



The PPP Arbiter

**Report and Accounts
2008-09**

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Part 1

Arbiter's report

Introduction

This report is presented together with the audited Financial Statements for the year ended 31 March 2009.

An outline of the principal activities of my Office is given in the Management Commentary in Part 3.

1. The role, functions and duties of the PPP Arbiter

The role of the PPP Arbiter ('the Arbiter') was established by the Greater London Authority Act 1999. The Secretary of State appointed me as the first Arbiter with effect from 31 December 2002, the date of commencement of the Tube Lines contract. My appointment has since been extended to 30 December 2010.

The Arbiter is independent of Government and of the PPP Parties. I can only be dismissed on grounds of incapacity or misbehaviour, or for unreasonable delay in the discharge of my functions.

Statutory provisions

Under the provisions of the GLA Act, the Arbiter has two principal functions:

- to give directions on matters specified in the PPP Agreements, when referred to him by one of the Parties to a PPP Agreement; and
- to give guidance on any matter relating to a PPP Agreement, when asked to do so by either (or both) of the Parties to a PPP Agreement.

The Arbiter is also empowered to do 'all such things as he considers appropriate for or in connection with the giving of a direction or guidance and ... do such other things as he considers necessary or expedient ... for purposes preparatory or ancillary to the giving of directions or guidance generally ... notwithstanding that there is no matter in relation to which a direction or guidance is required'. The powers conferred on the Arbiter are exercisable therefore on the giving of directions and guidance or in circumstances preparatory or ancillary to the giving of a direction or guidance.

The Arbiter's functions in respect of directions are limited by the terms of the PPP Agreements: if there is no specific provision in a PPP Agreement for the Arbiter's involvement, then disputes are dealt with through contractual routes.

In giving directions or guidance, the Arbiter is under a statutory duty to 'act in the way he considers best calculated to achieve' four objectives. These are:

- to ensure that London Underground has the opportunity to revise its requirements under the PPP Agreements if the proper price exceeds the resources available;
- to promote efficiency and economy in the provision, construction, renewal, or improvement and maintenance of the railway infrastructure;
- to ensure that if a rate of return is incorporated in a PPP Agreement, and taking into account matters specified in the Agreement, a company which is efficient and economic in its performance of the requirements in that PPP Agreement would earn that return; and

- to enable the Infracos to plan the future performance of the PPP Agreements with reasonable certainty.

In giving directions or guidance, the Arbiter is also under a duty to take account of any factors which are notified to him by both Parties, or are specified in the relevant PPP Agreement, as ones to which he must have regard.

The Arbiter has no unilateral power to change, or propose to change, provisions in the PPP Agreements. Even where he has made a direction on a disputed matter within his remit, the PPP Parties may, under the provisions of the GLA Act, jointly agree to set it aside.

Role of the Arbiter in contract reviews

The PPP Agreements anticipate the Arbiter being asked to give directions principally in relation to Periodic Reviews, which will take place every 7½ years. The matters that are most likely to be the cause of a reference for directions fall into the following categories:

- form and structure of the Review;
- change in risk;
- costs and the level of Infrastructure Service Charge (ISC);
- financing; and
- interim ISC.

The Arbiter may also become involved in an Extraordinary Review, which deals with increases in costs between Periodic Reviews.

Guidance from the Parties

In carrying out his functions the Arbiter must take account of any matters that are notified to him as factors to which he must have regard: these include expectations that:

- the Arbiter follows open and transparent procedures at a Periodic Review;
- London Underground, Infracos and their respective stakeholders (including the Mayor and TfL) will be invited to submit representations on the matters in question;
- the Arbiter would take expert advice on matters where he would be better informed by expert opinion and he would make available to the Parties the terms of reference of those advisers and a summary of their advice;
- the Arbiter will provide the Parties with provisional conclusions on the matters referred and that the Parties would then be given the opportunity to respond to those provisional conclusions;
- the Arbiter will have regard to the credit rating of the Infraco immediately prior to the Periodic Review;

- the Arbiter would consider joint advice from a financial adviser appointed by the Parties in relation to the likely levels of finance available in the market; and
- the Arbiter recognises that there are alternative procurement approaches including fixed price contracting to coincide with a Review but also procuring works at appropriate points through the Review Period and performing operating and maintenance activities in house.

I have indicated that I will give due regard to the guidance and that I will generally follow it insofar as it does not conflict with my statutory duties.

2. Management composition

The Office and senior managers

To support me in exercising my statutory functions, I have established a small permanent Office and make use of specialist external advisers.

During 2008–09, Gaynor Mather continued to hold the post of Director.

The Advisory Board

I exercise my functions as PPP Arbiter as an individual. However, I attach particular importance to the Office maintaining its technical credibility and independence from both Government and the PPP Parties and to its following appropriate best practice in its governance and procedures. To that end, I have established a non-statutory Advisory Board, which I chair, and which also includes the Director and five non-executive members.

The non-executive members of the Board in 2008-09 were Andrew Géczy, Peter Gray, Keith Lloyd, John O'Brien and John Thomas. My aim is to ensure that the non-executive members bring a wide range of experience and also have sufficient experience to operate in the roles of Audit and Remuneration Committees.

As a non-statutory body, the Advisory Board has no formal powers; exercising the functions of Arbiter under the provisions of the GLA Act remains my sole responsibility. I normally consult the Advisory Board on:

- my procedural framework and approach to giving guidance and directions;
- the handling and content of specific references for guidance or directions;
- the forward business plan and budget;
- individual items of expenditure exceeding £50,000; and
- external relations, including major policy statements or speeches.

The Arbiter and non-executive members of the Advisory Board sit as an Audit Committee at least three times a year and (without the Director) as a Remuneration Committee at least once each year.

