



Tyne and Wear Integrated Transport Authority

**Special Meeting to be held in a Committee Room, Civic Centre, Newcastle upon Tyne
on Monday 29 June 2009 at 10.00 am**

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(b) Annual Accounts 2008/09 (pre audit)	1 - 100

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Tyne and Wear Integrated Transport Authority

TITLE: 29 June 2009
Annual Accounts 2008/09 (Pre-Audit)

REPORT OF The Deputy Clerk and Treasurer (PTA)

Reasons for confidentiality (if confidential)
District Implications –All

1. Summary / Purpose of Report

1.1 The purpose of this report is to seek approval for the 2008/09 annual report and accounts (pre-audit) and draws attention to some key issues.

The draft ITA Annual report and accounts are attached. The draft accounts are being considered by the ITA Standards and Audit Committee on 26 June and their comments will be reported to the PTA to be considered alongside this report.

2. Recommendations

2.1 The ITA is recommended to:

- a) discuss and scrutinise the content of the accounts, taking into account the comments of Standards and Audit Committee ;
- b) approve the statement of accounts shown at the appendix to this report on behalf of the ITA and authorise the Chair to certify the approval of the accounts by the Committee; and
- c) to delegate authority to the City Treasurer to make any non-material amendments to the accounts as are appropriate, subject to material changes being reported back to this committee for approval.

3. **Introduction / Background**

3.1 The Annual Accounts for 2008-09 have been prepared to comply with regulations. The accounts of such a large and diverse organisation as the ITA are by their nature technical and complex. The significant differences between how local authorities have to present their accounts to comply with accounting standards and what needs to be taken into account when setting the budget requirement and calculating the level of Levy adds to that complexity. A summary of key financial issues is provided in this report and is further described in the Explanatory Foreword to the accounts.

3.2 The Statement of Accounts is subject to external audit by the Audit Commission. This audit is due to commence in July. Any amendments that are made subsequent to audit, which are of a material nature will be reported back to Committee for approval at the end of September. The Chair of the Committee will need to sign the accounts to confirm their approval by the ITA. .

4. **Implementation of 2008 'Statement of Recommended Accounting Practice' (SORP)**

4.1 Over the years local authority accounting practice has been updated to harmonise with private sector practices. This process has continued for 2008-09 and is reflected in the 2008 SORP.

Significant changes to the presentation of local authority accounts were made for 2006-07. These have been added to by changes brought about from the implementation of the 2008 SORP. The accounts now presented bring into line both the 2007-08 and 2008-09 figures to comply with current guidance. These changes result from the move to bring local authority accounting in line with International Financial Reporting Standards (IFRS).

The timetable for the implementation of IFRS for local authorities is 2010-11. However, the 2009-10 accounts will be restated on an IFRS basis and the opening balances for 1st April 2009 will be on an IFRS basis.

4.2 **Main Changes**

The main change to the 2008 SORP affecting the ITA accounts relates to the FRS 17 pension disclosures where the value of the liabilities is now taken at bid price rather than mid market value which has resulted in changes to the pension deficit and reserve shown on the Balance sheet

5. **Core Financial Statements**

5.1 **Income and Expenditure Account (I&E)**

This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year.

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.

It includes all day to day expenses and related income for the year. It also includes non cash items relating to depreciation and pensions and the real projected value of retirement benefits earned by employees in the year.

However this account is out of line with the statutory provisions that specify the net expenditure of the Authority when setting its levy. In order to give a full presentation of financial performance the I&E Account is reconciled to the relevant statutory provisions. This is done through the Statement on Movement on the General Fund Balance.

5.2 Statement of Movement on the General Fund Balance

The General Fund Balance shows the Authority's performance against the levy that is raised for the year. This takes into account contributions to reserves earmarked for future expenditure

In summary the Income and Expenditure Account for 2008-09 shows:

	£'000
Net Operating Expenditure	55,845
Met by:	
Levy Income	(69,431)
Net Surplus for the year	(13,586)
Reconciling Items	2,579
Surplus for the year or Increase in General Fund Balances	(11,007)

The reconciling Items include adjustments for the capital financing costs that replace depreciation in the accounts and the transfer to earmarked reserves. The general fund balance is made up of the Tyne Tunnel reserve of £9.771m and the ITA general fund of £1.236m

The Authority's earmarked reserves stand at £12.87m and is shown in the balance sheet.

5.3 Statement of Total Recognised Gains and Losses

This statement brings together year on year changes to the 'lower' part of the balance sheet, and shows the aggregate increase in its net worth. This account reconciles the Income & Expenditure Account to the balance sheet.

5.4 Group Accounts

The accounts also include the group accounts which include entries for both ITA and Nexus, prepared under merger accounting rules.

6. Further comments by the:

- Clerk (if any);

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- **Treasurer**
- The budget outturn for 2008/09 is better than anticipated both in the original and revised
- **Legal Advisor** (if any);
- **Director General** (if any).

