>966</b>	<b>819</b>	<b>(1,716)</b>

	2007-8	2008-9
	£'000	£'000
<b>Movement in surplus/(deficit) during the year:</b>		
Surplus/(deficit) at beginning of the year	(1,874)	(950)
Current service cost	(600)	(270)
Employer contributions	541	524
Contributions in respect of unfunded benefits	23	149
Curtailments and settlements	0	(1,020)
Net return on assets	141	(47)
Actuarial gains/(losses)	819	(1,716)
<b>Surplus/(deficit) at end of year</b>	<b>(950)</b>	<b>(3,330)</b>

	2004-5	2005-6	2006-7	2007-8	2008-9
	£'000	£'000	£'000	£'000	£'000
<b>History of Experience Gains and Losses:</b>					
Difference between the expected and actual return on assets	280	1,932	79	(1,364)	(3,699)
Value of assets	9,104	12,087	13,156	13,052	10,236
<b>Percentage of assets</b>	<b>3.1%</b>	<b>16.0%</b>	<b>0.6%</b>	<b>(10.5%)</b>	<b>(36.1%)</b>
Experience gains/(losses) on liabilities	(59)	(26)	2	(197) *	1,011
Present value of liabilities	12,461	15,036	15,030	14,002	13,566
<b>Percentage of the present value of liabilities</b>	<b>(0.5%)</b>	<b>(0.2%)</b>	<b>0.0%</b>	<b>(1.4%)</b>	<b>7.45%</b>
Actuarial gains/(losses) recognised in reserves	(1,697)	498	966	819	(1,716)
Present value of liabilities	12,461	15,036	15,030	14,002	13,566
<b>Percentage of the present value of liabilities</b>	<b>(13.6%)</b>	<b>3.3%</b>	<b>6.4%</b>	<b>5.8%</b>	<b>(12.6%)</b>

\* Figure revised in actuary FRS 17 report at 31 March 2009 to that produced at 31<sup>st</sup> March 2008 as a result of a required technical change in estimation techniques.

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 7. Capital Account

	2008-9
<b>Capital Expenditure</b>	<b>£'000</b>
Surface Main Span (North)	81
Tower Painting/Main Tower Access Platform (DOC)	814
A8000/M9 Spur Upgrade	696
Main Cable Acoustic Monitoring	47
Main Cable Internal Inspection	4
Viaduct Bearing Replacement	327
Main Expansion Joint Replacement	442
Truss End Linkages	55
Tower Impact Strengthening	69
Main Cable Dehumidification	3,322
Main Tower Cathodic Protection	30
Toll Equipment/Plaza Refurbishment	189
Vehicle Replacements	94
Bridge Warning Signs	335
	<b>6,505</b>
<b>Capital Income</b>	
Contributions from Scottish Government	6,895
	<b>6,895</b>
<b>Net Capital Expenditure</b>	<b>(390)</b>

#### 8. Additional Capital Expenditure - Commitments

The Authority's budget includes committed capital expenditure for 2009-10 and following years of £7.267m. This includes £2.592m committed expenditure for the main cable dehumidification, £4.180m on Main Tower Painting including the Dropped Objects Canopy, £0.175m on Main Cable Acoustic Monitoring and £0.320m on Parapet Investigation Works.



**FORTH ESTUARY TRANSPORT AUTHORITY**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009**  
**NOTES TO THE FINANCIAL STATEMENTS**

**9. Analysis of additional items required by statute and non-statutory proper practice to be taken into account in determining the General Fund deficit for the year:**