The role of the Audit Committee is to advise me on matters such as:

- the Arbiter's internal and external financial statements and reports and the incorporation of current best practice;
- the nature and scope of each forthcoming audit in conjunction with, and at the request of, the National Audit Office;
- my response to relevant reports by the Comptroller and Auditor General, including reports on the Arbiter's Financial Statements, achievement of value for money and the response to any management letters;
- effectiveness of the internal control system established in ensuring that the aim, objectives and key performance targets of the Office are achieved in the most economic and effective manner;
- whether the internal audit service meets, or exceeds, the standards specified in the Government Internal Audit Standards, and complies in all other respects with these guidelines and meets agreed levels of service;
- the annual and long-term audit programme;
- my response to internal audit reports, including value-for-money reports and the arrangements for their implementation; and
- best financial practice, use of resources and governance, and effective risk management.

The Remuneration Committee advises me on:

- best practice, on the use of resources and risk management in relation to remuneration matters;
- the long-term remuneration strategy for staff and the mix between use of internal and external resources; and
- recommendations made by the Director in respect of Office staff remuneration and benefits.

Register of Interests

Relevant interests of the Arbiter, senior managers and non-executive Advisory Board members are noted in the Register of Interests which is published on my website.

3. Accountability and audit

Form of accounts

The Financial Statements for the year 2008-09 have been prepared in accordance with a Financial Framework agreed by me with the Department for Transport and brought into effect on 14 April 2003 and updated on 1 March 2006 and with the Form of Accounts that I have agreed with the Secretary of State for Transport¹, as modified by the adoption of the Financial Reporting Manual (FReM).

¹ See Annex 1.

Remuneration and pensions

Details and disclosures in relation to remuneration and pensions may be found in the Remuneration Report at Part 2 and the Notes to the Financial Statements.

Auditors

External audit is provided by the Comptroller and Auditor General whose opinion is included within the Financial Statements. An amount of £1,150 (including VAT) was charged in respect of preparation for the move to IFRS. The fees for external audit for 2008-09 were £10,350 (including VAT). No other non-audit work was undertaken by the National Audit Office.

Disclosure of information

As far as I am aware, there is no relevant audit information of which the entity's auditors are unaware and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Creditor payment policy

The Office achieved its internal target of making 95% of all payments within 10 days of receipt of agreed invoices thus maintaining its credit worthiness and payment reliability.

Charitable donations

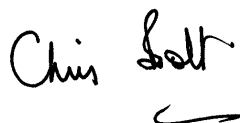
No charitable donations have been made.

Business review

A review of the business may be found in the Management Commentary in Part 3.

Date of issue

I authorise the accounts for issue on 29 June 2009.

A handwritten signature in black ink that reads "Chris Bolt". Below the signature is a simple horizontal line.

Chris Bolt
PPP Arbiter
29 June 2009

Part 2

Remuneration report

Overview

The Secretary of State, in pursuance of the powers conferred by section 226(2) of the Greater London Authority Act 1999, determines the Arbiter's remuneration. Annual increases are generally determined in line with the Government's decisions on pay increases for comparable posts in the Senior Civil Service. The Arbiter is not eligible for bonuses.

The Arbiter is empowered to appoint such staff, and on such terms and conditions as he determines, subject to any restrictions in the terms of his appointment. The only such restriction in my appointment is that to maintain eligibility of staff for membership of the Principal Civil Service Pension Scheme, I am required to seek the Secretary of State's approval before appointing staff under terms and conditions which are not broadly comparable to those for similar work in the civil service. Staff employed by the Arbiter are not, however, civil servants.

The remuneration policy for staff is set by me with advice from the Remuneration Committee, and is described below. Individual remuneration packages are determined by me within the framework of this policy, following consultation with the Remuneration Committee.

1. Remuneration policy and performance appraisal methods

Remuneration policy principles

My policy is to remunerate staff fairly, taking into account individual performance, so as to facilitate the recruitment, retention and motivation of suitably qualified personnel.

The policy is reviewed annually, taking account of external benchmarking and Government decisions relating to the Senior Civil Service.

The basis of performance assessment of staff broadly reflects that applied to the Senior Civil Service.

Yearly performance targets are based on the work programme established in the annual Business Plan, which is submitted to the Secretary of State for Transport under the terms of the Financial Framework and is published. Performance is reviewed regularly, with formal appraisals both mid-year and at the end of the financial year. Salaries are reviewed each year and adjusted in light of overall performance in the previous year and any changes in responsibilities.

Staff are eligible for a discretionary annual bonus based on performance.

Non-executive members of Advisory Board

In accordance with their contracts of employment, the non-executive members are not eligible for pensions, bonuses or benefits available to other members of staff. The increase in their remuneration is determined by the Arbiter on a basis which reflects Government decisions on increases for office holders.

2. Service contracts

The Arbiter has service contracts with each of his staff and non-executive members of the Advisory Board, other than John Thomas (who has a service contract with the Office of Rail Regulation).

The contract of the Director, Gaynor Mather commenced on 2 June 2003 and was originally for a duration of four years. This contract was extended indefinitely on 27 April 2007 in line with normal employment conditions.

Other than in exceptional circumstances, it is my current policy that such contracts contain a notice period of thirteen weeks. I may, at my discretion, elect to make payment in lieu of notice or require that paid leave is taken in lieu of working the notice period.

I may also, at my discretion, place conditions on future employment of staff with PPP Companies as defined in s210(5) of the Greater London Authority Act 1999, their advisers, associates or related third parties (including Transport for London) or any contractor to a PPP Company with a contract valued in excess of £25m.

Three non-executive members of the Advisory Board – John O'Brien, Keith Lloyd and Peter Gray were originally appointed on 1 October 2003. These appointments have been extended to 30 December 2010. Andrew Géczy was appointed on 1 July 2007 and his appointment also extends to 30 December 2010. The notice period for remunerated non-executives is the same as that for the Director.

John Thomas, Director of railway markets and economics at the Office of Rail Regulation, was appointed as a non-executive member of the Advisory Board on 9 May 2006 and has also been extended to 30 December 2010. His position is unremunerated.

No termination payments were made to any directors or staff and no compensation payments have been made to former senior managers during the year.