7 **Background Papers**

7.1

8 **Contact Officer (s)**

8.1 Marilyn France 0191 211 6670

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Tyne & Wear Integrated Transport Authority

Draft Annual Report & Accounts

for the Financial Year ended
31 March 2009

Prepared by:

Marilyn France
Paul Woods

ITA Accountant
ITA Treasurer

Annual Report & Accounts 2008/09 Contents

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Section 2

Passenger Transport Authority Accounts & Disclosures

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

- **Income & Expenditure Account** **39**
A summary of revenue expenditure and income of the Authority together with details of how this net expenditure was financed
The notes to these accounts show specific items required by the Code of Practice
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A summary of revenue expenditure and income of the Authority together with details of how this net expenditure
- **Statement of Total Recognised Gains & Losses** **41**
This statement brings together all recognised gains and losses of the Authority during the year
- **Consolidated Balance Sheet** **42**
The balance sheet sets out the financial position of the Authority at 31 March 2007 and the notes provide an analysis of balance sheet transactions
- **Cash Flow Statement** **43**
This statement shows the analysis of the cash movements on revenue and capital for the Authority
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- Group Accounts** **63**

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- Annual Governance Statement.....80**
[previously the Statement on Internal Control]
Sets out the responsibilities of the Authority and Officers to the Authority

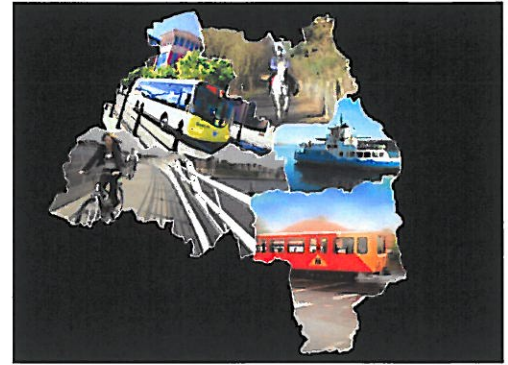


section 1

Tyne & Wear Integrated
Transport Authority

Explanatory Foreword

What is the Tyne & Wear Integrated Transport Authority?



We are a joint authority consisting of members from the five Tyne and Wear district councils, established by the Local Government Act 1985. From the 9th of February 2009 under the Local Transport Act the former Passenger Transport Authority became the Integrated Transport Authority.

We act as a strategic and policy making authority on local transport issues within Tyne and Wear, and have responsibility for the Tyne Tunnels and delivery of the New Tyne Crossing project.

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

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

Our over-arching objectives are:

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

Chairman's Foreword and Introduction



The past year has been characterised by genuinely groundbreaking achievements for the Tyne & Wear Passenger Transport Authority in the planning and delivery of major public transport improvements. 2009 has seen us change our remit from Passenger Transport to Integrated Transport with more responsibility to improve transport for our residents, visitors and businesses.

Some of our highlights over the past year include:

- Ongoing construction works of the New Tyne Crossing – including winning 3 awards;
- Securing £300m of investment for Metro Reinvigoration Phase 2;
- The number of people using public transport has increased – 11% on Metro and more people using the bus;
- Close involvement with the review of transport governance in the Tyne and Wear City Region;
- Simplified child fares;
- We have reviewed and revised our key output measures to align them more to Local Area Agreements, Multi Area Agreements and our LTP targets;
- We have started to begin preparations for revising the ITA Policy Statement which will reflect the new duties and responsibilities of the ITA;
- Together with Nexus, we have developed and launched a new bus strategy for Tyne and Wear that aims to make buses more attractive to use, more affordable, more accessible and more environmentally friendly;
- We have been shortlisted for the PTA of the Year award at the National Transport Awards, as well as being shortlisted in 4 other categories; testament to our hard work and dedication over the last year;
- Revising and developing Service Level Agreements between the ITA and Newcastle City Council, as the Lead Authority;
- A forward plan of ITA policy work;
- Responses to Government and regional consultations on transport policy developments;
- A statement from ITA Officers to ITA Members outlining areas of activity over the last year;
- More frequent Metro services to South Hylton;
- Freezing Gold Card prices at £12 for concessionary pass holders to use Metro;
- Boardings at the new Eldon Square Bus Station up 20%; and
- The launch of Smarter Choices in Tyne and Wear to promote sustainable forms of travel.

New capital schemes, primarily implemented through Nexus included:

- Opening 400 space Park and Ride at Northumberland Park helping to reduce congestion;
- The launch of taxicard giving 2,300 disabled members smartcard discount travel with local taxi firms exploiting a 200 vehicle pool;
- The ongoing redevelopment of Haymarket Metro Station due to be completed in the next year;
- Completion of new bridge works at Felling Metro Station;
- Ongoing work at Sunderland Central Station;
- Contributed towards funding towards a new Bus Station at the Galleries, Washington, now fully open;
- The launch of the Smart Ticket Initiative across the North East;
- Metro cars fitted with digital CCTV;
- Ongoing essential Metro engineering work to ensure safe / reliable train operation;
- £100,000 facelift for Blaydon bus interchange;
- £600,000 Metro crossing replacement work completed; and
- Gateshead Interchange resurfaced ahead of schedule.