2007-8 Actual £000		2008-9 Budget £000	2008-9 Actual £000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>		
(4,068)	Depreciation and Impairment of Fixed Assets	0	(3,896)
0	Government Grants Deferred Amortisation	0	225
(459)	Net Charges made for retirement benefits in accordance with FRS 17	(664)	(1,337)
(4,527)		(664)	(5,008)
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.</b>		
564	Employers contributions payable to the Lothian Pension Fund and retirement benefits payable direct to pensioners	0	673
	<b>Transfers to/or from the General Fund Balance that are required to be taken in to account when determining the General Fund deficit for the year.</b>		
0	Net (surplus) / Deficit on Capital grant	0	(390)
<b>(3,963)</b>	<b>Amount by which the deficit on the General Fund for the year was greater than the Income and Expenditure Account result for the year.</b>	<b>(664)</b>	<b>(4,725)</b>

**10. Movement in Reserves**

	Balance brought forward £000	(Gains)/ Losses for the year £000	Transfers between Reserves £000	Balance carried forward £000
2008-9				
Capital Adjustment Account	(60,153)	0	4,061	(56,092)
Revaluation Reserve	(411)	0	0	(411)
Pension Reserve	950	1,716	664	3,330
General Fund Balance	(4,486)	2,298	(4,725)	(6,913)
	<b>(64,100)</b>	<b>4,014</b>	<b>0</b>	<b>(60,086)</b>



## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

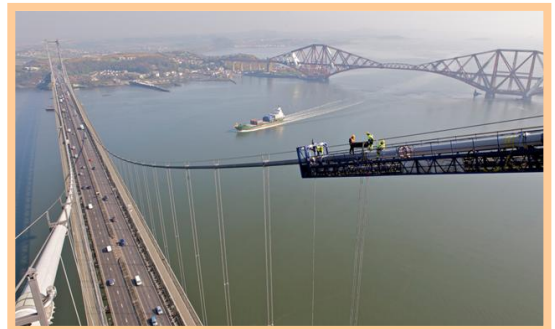
#### 11. Fixed Assets

The following information is provided in relation to the capital accounting requirements introduced by the CIPFA Code of Practice on Local Authority Accounting.

	OPERATIONAL ASSETS			
	Land and Buildings	Vehicles, Plant and Equipment	Infra- structure	Total
	£'000	£'000	£'000	£'000
Gross Book Value as at 31.03.08	2,127	2,399	117,167	121,693
Additions during year	0	94	6,411	6,505
Gross Book Value as at 31.03.09	2,127	2,493	123,578	128,198
Accum. Depreciation at 31.03.08	(181)	(2,243)	(30,204)	(32,628)
Depreciation for year to 31.03.09	(27)	(65)	(3,804)	(3,896)
<b>Net Book Value 31.03.09</b>	<b>1,919</b>	<b>185</b>	<b>89,570</b>	<b>91,674</b>
<b>Net Book Value 31.03.08</b>	<b>1,946</b>	<b>156</b>	<b>86,962</b>	<b>89,064</b>

#### 12. Fixed Asset Valuation

The Bridge, as an infrastructure asset, has been valued at depreciated historic cost. Properties have been valued on the 1st April 2007 by the City of Edinburgh Council's Property Manager (Asset Management), W. Miller, FRICS in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Properties regarded by the Authority as operational were valued on the basis of open market value for the existing use or where this could not be assessed, by the depreciated replacement cost method. The sources of information and assumptions made in producing the various valuations are set out in a valuation report. The Authority is not aware of any material changes in the asset values since the last revaluation and, as a result, revaluations have not been updated.



The land and building owned by the Authority and their valuation at 1st April, 2007 (the last valuation date) are as follows:

	Value 01.04.07 £'000
1. Buildings (11)	1,425
2. Land	602
3. Car Park	100
	<b>2,127</b>

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 13. Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated and financed. The movement in the Capital Adjustment Account is summarised in the "Movement in Reserves" **Note 10**.

#### 14. Government Grant Deferred

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant, the amount of grant is credited to the government grants deferred account and amortised over the expected useful lives of the appropriate assets to match the depreciation of the asset to which it relates.