3. Individual aspects of remuneration – audited

Figure 1: Emoluments of the Arbiter, Director and Non-Executive Members of the Advisory Board

Person	Position held	Time	Salary £	Benefits in kind ³ £	Pension amount ⁴ £	Total year ended 31 March 2009 £	Total year ended 31 March 2008 £
Chris Bolt	Arbiter	2 days per week	70,366	n/a	21,000 ¹	91,366	90,650
Gaynor Mather ²	Director	4 days per week	140,507	2,000	29,971	172,478	167,981
Peter Gray	Non-executive	2 days per month	16,990	n/a	n/a	16,990	16,416
Andrew Géczy	Non-executive	2 days per month	16,990	n/a	n/a	16,990	12,312
Keith Lloyd	Non-executive	2 days per month	16,990	n/a	n/a	16,990	16,416
Karsten Muller	Non-executive	nil	nil	nil	nil	nil	4,104
John O'Brien	Non-executive	2 days per month	16,990	n/a	n/a	16,990	16,416
Total			278,833	2,000	50,971	331,804	324,295

Notes:

- ¹ For further details of the Arbiter's pension see Part 4 of this report and Note 12 in the Notes to the Financial Statements.
- ² The Director was full time for a period of three weeks in August 2008. The salary figure includes the full time salary for this period.
- ³ Benefits in kind, stated to the nearest £100, relate solely to private health insurance, which is not available to the Arbiter or the non-executive members of the Advisory Board.
- ⁴ Pension amounts for the Director include the purchase by the employer of added years' entitlement to pension benefit of £5,636.

4. Pension benefits – audited

The Director is a member of the Principal Civil Service Pension Scheme (PCSPS). Her pension disclosure, provided by Central Pay and Pensions, the Department for Transport's Authorised Pensions Administration Centre, who prepare the scheme statements, is explained in the following table:

Figure 2: Pension entitlement of the Director

Person	Position held	1 £'000	2 £'000	3 £'000	4 £'000	5 £'000	6 £'000
Gaynor Mather	Director	0-2.5	10-15	96	119	3	13

Notes:

1 = Real increase in pension.

2 = Total accrued pension at age 60 at 31 March 2009.

3 = Cash Equivalent Transfer Value (CETV) at 31 March 2008.

4 = Cash Equivalent Transfer Value (CETV) at 31 March 2009.

5 = Employee contributions and transfers in 2008-09.

6 = Real increase in CETV as funded by employer.

The Arbiter is a member of a pension arrangement broadly by analogy with the Principal Civil Service Pension Scheme. This took effect from 31 December 2002, the date of my appointment as PPP Arbiter. This is a one person pension scheme. The scheme is unfunded, with benefits being paid as they fall due from Grant in Aid from the Department for Transport. I make a contribution of 3.5 per cent of my pensionable pay.

A full actuarial valuation of the Arbiter's by analogy scheme was carried out on 6 March 2009 by a qualified independent actuary. The scheme liability at 31 March 2009 was £164,000. The major assumptions used by the actuary were:

Financial assumptions	31 March 2009	31 March 2008
Inflation assumptions	2.75%	2.75%
Rate of increase in salaries	4.29%	4.30%
Rate of increase for pensions in payment and deferred pensions	2.75%	2.75%
Discount Rate	6.04%	5.30%

Figure 3: Disclosures of the Arbiter's unfunded pension scheme by-analogy to the PCSPS

Figures stated in bands of £5k						
1 £'000	2 £'000	3 £'000		4 £'000		5 £'000
70 - 75	65 - 70	5 - 10	nil	0 - 2.5	nil	139

Notes:

1 = Salaries and other allowances for the year ending 31/03/2009.

2 = Salaries and other allowances for the year ending 31/03/2008.

3 = Accrued benefits at pension age as at 31/03/2009: Pension
: Lump sum.

4 = Real increase in benefits at pension age : Pension
: Lump sum.

5 = Cash Equivalent Transfer Value (CETV) at 31 March 2009.

Further details may be found at Note 12 in the Notes to the Financial Statements.

Chris Bolt
PPP Arbiter
 29 June 2009

Part 3

Management commentary

1. Activities during the reporting year

Work in 2008-09 focussed on preparing for the Periodic Review of the Tube Lines PPP agreement. Key work streams were:

- the Initial Ranges reference, which suggested costs for the second Review Period of £5.1 - £5.5 billion;
- reference follow up work that reviewed my approach and methodology; this review identified some areas where further preparatory work would be of value in improving the robustness of the analysis and benchmarks underpinning the Arbiter's analysis and in reducing further remaining areas of difference;
- preparation and publication of the Procedural and Analytical Approach documents for Periodic Review which form part of my overall Procedural Framework; these documents provide greater transparency on the approach that I am minded to adopt in any Periodic Review references and also set out the data that the Parties should supply to me in both reference submissions and by Tube Lines in support of its Response to Restated Terms due at the end of June 2009;
- completion of the first round of a significant international benchmarking study that will inform my view of costs for Review Period 2; and
- commencement of work to update my view of the costs for Review Period 2 following issue by London Underground of its Restated Terms for the contract in the second Review Period in preparation for any Periodic Review references.

In addition I have provided significant input into the report prepared by the National Audit Office (NAO) on the failure of Metronet including providing to it the analysis of costs undertaken as part of the Extraordinary Review of Metronet BCV in 2007. This formed the start point for the NAO's analysis of the cost to the taxpayer of the failure of these companies.

As has been the case in previous years, the work programme has been challenging for the small OPPPA team but has been delivered broadly as planned. Amendments to the work programme set out in last year's plan have only been made where it was more effective in the circumstances to change the timing of delivery.

My Office is funded by Grant in Aid from the Department for Transport. The original budget for 2008-09 was £3,300,000. Following an interim revision in October 2008, immediately following the Initial Ranges reference, the budget was further reviewed in January 2009 to take account of additional preparatory work for the Periodic Review. This additional work is being undertaken in order to reduce the amount of time it will take to complete a full scale costs/ISC reference during 2009-10 should one be made. The revised budget of £3,656,000 was agreed by DfT in February 2009.

2. Future plans

The business plan for 2009-10 has been developed on the basis that the focus will be on the Periodic Review for Tube Lines throughout the course of the year. Allowance is made within the budget for a full scale cost (and ISC) reference. To prepare for this, I will continue to undertake my own analysis, to enable any reference to be completed quickly.