Over the next year we will continue to press ahead with our ambitious plans, which will present significant opportunities for the ITA including:

- Developing and formulating the next Local Transport Plan;
- Considering and implementing recommendations from the Governance Review;
- Involvement in the Tyne and Wear City Region;
- Refocusing our remit for Integrated Transport;
- Assessing and evaluating proposals from Preferred Bidders for Metro Reinvigoration, Phase 2;
- The installation of Metro ticketing and gating;
- A bid for £15 million funding to improve bus travel by cutting delays in Tyne and Wear has been submitted to Government;
- Projects included in the bid include £3.1 million of major highway works to transform a major thoroughfare into the city;
- Tyne and Wear's first bus based park and ride schemes, at two sites off the A1 Western Bypass and A19 in Gateshead, are also part of the package of measures; and
- Ongoing programmes of 'Superoute' bus stop and access improvements throughout Tyne and Wear.

I look forward to what will be an interesting and challenging year for the ITA, packed with opportunities through our new range of powers and duties to improve transport in Tyne and Wear.

Councillor David Wood
Chair of Tyne & Wear Integrated Transport Authority

Clerk's Foreword



I was formally appointed as Acting Clerk to the Authority in November 2008 and looking back over the past year it is clear that it has been a landmark year for the former Tyne and Wear Passenger Transport Authority (PTA). As a result from changes in legislation under the Local Transport Act (2008) the PTA became the Integrated Transport Authority (ITA) and has a number of new responsibilities that include:

- Leading on the development and implementation of the Local Transport Plan
- Well-being powers;
- Changes in bus legislation; and
- Possible changes in Governance.

ITA Officers based at Newcastle City Council have continued to provide valuable support and policy advice to Members ranging from financial advice to specific transport policy advice. We are currently finalising an ITA Officer Statement for our Members that will set out our achievements during the last year and what we have planned for the coming year.

We can already see some changes that will make a big difference to the travelling public. These projects include:

- Metro Reinvigoration;
- The redevelopment of Haymarket Metro Station;
- Sunderland Station Improvements;
- The Second Tyne Tunnel; and
- Park and Ride facilities in Gateshead.

ITA Officers will continue to provide the vital advice and support that our Members need to enable them to make decisions. The ITA has started to begin preparations, with district partners, for the third Local Transport Plan, from 2011. We will also be reviewing our Policy Statement to make sure it refreshed and renewed to reflect the ITA's new responsibilities.

The sound financial position set out in the accounts gives a stable base for the Authority to achieve its objectives. I was pleased that the additional investment income that was earned in 2008/09 helped to keep the levy increase to a relatively low level of 1.75% in 2009/10 and enabled Nexus to freeze the price of the Metro Gold Card for Concessionary Travel on the Metro system.

We can look forward to the future with genuine optimism, to help to improve transport across Tyne and Wear for our residents, businesses and visitors but also by helping to reduce carbon emissions that contribute to climate change.

Barry Rowland
Acting Clerk to the ITA

The Committee Members during 2008/09



John McElroy
Vice Chair
Portfolio: Social
Inclusion



Stuart Green



Peter Maughan



David Wood
Chairman
Portfolio:
Regeneration &
Communications



Wendy Taylor



Gerry Keating
**Leader of the
Opposition**



Lucy Keating
To May 2008



Greg Stone



Alison Austin



Ed Hodson



Frank Lott



North Tyneside Council



Michael Clare



Tom Hanson
Vice Chair
Portfolio: Tyne
Tunnels & NTC



South Tyneside Council



J Blackburn



Robert Heron
Statutory Vice
Chair
Portfolio: Modal
Shift & Metro
Reinvigoration



Robert Symonds



Peter Wood



Explanatory Foreword by the Treasurer



Introduction

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

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

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

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

- An understanding of the accounting statements;
- A review of the Authority's financial results in 2008/09 and its financial position; and
- An overview of activities and significant matters which occurred during the year.

The Tyne & Wear Passenger Transport Authority's Finances

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

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



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

Further expenditure is incurred by the ITA on financing charges. These relate to principal and interest payments on inherited debts, and grants to Nexus and the Tyne and Wear Districts. The running

costs of the Authority also include additional superannuation contributions in respect of the ITA's obligations for the pensions of former Busways employees.

The Integrated Transport Authority also owns and operates the Tyne Tunnels, linking the A19 under the River Tyne between Howdon and Jarrow. There is a tolled vehicle tunnel and tunnels for both pedestrians and cyclists. The Tunnels are entirely self-financing, and are operated under a contract to a concessionaire company 'TT2 Ltd'. The tunnels appear within the accounts as a trading function. Tolls on vehicles are also used to fund the development of the New Tyne Crossing, a second vehicle tunnel. Construction started April 2008.