	£'000	£'000
Balance as at 1st April 2008		(28,500)
Government Grants received	(6,895)	
Less: Grants amortised	225	(6,670)
Balance as at 31 <sup>st</sup> March 2009		(35,170)

There has been a refinement to accounting for amortisation of government grant to bring depreciation and amortisation into line. The effect of 2007-8 figures previously reported is immaterial.

#### 15. Cash Flow Statement

- (a) Reconciliation between the net surplus on the General Fund Balance and the Revenue Activities net cash flow.

	2007-8 £'000	2008-9 £'000
(Increase)/Decrease in General Fund Balance	8,568	(2,037)
Exclude Interest received	602	360
Exclude Contribution from Capital Account	(15,714)	0
	(6,544)	(1,677)
Add Increase in Stocks	24	4
Add Increase/(Decrease) in Revenue Debtors	(134)	15
Add Increase in Revenue Creditors	855	2,099
Revenue Activities Net Cash Flow	(5,799)	441

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 15. Cash Flow Statement

- (b) Reconciliation of the movement in cash and cash equivalents with the related items in the opening and closing balance sheets for the period.

	2007-8 £'000	2008-9 £'000
Due to/(from) City of Edinburgh Council at 31st March	798	905
Due to/(from) City of Edinburgh Council at 1st April	(2,385)	798
	3,183	107
Add (Increase)/Decrease in External Investments	6,130	(416)
Net (Increase)/Decrease in cost	9,313	(309)

#### 16. Officers Emoluments

The number of employees whose remuneration during the year exceeded £50,000 was:

	2007-8	2008-9
£ 50,001 - £ 60,000	-	2
£ 60,001 - £ 70,000	2	1
£ 70,001 - £ 80,000	1	-
£ 80,001 - £ 90,000	1	-
£ 90,001 - £100,000	-	1
£100,001 - £110,000	-	-
£230,001 - £240,000	1	-
	5	4

Remuneration is gross pay, compensation for loss of office and any other payments receivable on the termination of employment.

#### 17. Euro Costs

The costs involved to the Authority in respect of conversion to the Euro are not considered to be significant at this time.

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 18. Related Parties

During the year, the Authority entered into transactions with related parties including:

	2007-8 £'000	2008-9 £'000
Central Support Costs: City of Edinburgh Council	158	129
A8000/M9 Spur Upgrade - The City of Edinburgh Council	8,629	696
A8000/M9 Spur Grant - Scottish Government	(1,945)	0
Interest on Revenue Balances - The City of Edinburgh Council	219	55
Loans Fund - City of Edinburgh Council	(798)	(905)
Scottish Government Grant to cover Tolls abolition "one-off" costs	(3,500)	0
Scottish Government, one-off Capital Grant	(4,500)	0
Scottish Government Capital Grant-in-aid	0	(6,895)
Scottish Government Revenue Grant-in-aid	0	(7,070)

#### 19. FRS25, 26 and 29 – Financial Instruments

In accordance with FRS25 Financial Instruments: Presentation and Disclosures; FRS26 Financial Instruments: Recognition and Measurement; and FRS29 Financial Instruments: Disclosures; this note details the make up of financial instruments both assets and liabilities, the key risks the Authority is exposed to in its management of its financial instruments, and how those risks are managed.

The borrowings and investments disclosed in the Balance Sheet are made up of the following;

	Long-Term		Current	
	2007-8	2008-9	2007-8	2008-9
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost	0	0	807	909
<b>Total borrowings</b>	<b>0</b>	<b>0</b>	<b>807</b>	<b>909</b>
Loans and receivables	0	0	8,010	8,424
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>8,010</b>	<b>8,424</b>

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 19. FRS25, 26 and 29 – Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in 2008-09 in relation to financial instruments are made up as follows;