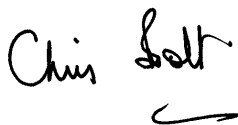
Preparatory work also has the advantage of reducing the time taken by the analytical phase of a reference. I consider this to be an important contribution to meeting the already challenging timetable for the review, particularly when it appears that material affordability issues will have to be resolved.

In respect of Metronet, my workload remains unclear. I am currently not planning for references in respect of the Metronet Infracos. However, for the purposes of comparison with Tube Lines, I will continue to require access to Metronet data and costs and an understanding of the processes by which the information has been prepared. This work would also be of value if I was asked to report on the value for money of Metronet as envisaged in the recent NAO and GLA Transport Committee reports.

3. Going concern

The PPP Arbiter is entirely funded by Grant in Aid from the Department for Transport. The Business Plan for 2008-09 originally established a budget of £3,300,000. As mentioned above, in recognition of the need to undertake additional work in preparation for the Periodic Review, this was increased during the year by £350,000, with the agreement of the Department for Transport, giving a total amount of Grant in Aid received of £3,650,000. This compares to £3,045,000 in 2007-08. Further details may be found at Note 2 in the Notes to the Financial Statements.

The deficit shown on the Balance Sheet is attributable in the main to my by-analogy pension (see Note 12), which is unfunded. On the basis of current financial projections and my expectation of future Grant in Aid, I expect to have adequate resources to exercise my statutory functions for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements. I have obtained assurances from the Department for Transport that sufficient funds will be made available to meet my future pension entitlement.



Chris Bolt
PPP Arbiter
29 June 2009

Part 4

Financial statements

Statement of the PPP Arbiter's and the Accounting Officer of the Department for Transport's Responsibilities

Under the Financial Framework agreed between the Arbiter and the Accounting Officer of the Department for Transport brought into effect on 14 April 2003 and renewed on 1 March 2006, the Arbiter is required to prepare Financial Statements in the form and on the basis agreed with the Secretary of State for Transport, with the consent of Treasury. The Financial Statements are prepared on an accruals basis to give a true and fair view of the Arbiter's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the Financial Statements the Arbiter is required to:

- observe the Form of Accounts agreed with the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards had been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless inappropriate to presume that the Arbiter would continue in operation.

The Arbiter is responsible to the Accounting Officer of the Department for Transport for ensuring: that the Financial Statements are properly presented and records relating to the Financial Statements properly maintained; that the resources are used economically, efficiently and effectively; and that adequate internal expenditure controls are introduced and maintained.

The Accounting Officer of the Department for Transport must be satisfied that the financial and other controls are appropriate and sufficient to safeguard public funds.

Statement on Internal Control

Scope of responsibility

As Arbiter, I have responsibility for maintaining a sound system of internal control that supports me in carrying out my functions under the Greater London Authority Act 1999, and the achievement of my policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Framework agreed with the Department for Transport.

The purpose of the system of internal control

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

The system of internal control was first put in place during the year ended 31 March 2004 and has continued in place up to the date of approval of this report and accounts, and accords with Treasury guidance.

Capacity to handle risk

I have delegated to the Director of the Office of the PPP Arbiter responsibility for the operation of the risk management processes, in particular to take accountability for the periodic internal and annual review processes. All members of staff participate in the processes by reviewing the existing register and adding or amending it in accordance with the agreed methodology which includes review by the Audit Committee.

Responsibility for mitigation is shared amongst the team based on each person's own area of accountability and/or expertise. Using their experience, and taking advice where appropriate, members of staff are expected to identify current best practice when they generate mitigation plans for each of the risks that they are assigned to manage.

The risk and control framework

Risks are controlled in accordance with procedures set out in two Office documents: the Governance Arrangements and the Financial Procedures Manual. These documents include descriptions of the approaches to risk management and information handling which have been adopted, the format of the risk register and the controls which the Arbiter has placed on procurement, payment and accounting.

The risk register is used to inform the development of the Office's work programme and as such forms part of the process of developing the Business Plan which is submitted annually to the Department for Transport. Reporting arrangements, including regular meetings with DfT officials, are in place so that the occurrence of any risk with a potential impact on the use of public

funds can be reported expeditiously and the cost implications considered with the Department.


The risk register and Data Protection Policy are kept under review during the reporting year to ensure that they remain consistent with developing policies and procedures. Progress towards establishing mitigation and or management plans forms part of the Work Programme on which the Office reports to the Advisory Board each month. As Arbiter, I am ultimately responsible for decisions about mitigation of risks, but I take advice from my Advisory Board which sits as an Audit Committee at least three times a year.

Information assurance

In addition to the Arbiter's general risk procedures, I have also recognised the fundamental importance of obtaining robust information and protecting its confidentiality, and protecting the confidentiality of personal data. I have therefore implemented a comprehensive Data Protection Policy which reflects appropriate and proportional measures to manage information risk. Framework agreements with external advisers also include information and confidentiality clauses and instructions on document control management to ensure that they comply with my confidentiality requirements. These measures are reviewed as part of the risk register by the Audit Committee, and are reported upon quarterly to the Department for Transport in accordance with Cabinet Office guidelines. To date, there have not been any information risk incidents which have required a report to the Information Commissioner.

Review of effectiveness

As Arbiter, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Director and staff within the Office and comments made by the external auditors in their management letter and other reports. I am also advised on the effectiveness of the system of internal control by my Advisory Board in its role as Audit Committee, and any views expressed by the internal and external auditors on the risk management process and risk register are reported to the Audit Committee. I ensure that a plan to address any weaknesses and ensure continuous improvement of the system is in place.

A handwritten signature in black ink that reads "Chris Bolt". Below the signature is a small, simple arrow pointing to the right.

Chris Bolt
PPP Arbiter
29 June 2009

Opinion of the Comptroller and Auditor General

THE PPP ARBITER

THE INDEPENDENT AUDITOR'S REPORT TO THE PUBLIC-PRIVATE PARTNERSHIP AGREEMENT ARBITER AND THE SECRETARY OF STATE FOR TRANSPORT

I have audited the financial statements of the PPP Arbiter for the year ended 31 March 2009. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the PPP Arbiter and auditor

The PPP Arbiter is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the form of accounts agreed with the Secretary of State for Transport, with the consent of HM Treasury. These responsibilities are set out in the Statement of the PPP Arbiter's Responsibilities.