The New Tyne Crossing is a major construction project that will provide a new tunnel alongside the existing one. The new tunnel will convey two lines of southbound traffic, and the existing tunnel will be fully refurbished and altered to convey two lines of northbound traffic. Both tunnels are expected to be completed and operational by the start of 2012. Further information is given in the New Tyne Crossing review on pages 15 to 19.

Key Issues during 2008/09

The ITA's total spending was £693,000 under budget, mainly as a result of addition interest on investments, in a year when the authority had to deal with the following key financial issues:

Further developments on the New Tyne Crossing



Construction began on site 22 April 2008, and will continue until the existing vehicle tunnel is refurbished and completed in December 2011.

The project has also won a number of awards, including an award for Best UK Deal to Sign from the prestigious Public Private Awards 2008. A key factor in winning the award was the innovative mix of public borrowing and private finance been used to fund the project.

Most recently it won the Public Private Finance award 2009 – Best Transport Initiative.

New Tyne Crossing borrowing and investments – the ITA borrowed an additional £33m in 2008/09 using the Prudential borrowing system, which gives the ITA powers to borrow without explicit government approval (provided that the debt can be repaid). The money is to be used to finance the ITA's contribution to the New Tyne Crossing project (£116.17m in total). Until required, any amounts held are being prudently invested. In the light of the credit crunch and the downgrading of the ratings of banks and building societies the ITA has taken a cautious approach to the placing of its investments in line with the ITA's Treasury management policies. No money was invested in Icelandic banks or any institutions outside of the UK and Ireland. To manage this risk while seeking to secure low net interest costs the ITA intends to reduce the level of its external investments in 2009 and repay some debt.

Reserves position – primarily due to the investments noted above, the ITA's reserves increased by £1.24m to £4.05m. This income is to be used in 2009/10 to reduce the levy on the Tyne & Wear districts from 3% to 1.75%, and to provide additional resources to Nexus. Tyne Tunnels balances also increased during the year by £9.8m to £25.17m. These reserves are being set aside to finance the New Tyne Crossing project. In addition a further contribution of £2.27m was made to earmarked reserve bringing it to £12.87m specifically held for Metro Re-invigoration, which was established from the revenue support to Nexus and agreed by the ITA.

The ITA accounts for the financial year 2008/09 are set out in section 2. They consist of the following statements, along with notes to each:

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

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

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

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

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

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

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

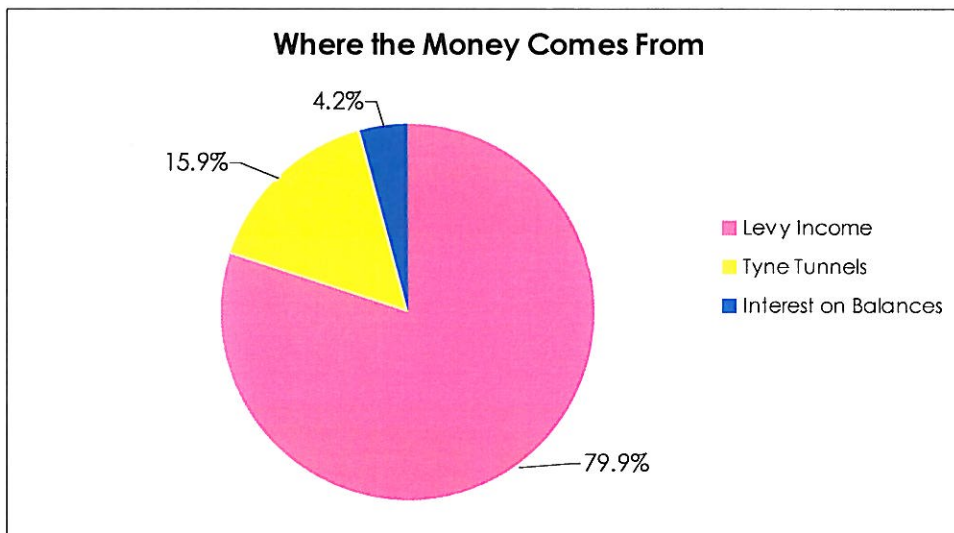
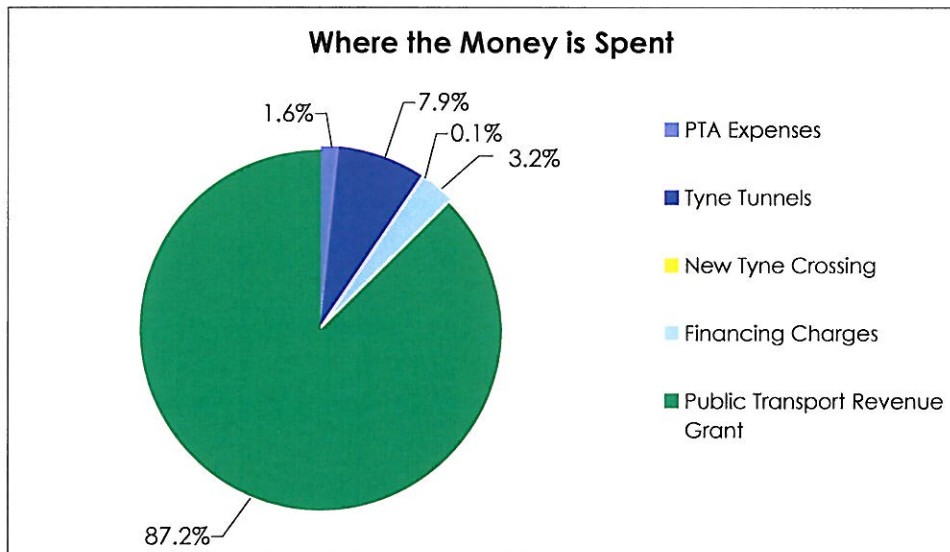