	Financial Liabilities		Financial Assets	
	Liabilities measured at amortised cost	Loans and receivables	Available-for- sale assets	Total
	£'000	£'000	£'000	£'000
Interest payable and similar charges	(55)	0	0	(55)
Interest income	0	398	0	398
<b>Interest and investment income</b>	<b>(55)</b>	<b>398</b>	<b>0</b>	<b>343</b>
Surplus arising on revaluation of financial assets	0	0	0	0
<b>Net gain/(loss) for the year</b>	<b>(55)</b>	<b>398</b>	<b>0</b>	<b>343</b>

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions;

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value,
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated for financial liabilities are as follows;

	2007-8		2008-9	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Balance due to CEC	798	798	905	905
Trade Creditors	6	6	4	4
<b>Financial liabilities</b>	<b>804</b>	<b>804</b>	<b>909</b>	<b>909</b>

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 19. FRS25, 26 and 29 – Financial Instruments

The fair values calculated for financial assets are as follows;

	2007-8		2008-9	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Loans and receivables	8,008	8,008	8,423	8,423
Trade Debtors	2	2	1	1
<b>Financial liabilities</b>	<b>8,010</b>	<b>8,010</b>	<b>8,424</b>	<b>8,424</b>

Note: Accrued interest of £0.021m on external deposits is not included in the above figures

#### Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks are;

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

#### Overall Procedures for Managing Financial Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Authority complies with the CIPFA Prudential Code, and has adopted the CIPFA Treasury Management in the Public Services Code of Practice.

Treasury Management is carried out on behalf of the Authority by The City of Edinburgh Council's Treasury Team who undertake the overall financial risk management on behalf of the Authority.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are with banks, building societies, and other institutions in line with the Authority's prevailing Counterparty Limits. These limits are set by the Authority's Treasury Policy Statement, and have been restricted further in light of market conditions.

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 19. FRS25, 26 and 29 – Financial Instruments

##### Credit Risk

Throughout the worsening economic conditions and the difficulties encountered by Banks both in the UK and globally over the last two years, actions have been taken in respect of FETA's investments to manage the risk to which the Authority was exposed. Before the difficulties encountered by Northern Rock which needed emergency funding from the Bank of England as lender of last resort in mid-September 2007, it had become apparent that there were likely to be on-going difficulties with the ex-building society banks. Discretion was therefore exercised in early summer 2007 not to place further deposits with these institutions. Similarly, in autumn 2008, further operational restrictions were placed on the counterparties with whom the Authority placed deposits in light of the escalating banking crisis. To diversify the Authority's counterparty exposure, the Authority's funds were added to the funds of the City of Edinburgh Council, Lothian Pension Fund and some other bodies which are pooled for investment purposes as a Treasury Cash Fund. This allowed a better management of the Authority's risk in exceptional financial and market circumstances. At 31 March 2009, over 40% of the Authority's investments were represented by short term loans to other local authorities, reducing significantly the Authority's counterparty risk. A full list of the Authority's investments at 31 March 2009 is contained in the Investment Strategy Report approved by the Authority in April 2009.

The following analysis summarises the Authority's potential exposure to credit risk, based on experience of default assessed by the ratings agencies and the Authority's historical experience of its customer collection levels, adjusted to reflect current market conditions.

	Amount at 31 March 2009	Historical experience of default**	Adjustment for market conditions at 31 March 2009	Estimated possible exposure to default
	£'000 (a)	% (b)	% (c)	£'000 (a x c)
Local Authorities	3,427	0.00%	0.00%	0
AAA rated counterparties	317	0.00%	0.00%	0
AA rated counterparties	2,662	0.06%	0.06%	2
A rated counterparties	2,017	0.65%	0.65%	13
Trade debtors	1	1.80%	2.47%	0
	<b>8,424</b>			<b>15</b>

\*\* The historical experience of default has been taken from Fitch and gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2007 on investments out to 5 years.



## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 19. FRS25, 26 and 29 – Financial Instruments

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. In October 2008 the Icelandic banking sector defaulted on its obligations. The Authority has never had any exposure to Icelandic Banks, and had no investments in the sector at that time.