My responsibility is to audit the financial statements, and the part of the Remuneration Report to be audited, in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the agreement with the Secretary of State. I report to you whether, in my opinion, the information, which comprises the Arbiter's Report and the Management Commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the PPP Arbiter has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the PPP Arbiter's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the PPP Arbiter's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Arbiter's Report and the Management Commentary. 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.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the PPP Arbiter in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the PPP Arbiter'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.


Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the agreement with the Secretary of State for Transport, of the state of PPP Arbiter's affairs as at 31 March 2009 and of its Net Operating Cost, Recognised Gains and Losses, Net Liabilities and Cash Flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the agreement with the Secretary of State for Transport; and
- information, which comprises the Arbiter's Report and the Management Commentary, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



Janet Angus
Director
For the Comptroller and Auditor General
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Date 30/6/09

Operating Cost Statement for the year ended 31 March 2009

	Notes	2008-09	2007-08 (Restated)
		£	£
Expenditure			
Staff costs	3	950,190	914,695
Depreciation and related costs	4	9,780	26,194
Third Party Advisers	5	2,357,338	1,877,578
Other expenditure	6	269,597	278,921
Notional cost of capital	7	(14,900)	(12,604)
Other finance costs	12	8,000	6,000
Lease finance costs	13	5,374	3,583
Total Expenditure		3,585,379	3,094,367
Add back: Notional cost of capital		14,900	12,604
Net operating cost for the year		3,600,279	3,106,971

Statement of total recognised gains and losses

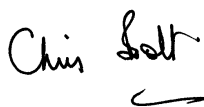
Net operating cost for the year		3,600,279	3,106,971
Actuarial (gain)/deficit	12	(2,000)	(13,000)
Total recognised losses for the year		3,598,279	3,093,971
Total recognised losses since last annual report		3,598,279	3,093,971

The Notes on pages 28-38 form part of these Financial Statements. All amounts relate to continuing activities.

Balance Sheet as at 31 March 2009

	Notes	31 March 2009	31 March 2008 (Restated)
		£	£
Fixed Assets			
Fixed Assets	8	15,796	25,576
		15,796	25,576
Current Assets			
Debtors and other receivables	9	17,000	14,804
Cash and cash equivalents	10	91,669	8,395
		108,669	23,199
Current Liabilities			
Trade and other payables: amounts falling due within one year	11	(81,627)	(85,748)
Lease Liability	13	(4,954)	(1,371)
Net Current Assets/(Liabilities)		22,088	(63,920)
Net Assets/(Liabilities) excluding Pension Provision		37,884	(38,344)
Non-current Liabilities			
Provision for the PPP Arbiter's by analogy pension	12	(164,864)	(135,403)
Finance Lease Liability	13	nil	(4,954)
Net Liabilities including Pension Provision		(126,980)	(178,701)
Capital & Reserves			
Accumulated Reserve	15	(126,980)	(178,701)
		(126,980)	(178,701)

The Notes on pages 28-38 form part of these Financial Statements. All amounts relate to continuing activities.



Chris Bolt
PPP Arbiter
 29 June 2009

Cash Flow Statement for the year ended 31 March 2009

	Notes	2008-09	2007-08 (Restated)
		£	£
Net cash outflows from Operating Activities	14	(3,559,981,)	(3,089,544)
Financing : Grant in Aid received	2	3,650,000	3,045,000
Interest in respect of finance lease	13	(5,374)	nil
Capital repayments	13	(1,371)	(6,745)
Increase/(Decrease) in Cash in the Year		83,274	(51,289)

The Notes on pages 28-38 form part of these Financial Statements. All amounts relate to continuing activities.

Notes to the Financial Statements

Note 1: Statement of Accounting Policies

A: Accounting Conventions

These accounts have been prepared under the historic cost convention. IT fixed assets which are leased to the Office by ORR under an IT lease support agreement have been treated as a finance lease agreement under SSAP 21. This has resulted in the restatement of the 2007-08 Operating Cost Statement, Balance Sheet and the relating notes. Further details are outlined in Note 1, H: Fixed Assets and Note 13.

B: Form of accounts

The financial statements are prepared in accordance with the Form of Accounts agreed between the Arbiter and the Secretary of State for Transport and dated 18 March 2004 as modified by the adoption of the FReM.

C: Grant in Aid

The Office of the PPP Arbiter is funded solely by Grant in Aid from the Department for Transport.

D: Staff pension scheme

The Arbiter's staff are eligible to join the Principal Civil Service Pension Scheme (PCSPS). This provides staff with the option to choose between a defined benefit and a defined contribution scheme. All employer contributions are made in accordance with the rules of the scheme and are charged to the Operating Cost Statement as they are incurred.

The PCSPS is an unfunded multi-employer defined benefit scheme and the Arbiter is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out in February 2009. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employer's contributions of £103,417 (2007-08: £110,085) were payable to the PCSPS at one of four rates in the range of 19.5 to 25.5 percent of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. No current employees have opted to become a member of this scheme therefore employer's contributions were: nil (2007-08: £752). Equally employer contributions of: nil (2007-08: £39) were payable to the PCSPS to cover the cost of the future provisions of lump sum benefits on death in service and ill health retirement of such employees.

E: Provision for the Arbiter's By Analogy Pension

The Arbiter is a member of a pension arrangement broadly by analogy with the Principal Civil Service Pension Scheme which took effect from 31 December 2002, his date of appointment as PPP Arbiter. This is a one

person pension scheme. The scheme is unfunded with benefits being paid as they fall due from Grant in Aid from the Department for Transport. The Arbiter makes a contribution of 3.5 per cent of his pensionable pay. The Financial Statements, therefore, include the adoption of FRS 17. The Government Actuary's Department provides an annual valuation of the pension.