Principal Financial Results for 2008/09



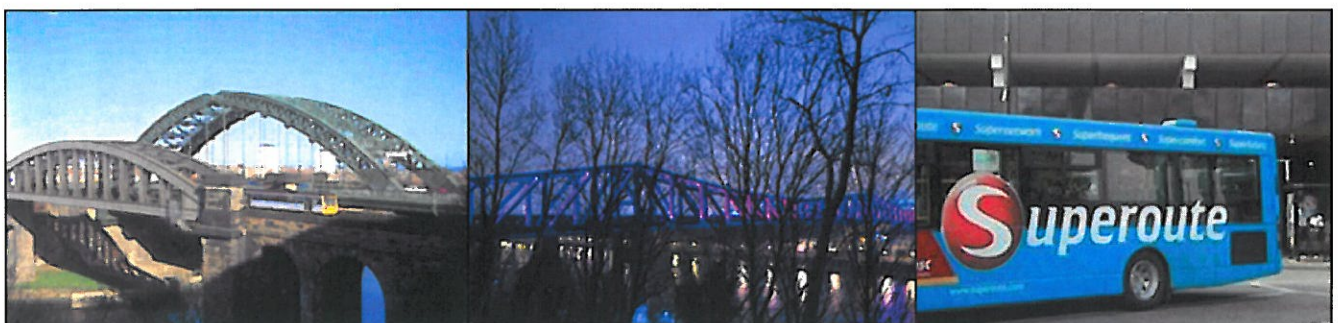
1. Revenue Expenditure

The ITA's revenue expenditure in 2008/09 amounted to £73.58m and income of £86.86m. The diagrams below indicate where income comes from and how it is spent:



The following table provides a summary of actual spending against the revised budget for 2008/09 as reported to the 23 January 2009, meeting of the Tyne and Wear Passenger Transport Authority. To provide a comparison across years, the table also shows actual spend for 2007/08:

	2007/08	2008/09		
	Actual £'000	Revised Budget £'000	Actual £'000	Variation £'000
ITA Expenditure				
ITA Budget				
- Expenses of the ITA	521	701	680	(21)
- Pensions	509	510	510	-
- Transport financing charges	3,060	3,118	3,040	(78)
- Interest on Reserve	-	-	(677)	(677)
- Interest on revenue balances	(111)	(170)	(152)	18
- Net gain on prudential borrowing	(731)	(1,200)	(1,663)	(463)
	3,248	2,959	1,738	(1,221)
Tyne Tunnels	(6,510)	(9,622)	(9,771)	(149)
Revenue Support to Nexus	52,827	64,180	64,180	-
Net Expenditure	49,565	57,517	56,147	(1,370)
Less Levy on Tyne & Wear Councils	(67,409)	(69,431)	(69,431)	-
Contribution to earmarked reserve	10,598	1,600	2,277	677
Contribution to / (from) Reserves	7,246	10,314	11,007	693