All Authority invoices become due for payment on issue, and trade debtors past due date can be analysed by age as follows;

	£'000
Less than three months	0.5

Collateral – During the reporting period the Authority held no collateral as security.

#### Liquidity Risk

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loans Board (PWLB) provides access to longer term funds, it would also act as a lender of last resort to the Authority if necessary. The Authority is also required by statute to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Nonetheless the City of Edinburgh Council, on the Authority's behalf, monitors the maturity profile of its investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs.

The Authority manages its liquidity position through the risk management procedures above as well as through cash flow management procedures required by the Code of Practice.

#### Refinancing and Maturity Risk

The Authority has a small investment portfolio, but no long term debt at present. The refinancing risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. As such, the Authority has no refinancing risk on its liabilities.

The Authority currently has no financial liabilities in terms of borrowings. All trade and other payables are due to be paid in less than one year and the Authority has trade creditors of £4,096 and £905,411 due to the City of Edinburgh Council.

The Authority has no investments with a maturity greater than one year.

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 19. FRS25, 26 and 29 – Financial Instruments

##### Market risk

**Interest rate risk** - The Authority is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects;

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

The Authority currently has no borrowings, other than monies owed to the City of Edinburgh Council. Changes in interest receivable on variable rate investments will be posted to the Income and Expenditure Account and affect the Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses (Page 12). However, all investments currently have a maturity of less than one year and the fair value has therefore been approximated by the outstanding principal.

The Authority's investments are managed on its behalf by the City of Edinburgh Council's Treasury Team as part of a pooled cash fund arrangement. The Treasury Team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. However, in setting the strategy, security of the investment has always the overriding consideration followed by the need for the appropriate level of liquidity, and investment return thereafter.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be;

	<b>£'000</b>
Increase in interest receivable on variable rate investments	(41)
Increase in interest payable on variable rate borrowings	14
<b>Impact on Income and Expenditure Account</b>	<b>(27)</b>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

## FORTH ESTUARY TRANSPORT AUTHORITY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009 NOTES TO THE FINANCIAL STATEMENTS

#### 19. FRS25, 26 and 29 – Financial Instruments

##### Price risk

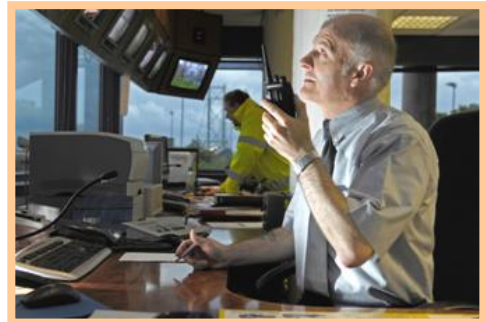
The Authority does not invest in equity shares.

##### Foreign exchange risk

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

#### 20. Grant Funding

As detailed in the Foreword; Scottish Ministers replaced the former bridge toll income by way of direct grant funding. Separate Grant-in-Aid is offered in respect of budgeted revenue costs of maintaining and operating the Forth Road Bridge, and for the capital spending programme agreed between the Scottish Ministers and the Forth Estuary Transport Authority.



The Grant-in-Aid received for 2008-9 was;

	<b>£'000</b>
Revenue	7,070
Capital	6,895
	<b>13,965</b>

# FORTH ESTUARY TRANSPORT AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR TO 31<sup>st</sup> MARCH 2009

### Statement of Responsibilities for the Financial Statements

#### 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 safeguard its assets.

#### The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Financial Statements which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"), is required to give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31st March 2009).

In preparing these Financial Statements, 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 of Practice, except where stated in the Policies and Notes to the core financial statements.

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.