F: Cost of Capital

The cost of capital is calculated in accordance with the Form of Accounts (see Annex 1).

G: Stocks

Stocks are treated in accordance with the Form of Accounts (see Annex 1).

H: Fixed Assets

Fixed assets are currently limited to IT assets and an Extranet Website.

The Office is co-located with the Office of Rail Regulation (ORR) who supply all IT and Office Equipment. IT assets were transferred to ORR as part of an IT support agreement in August 2007 where during the term of agreement IT equipment is retained by the Office and necessary replacements are made by ORR.

As this agreement vests the risks and rewards of ownership with the Arbiter these assets should have been treated, under SSAP 21, as a finance lease.

The transferred assets and any new assets subsequently purchased by ORR on the Office's behalf are deemed "on balance sheet" and as such have been written back into the Arbiter's 2008-09 accounts. Lease Finance costs and the Finance Lease Liability are accordingly set off and expensed with each instalment.

The prior year balances in Note 8, Table 5, reflect the IT assets and relating depreciation which have been written back to the Arbiter's accounts.

Note 13 outlines the Lease finance costs and the Finance lease liability whilst the figures for the current and prior year are reflected in the Operating Cost Statement and Balance Sheet respectively.

Any fixed assets are added to the fixed asset register and depreciated over their useful economic lives (see further below). Fixed assets bought individually, not forming part of a larger project, costing less than £1,000 are charged to the Operating Cost Statement in the year of purchase.

I: Depreciation

IT Assets are depreciated on a straight line basis over the shorter of their useful economic lives or the lease term as appropriate.

IT Hardware - 2 and 3 years

On review it has been decided that the Extranet, which still has value in use to the Arbiter, should have the depreciation charge for 2008-09 and future periods extended from 3 years to 4.8 in line with the Arbiter's term.

Extranet Website - 4.8 years (previously 3 years)

The movement on depreciation of assets is calculated monthly.

Operating Cost Statement

Note 2: Grant in Aid

The PPP Arbiter is funded by Grant in Aid from the Department for Transport.

	2008-09	2007-08
Grant received	3,650,000	3,045,000

From 2007-08, the Government's Financial Reporting Manual (FRM) required public bodies to account for grants in aid received for revenue purposes as financing (see Cash Flow statement) as they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual value of the body.

Note 3: Staff costs and related items

Further details with regards to emoluments of the Arbiter, Director and non-executive members of the Advisory Board, and the Director's pension disclosure may be found in sections 3 and 4 of the Remuneration Report.

The average number of staff employed during the year (excluding non-executive members of the Advisory Board) was 6.1 (2007-08: 7) which is based on full time equivalents.

No agency staff members were employed during the year (2007-08: 137.5 hours).

There were no loans to employees in the financial year 2008-09 (2007-08: nil).

Staff are entitled, where appropriate, to Child Care vouchers and the Cycle to Work Scheme. Child Care vouchers amounted to £3,205 (2007-08: £2,940). No employees made use of the Cycle to Work Scheme during the year (2007-08: £30).

Table 1: Employee costs

	2008-09 £	2007-08 £
Wages and salaries	671,193	624,899
Fees for seconded legal staff	nil	427
Seconded technical analyst	nil	6,792
Agency	nil	3,645
Pension contributions (PCSPS)	97,781	105,123
Current service costs (by analogy pension scheme)	21,000	22,000
Other pension costs	5,636	5,753
Health benefits	8,545	7,341
Social security costs	72,929	67,439
Total	877,084	843,419

Notes:

- The above figures exclude non-executive members of the Advisory Board. Total payments to non-executives during the year were £73,106 (2007-08: £71,276).
- Other pension costs are the purchase of Added Years in respect of the Director.

Note 4: Depreciation and related costs

As IT assets amounts are insignificant modified historic cost accounting has not been applied for 2008-09.

Table 2: Depreciation and related costs

	2008-09 £	2007-08 Restated £
Depreciation charged for the year	9,780	26,194
Loss on transfer/sale of assets	nil	nil
Total	9,780	26,194

Further analysis of the depreciation charge is outlined in Note 8: Fixed assets.

Note 5: Third party advisers

Table 3: Third party advisers' costs

	2008-09 £	2007-08 £
Legal advice	77,816	19,196
Benchmarking studies	494,680	306,596
Good Industry Practice studies	Nil	135,659
Extraordinary Review costs	Nil	1,018,304
Extraordinary Review legal advice	Nil	124,040
Public relations	4,680	34,083
Reporters	406,702	239,700
Initial Ranges Guidance	1,154,670	nil
Preparation for Periodic Review	218,790	nil
Total	2,357,338	1,877,578

Extraordinary Review costs of Metronet relate to the previous financial year. Work during 2008-09 concentrated on Initial Ranges guidance and further work preparatory to the Periodic Review.

Note 6: Other expenditure

Table 4: Other expenditure

	2008-09 £	2007-08 Restated £
Staff training, development and travel	32,015	9,965
Accommodation	110,926	108,956
IT expenses	78,802	75,536
Services and office running costs	36,354	73,889
External auditor's remuneration	10,350	10,575
Audit fee for IFRS preparation	1,150	nil
Total	269,597	278,921

Accommodation costs include rent for the serviced office premises plus telephone charges and utility costs, paid to ORR.

Note 7: Notional cost of capital

In accordance with the Form of Accounts (see Annex 1), a notional cost of capital has been shown in the Operating Cost Statement. This amount is reversed out after the line showing the net operating cost for the year.

For the year 2008-09, the charge is calculated at the rate set by HM Treasury (currently 3.5 per cent) on the monthly average net assets excluding cash balances with the Office of the Paymaster General (OPG).

Balance Sheet

Note 8: Fixed assets

Fixed assets are currently limited to IT assets. The IT support agreement with ORR is, under SSAP 21, deemed as a lease agreement. As such the IT assets which were transferred to ORR in August 2007 as part of this agreement together with IT assets subsequently purchased are written back to the Arbiter's accounts for 2008-09.

Office equipment is also supplied by ORR. The Arbiter currently holds no other office equipment.