2. Analysis of Revenue Expenditure against Budget

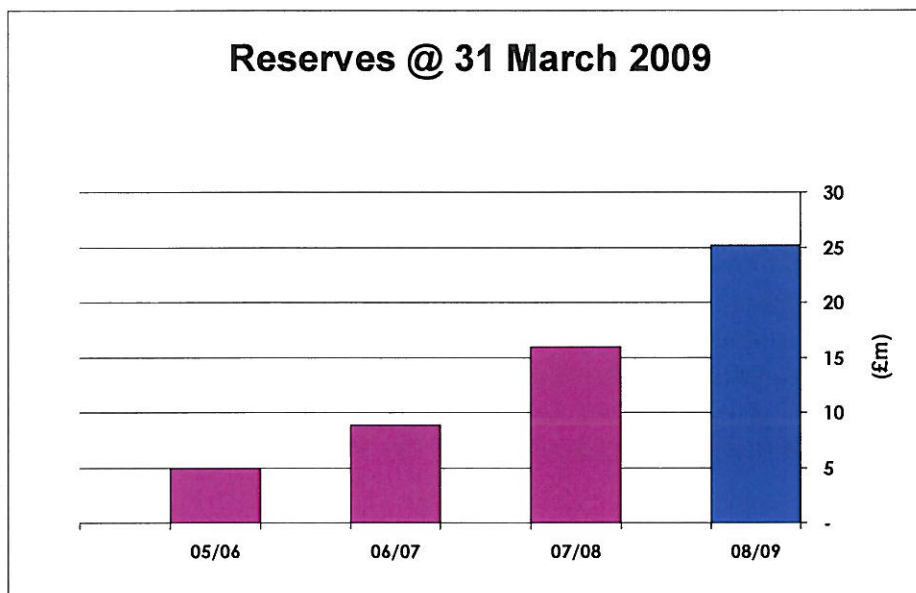
Budget Heading	Budget £	Actual £	Difference £
1.1 Staffing & Charges for Servicing Officers	348,430	325,460	(22,970)
1.2 Audit Fees	43,260	53,347	10,087
1.3 Members allowances and expenses	80,560	79,853	(707)
1.4 Accommodation Charges	5,970	7,035	1,065
1.5 Subscriptions	40,030	40,066	36
1.6 Conferences	1,500	4,240	2,740
1.7 Travel expenses and subsistence	4,000	3,226	(774)
1.8 IT Development	34,000	34,243	243
1.9 Printing costs and consultancy	19,420	14,973	(4,447)
1.10 Advertising	2,400	1,620	(780)
1.11 Scrutiny Committee	6,700	44	(6,656)
1.12 Contribution to Transport Governance	115,000	116,381	1,381
1.13 Pension Deficiency Payments	510,000	510,000	-
1.14 Financing Charges	3,117,930	3,039,814	(78,116)
1.15 Interest on reserve	-	(677,120)	(677,120)
1.15 Interest on revenue balances	(1,200,000)	(1,663,078)	(463,078)
1.16 Net gain on prudential borrowing	(170,550)	(152,543)	18,007
Total	2,958,650	1,737,561	(1,221,089)

Overall, spending was within budget forecasts, with no major unexpected charges occurring during the year. Additional income from investments and reduced financing charges, resulted in a saving on the original budget for the year.

3. Reserves Position

Reserves at 31st March 2009	2007/08 £'000	2008/09 £'000	Difference £'000
Metro Re-invigoration Reserve	(10,598)	(12,875)	(2,277)
Integrated Transport Authority	(2,817)	(4,053)	(1,236)
Tyne Tunnel	(15,395)	(25,166)	(9,771)
Total	(28,810)	(42,094)	(13284)

The ITA reserves increased during 2008/09 due to the net gain on the prudential borrowing. Tunnel balances increased in to order to build up revenue reserves to finance the early years of the Tyne Tunnel concession costs. The following graph indicates the Authority's reserves position for the last four years:



4. Capital Expenditure

During 2008/09, the tunnels spent £2.256m on capital works. These were primarily New Tyne Crossing development costs:

Budget Heading	Budget £000's	Actual £000's	Difference £000's
Environmental improvements	229	302	73
Land	554	387	(167)
Professional fees	1,377	1,114	(263)
Environmental milestones	340	340	
Cycle Infrastructure	162	113	(49)
Lift replacement	200		(200)
Escalators	93		(93)
Total Capital Programme	2,955	2,256	(699)

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

5. Changes in Accounting Policies & Practices

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

Local Transport Grants

The Capital Funding from the Department for Transport for local transport plans is a capital grant; therefore the grants paid to districts and Nexus for local transport planning are shown within the Income and Expenditure account funded by grant income.

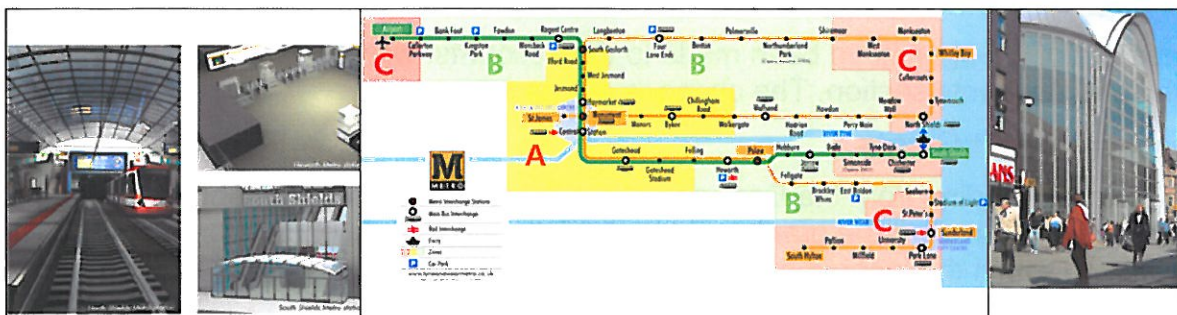
Minimum Revenue Provision (MRP)

The Department for Communities and Local Government updated the regulations applying to the calculation of the MRP (debt repayment provisions). Under the previous regulations local authorities were required to charge to their revenue account for each financial year a minimum amount, equal to 4% of the non-housing Capital Financing requirement, to account for the cost of their debt in that financial year. This requirement has been changed and local authorities can now decide their own level of provision, having only a duty to ensure that the level is prudent. New MRP guidance has been offered giving four new options on how to calculate it. In 2008/09 The MRP will be calculated on equal instalment basis for unsupported capital borrowing (known as Prudential Borrowing) which will be repaying the debt over the life of the asset funded with the borrowing. For expenditure related to the New Tyne Crossing an MRP holiday will be taken until the asset is operational and on the balance sheet.