#### The Financial Statements

The Financial Statements give a true and fair view of the financial position of the Forth Estuary Transport Authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

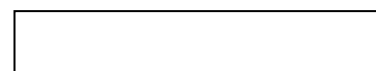
Donald McGougan, CPFA,  
Treasurer.

Date signed : 5<sup>th</sup> June 2009

## FORTH ESTUARY TRANSPORT AUTHORITY

### Statement on the System of Internal Financial Control for the year to 31<sup>st</sup> March 2009

1. This statement is given in respect of the Financial Statements for the Forth Estuary Transport Authority (FETA). I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.
2. 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.
3. 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. The system is maintained and developed by FETA management and includes:
  - Comprehensive budgeting systems;
  - Regular reviews of periodic reports that measure financial performance against forecasts;
  - Targets against which financial and operational performance can be assessed;
  - Preparation of regular financial reports that compare expenditure with plans and forecasts;
  - Clearly defined capital expenditure guidelines; and
  - As appropriate, formal project management disciplines.
4. The Internal Audit Function is provided by The City of Edinburgh Council's Internal Audit Section. The Section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government and complies with the ISO 9001:2008 quality standard. The Section's annual programme is based on formal assessments of risk and audit needs in line with the agreed Audit Strategy. The Section reports directly to the Treasurer of the Authority and, where necessary, to members and employees of the Authority. The Chief Internal Auditor has provided me with an assurance statement that contains his views on the adequacy and effectiveness of the system of internal financial control.
5. My review of the effectiveness of the system of internal financial control is informed by:
  - The Chief Engineer & Bridgmaster's assurance certificate on internal controls;
  - The work of managers within the Authority;
  - The work of the internal auditors as described above; and
  - The external auditors in their annual audit letter and other reports.
6. Having reviewed the above, it is my opinion that reasonable assurance can be placed on the adequacy and effectiveness of the Authority's internal control system.



Donald McGougan, CPFA,  
Treasurer.

Date signed : 5<sup>th</sup> June 2009

## FORTH ESTUARY TRANSPORT AUTHORITY


### Statement of Assurance on Corporate Governance for the year to 31<sup>st</sup> March 2009

The Forth Estuary 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, properly accounted for and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for governance of the Authority's affairs and stewardship of the resources at its disposal. To this end the Authority adopted a Local Code of Corporate Governance in June 2006, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE framework.

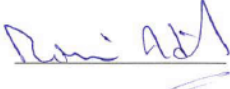
The Authority has put in place arrangements, detailed within the Local Code, for monitoring each element of the framework and providing evidence of annual compliance.

During the year, the Chief Internal Auditor has undertaken a review of changes in the current arrangements and has indicated that he is satisfied the Code is adequate and effective. He has also indicated that satisfactory evidence has been provided to allow him to conclude the arrangements are fully compliant with requirements of the latest guidance issued by CIPFA / SOLACE


Arrangements have also been put in place to support the Treasurer's Statement on Internal Financial Controls.



**Tony Martin**  
Convener



**Ronnie Hinds**  
Chief Executive



**Barry Colford**  
Chief Engineer and Bridgemaster

# **FORTH ESTUARY TRANSPORT AUTHORITY**

## **Independent Auditor's Report**

### **Independent auditor's report to the members of the Forth Estuary Transport Authority and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of the Forth Estuary Transport Authority for the year ended 31 March 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### **Respective responsibilities of the Treasurer and auditor**

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the financial statements.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Forth Estuary Transport Authority and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, the local government body has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises the List of Members and Officials, Explanatory Foreword by the Treasurer, and the Statement of Assurance on Corporate Governance. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.



# FORTH ESTUARY TRANSPORT AUTHORITY

## Independent Auditor's Report

### Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Forth Estuary Transport Authority's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Forth Estuary Transport Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Alasdair Craik FCCA  
Senior Audit Manager  
Audit Scotland – Audit Services  
Osborne House  
1/5 Osborne Terrace  
Edinburgh  
EH12 5HG

30 September 2009