The extranet together with a new public-facing website was developed and completed at the end of March 2006. Pursuant to the Urgent Issues Task Force (UITF) Abstract 29, the extranet has been capitalised. As the extranet which still has value in use was largely depreciated depreciation has been adjusted and extended by an additional 21 months.

Table 5: Analysis of fixed assets

	IT assets £	Extranet website £	Total £
Cost			
Restated balance at 31 March 2008	9,487	46,343	55,830
Disposals during the year	nil	nil	nil
Balance at 31 March 2009	9,487	46,343	55,830
Depreciation			
Restated balance at 31 March 2008	2,108	28,146	30,254
Charge for the year	3,162	15,447	18,609
Add depreciation adjustment	nil	(8,829)	(8,829)
Less depreciation of disposed assets	nil	nil	nil
Balance at 31 March 2009	5,270	34,764	40,034
Net book value at 31 March 2009	4,217	11,579	15,796
Restated net book value at 31 March 2008	7,379	18,197	25,576

Note 9: Debtors and other receivables

Table 6: Analysis of debtors and other receivables

	2008-09 £	2007-08 £
Debtors: Amounts falling due within one year		
Other debtors	nil	1,604
Prepayments	17,000	12,737
Debtors: Amounts falling due after one year	nil	463
Total	17,000	14,804

Note 10: Cash and cash equivalents

Table 7: Cash and cash equivalents

	2008-09 £	2007-08 £
Petty cash	225	142
OPG bank account	91,444	8,253
Total	91,669	8,395

Note 11: Current liabilities

Table 8: Creditors amounts falling due within one year

	2008-09 £	2007-08 £
Trade creditors	Nil	9,941
Accruals	81,627	75,807
Total	81,627	85,748

Note 12: Arbiter's by-analogy pension

The Arbiter became a member of a pension arrangement broadly by analogy with the Principal Civil Service Pension Scheme which took effect from 31 December 2002, his date of appointment as PPP Arbiter. Further disclosure details and financial assumptions may be found in section 4 of the Remuneration Report.

The scheme is unfunded with benefits being paid as they fall due from Grant in Aid from the Department for Transport.

The following information has been provided in accordance with the transitional arrangements for FRS 17 – Retirement Benefits.

A full actuarial valuation was carried out on 6 March 2009 by a qualified independent actuary.

Table 9: By analogy pension scheme liability

	£	£
Scheme Liability at 31 March 2008		135,403
Overnight increase in liabilities (change in real return)	nil	
Current service cost (net of employee contributions)	21,000	
Employee contributions	2,461	
Past service cost	Nil	
Interest on Pension Scheme Liability	8,000	
		31,461
Actuarial Gains and Losses		
Experience (gains) losses arising on scheme liabilities	(2,000)	
Effect of changes in assumptions underlying the present value of scheme liabilities	nil	
		(2,000)
Scheme liability at 31 March 2009		164,864

	£
Opening Balance	135,403
Closing Balance	164,864
	29,461
Analysed to:	
Operating Cost	21,000
Employee contributions	2,461
Financing Costs	8,000
Statement of Recognised gains and losses	(2,000)
	29,461

FRS 17 is the UK accounting standard adopted for accounting periods ending after 22 June 2005. The Arbiter adopted FRS 17 in 2005-06 and has implemented it again in 2008-09.

Note 13: Finance lease recognition

In 2007-08 IT support costs under the IT support agreement with ORR were recognised as an expense. As mentioned in Note 1, Fixed Assets, under SSAP 21 the IT support agreement is a lease agreement and as such incurs Lease finance costs and a Finance lease liability.

The estimated capital value of the IT assets of £9,487. The IT agreement commenced on 1 August 2007 and annual rental payments of £6,745 are made for the IT assets and replacement assets which revert back to the Arbiter's office's ownership at the end of the three year IT agreement. The amount due under the finance lease liability is to be repaid in less than one year.

The accounting policy in 2008-09 has therefore been amended in accordance with SSAP 21 and the related annual Lease finance costs and the Finance Lease liability with prior year comparatives are respectively reflected in the Operating Statement and the Balance Sheet. The net input in 2007-08 is to increase net operating costs by £1,054.

Cash Flow Statement

Note 14: Operating activities

Table 10: Reconciliation of net operating cost to net cash outflow from operating activities

	2008-09 £	2007-08 Restated £
Operating (deficit)	(3,600,279)	(3,106,971)
Depreciation	9,780	26,194
Increase (decrease) in debtors and other receivables and other receivables	(2,196)	(2,564)
Increase (decrease) in creditors and accruals	(4,121)	(40,189)
Arbiter by-analogy pension costs (net)	31,461	30,403
Finance lease cost	5,374	3,583
Net cash outflow from operating activities	(3,559,981)	(3,089,544)

The adjustments regarding the Finance lease recognition, reported in Note 13, have resulted in a cumulative effect in the Cash Flow Statement.

Note 15: Accumulated reserve

Table 11: Restated reserves

	2008-09 £	2007-08 Restated £
Balance brought forward	(178,701)	(129,730)
Grant in Aid received	3,650,000	3,045,000
Actuarial gain	2,000	13,000
Retained deficit	(3,600,279)	(3,106,971)
Balance carried forward	(126,980)	(178,701)

The balance on the Accumulated Reserve is analysed as follows:

	2008-09 £	2007-08 Restated £
General fund	37,884	(43,298)
Pension liability	(164,864)	(135,403)
Accumulated reserve	(126,980)	(178,701)

General

Note 16: Related party transactions

The Department for Transport is the sponsoring department for the PPP Arbiter and his Office and is regarded as a related party.

Additionally, the Office undertook transactions with ORR for services and accommodation provided during the year to the value of £110,926 (2007-2008: £160,189) and IT support as stated in Note 13. Chris Bolt, the PPP Arbiter is also currently the Chairman of ORR.

Other than these related party transactions, no senior member of the Arbiter's team nor any other related party has undertaken any transactions with the Office or with the organisations over which the Arbiter can exercise his functions during the year.

Note 17: Financial derivatives

FRS 13 – Derivatives and other financial instruments requires disclosures of the role that financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months of the Balance Sheet date have been omitted from the profile.