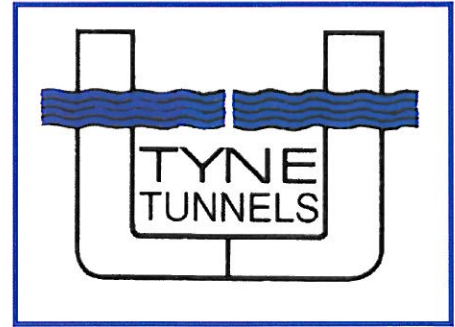
6. Significant Issues from 2009/10 and into 2010/11

The main issues facing the ITA for 2009/10 are:

- The Local Transport Act and the additional powers given to the Integrated Transport Authority (ITA);
- The need to actively manage investments and debt to minimise risk and deliver net financing costs within budget; and
- To work closely with Nexus to deliver a relatively low levy for 2010/11 to continue to improve the value for money for the districts and local taxpayers that fund the ITA .

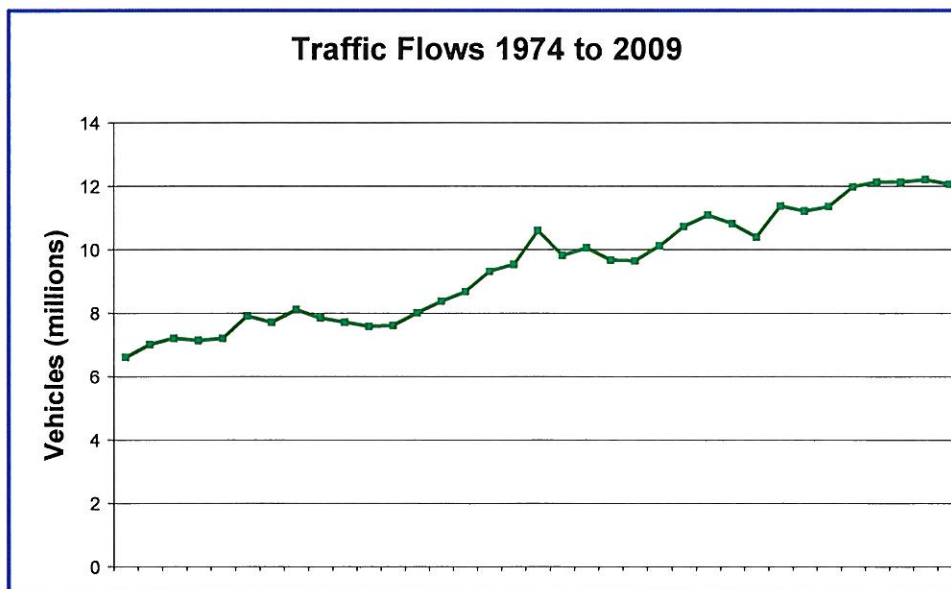


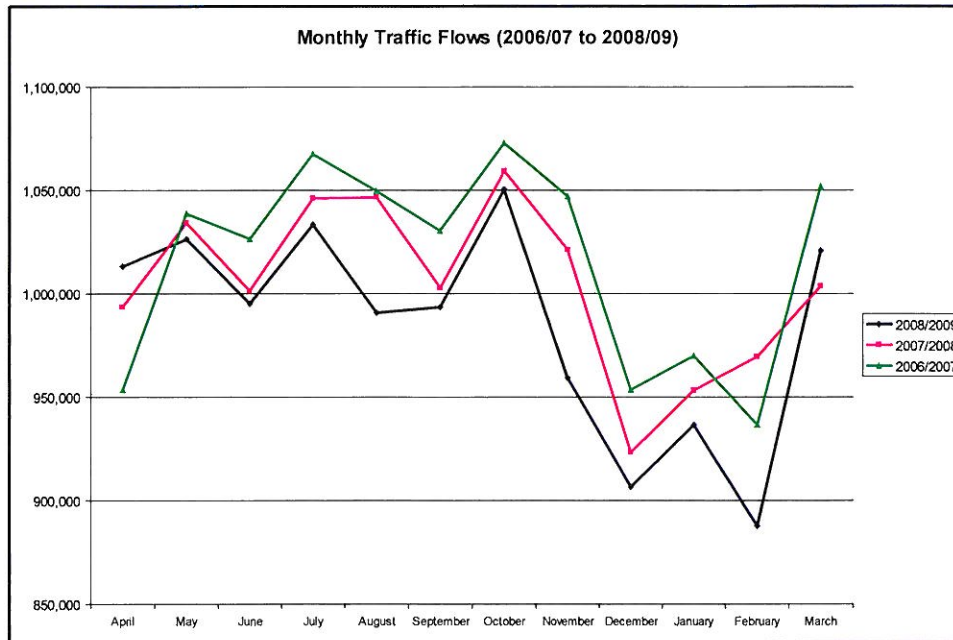
Tyne Tunnels and New Tyne Crossing Review