The Arbiter is not permitted to borrow and relies entirely on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks

and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

Table 12: Fair values disclosure

Financial Assets	Book Value £	Fair Value £
Cash and cash equivalents	91,669	91,669

Note 18: Financial instruments

FRS 25, 26 & 29 – Financial instruments require disclosures of any embedded derivatives, (a form of financial instrument), those cost elements of a contract which are not closely related to the contract, to be separately disclosed on the balance sheet.

The Arbiter’s contracts have been reviewed and none include any embedded derivatives.

Note 19: Other income

No other income was received by the Arbiter’s office in addition to Grant in Aid received from the Department of Transport.

Note 20: Post balance sheet events

There are no post balance sheet events or adjustments to be reported.

Annex 1

Agreed form of accounts

FORM OF ACCOUNTS AGREED BY THE SECRETARY OF STATE FOR TRANSPORT, IN ACCORDANCE WITH PARAGRAPH 4.2 OF FINANCIAL FRAMEWORK AGREED BETWEEN THE PPP ARBITER AND THE DEPARTMENT FOR TRANSPORT DATED 9 APRIL 2003

1. Under the terms of the Financial Framework agreed between the PPP Arbiter and the Department for Transport dated 9 April 2003, the PPP Arbiter is required, by 1 July following the end of each financial year, to provide the Secretary of State with a copy of his audited accounts. The accounts are to be in a form agreed with the Secretary of State. The agreed form, which also has the consent of Her Majesty's Treasury, is set out in this document.

2. The annual accounts of the PPP Arbiter (hereafter referred to as "the Arbiter") shall give a true and fair view of the income and expenditure and cash flows for the period and the state of affairs at the year end. Subject to this requirement, the annual accounts for the period ending 31 March 2004 and in respect of any subsequent year shall be prepared in accordance with:-

(a) the accounting and disclosure requirements given in the Treasury guidance *Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance*, as amended or augmented from time to time, and subject to Schedules 1 and 2 to this direction;

(b) any other relevant guidance that the Treasury may issue from time to time in respect of accounts that are required to give a true and fair view;

(c) any other specific disclosure requirements of the Secretary of State in order to allow him to comply with the requirements of HM Treasury accounting rules

insofar as these requirements are appropriate to the Arbiter and are in force for the period for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and with the Treasury in which case the exception shall be described in the notes to the accounts.

3. Schedule 1 to this document gives clarification of the application of the accounting and disclosure requirements of the generally accepted accounting practice and also gives any exceptions to standard Treasury requirements. Additional disclosures are set out in Schedule 2.

4. This document shall be reproduced as an appendix to the annual accounts.

Signed by authority of the Secretary of State for Transport.

.....*A.N. Bisson*..... (A.N. Bisson)

Date.....*18th March 2004*.....

A grade 5 officer in the Department for Transport

1. Expenditure in the income and expenditure account shall include a notional cost of capital, at 3.5% of the average net assets during the year. This amount shall be reversed after the line showing the surplus or deficit for the year.
2. Stocks shall be stated at the lower of estimated current replacement cost and estimated net realisable value.
3. The foreword and balance sheet shall be signed and dated by the Arbiter.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

The following information shall be disclosed in the annual accounts, as a minimum, and in addition to the information required to be disclosed by paragraph 1 of this direction.

1. The income and expenditure account

Income shall be analysed between funding from the Secretary of State and other income.

2 The notes to the Annual Accounts

*(a) A report on the emoluments of the Arbiter, Director of the Office of the PPP Arbiter and non-executive members of the Arbiter's Advisory Board during the year (with separate disclosure where more than one person occupied an office). The report shall include full details of all elements in the remuneration package of each person, such as fees, salary, annual bonuses, payment on termination of office, other taxable benefits, pension contributions, and the performance related elements of these (for which the basis on which the performance is measured shall be explained). For each non-executive member of the Advisory Board, the report shall also show the time commitment in terms of days per month;

*(b) If any of the staff referenced in (a) above have been appointed for a fixed term or are on a fixed-term service contract, the term shall be stated together with details of any predetermined compensation on termination of office;

*(c) A statement of any pension entitlements earned by the Arbiter, Director and by each individual non-executive member of the Advisory Board during the year, disclosed on a basis recommended for non-departmental public bodies by the Treasury;

(d) Details of employees, other than non-executive members of the Advisory Board, showing:-

- (i) the average number of persons employed during the year, including part-time employees and secondees, analysed between appropriate categories
- (ii) the total amount of loans to employees
- (iii) employee costs during the year, showing separately:-

- (1) wages and salaries
- (2) early retirement costs
- (3) social security costs
- (4) contributions to pension schemes
- (5) payments for unfunded pensions
- (6) other pension costs

(e) An analysis of liquid resources, as defined by United Kingdom accounting standard FRS1 (revised);

(f) In the note on debtors, prepayments and payments on account shall each be identified separately;

(g) Particulars of any transaction, arrangement or contract (other than a contract of service or of employment with the Arbiter), including transactions at arm's length, entered into by the Arbiter with another party, exceeding £5,000 in value, in which party an executive, a senior employee, or a person connected with any of the foregoing, at any time during the year, had a direct financial interest that was notified to the Arbiter. For these purposes, a senior employee means someone whose emoluments in the year (excluding pension contributions but including the other elements mentioned in sub-paragraph 3(a), above) exceeded £50,000; and a connected person shall be as defined in section 839 of the United Kingdom Income and Corporation Taxes Act 1988 or Superseding legislation and including a member of the same Household;

(h) A statement of losses and special payments during the year, being transactions of a type which the United Kingdom parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £100,000, with separate disclosure and particulars of any individual amounts in excess of £100,000. Disclosure shall also be made of any loss or special payment of £100,000 and below if it is considered material in the context of the Arbiter's operations.

*2(a), 2(b) and 2(c). Under the United Kingdom Data Protection Act 1998, individuals may need to give their consent for some of the information in these sub-paragraphs to be disclosed. If so, and if consent is withheld, this should be stated next to the name of the individual.