The Tyne Tunnels

The vehicle tunnel has been open for almost forty years, with traffic numbers increasing steadily since then. In 2008/09, traffic levels exceeded twelve million vehicles, corresponding to toll income of £13.560m (compared with £13.407m in 2007/08). The toll levels were increased in January 2008 (to £1.20 for cars) with traffic flows largely levelling off over the last few years (see graphs below). The toll income is being used to fund both the running costs of the tunnels and the development of the New Tyne Crossing project. The use of permits increased significantly following a period of active promotion by Tunnels staff. The permits save drivers 10% on the cost of a journeys, and speed up travel through the vehicle tunnel.





The Tunnels were passed over to TT2 Limited in February 2008, who will run the operation for 30 years. They are also managing the construction of the New Tyne Crossing, a second vehicle tunnel, which will be completed in early 2011.

The in-year position against budget was as follows:

	Budget £ 000's	Actual £ 000's	Difference £ 000's
Employees	38	41	3
Pensions'	586	586	-
Repairs & Maintenance	-	99	99
Premises	-	(32)	(32)
Other expenses	16	26	10
Supplies & Services		4	4
Support Services	167	157	(10)
NTC Community Fund	10	-	(10)
Financing Charges	1,520	1,194	(326)
Usage Payments	2,999	2,953	(46)
Toll Income	(13,691)	(13,560)	131
Other Income	(28)	(88)	(60)
Interest on Tunnel Balances	(1,239)	(1,151)	88
Total Tunnel Operating Costs	(9,622)	(9,771)	(149)

Tunnel income was lower than anticipated, due to lower level of traffic compared to the previous year.

Repairs and maintenance relates to the work carried out on maintaining the escalators at the pedestrian and cyclist tunnels that was included in the capital programme but cannot be classified as capital expenditure as the work did not extend the life of the asset.

New Tyne Crossing Project Review of Progress



Project Director's - Review of Progress in 2008/09

The concession contract was signed on 23 November 2007 and the staff and operation of the Tyne Tunnels transferred to TT2 Ltd on 1 February 2008. The financial year 2008/09 was the first full year of the contract which has a 30 year term.

Operations

The traffic volumes at the tunnel reduced by approximately 2% compared to year 2007/08. The reduction is less than the average figure across the Tyne and Wear region which is 3% down. The reduction is thought to be related to the current general economic conditions rather than any effect of the construction works. A journey time monitoring system was installed by the TWITA just prior to transfer to TT2 Ltd. The system is providing real time accurate information which is readily available to tunnel users on the Tyne Tunnels web-site and via mobile phones. It is allowing users to make informed decisions on when to time their cross river trips through the Tyne Tunnel.

Staff at the Tyne Tunnels have expressed no difficulties with their new situation. TT2 Ltd negotiated an adjunct to the national pay settlement which was well received by the staff and averted the national strike action effected by UNISON in July 2008.

The performance of TT2 is monitored on a daily basis by the TWITA's Monitoring Officer who is based on site at the Tyne Tunnel. There was no requirement to apply any penalty deductions. TT2's performance is classed as GOOD over the year. TT2 invested in new recovery vehicles and began implementing building modification/improvement to the Tyne Tunnel offices. The customer reception area was one of the first areas to be improved.

There has been no modification to the toll regime – cars £1.20, HGV's £1.50 and motorcycles £0.20 with all subject to a 10% discount for permit account holders. The next toll increase is not scheduled until 2012 when the New Tyne Crossing is complete and users realise the benefit in service.

Construction

Construction activity on the £260m scheme began in April 2008 when the site hoardings were erected. Also a half mile stretch of the A19 in North Tyneside was de-trunked and drawn into the Tyne Tunnel site. The Code of Construction Practice was approved by the two affected Local Authorities – North and South Tyneside Councils.

Since May 2008, significant progress has been made on the approach tunnel structures, the Jarrow junction to the south, the transition structures on both banks of the river, public utility diversions, foundations for the new Howard Street and for the new slip road bridges in Jarrow and the temporary structures required to protect the river walls.



Preparation of the A&P Dock 4 in the Neptune Yard at Walker was completed by October 2008. Construction of the 4 immersed tube caissons began in November 2008 and were approximately 25% complete by end March 2009. The ability of the contractor, Bouygues TP UK, their consultants and their sub-contractor to achieve a solution that allowed construction of these units on the River Tyne was a very welcome development.

The immersed tubes are programmed to leave the dock in the period October – December 2009 (actual dates will depend upon the tide conditions). Dredging of the River Tyne was postponed from January 2009 to avoid the necessity to do a 'maintenance' dredge just prior to the immersion of the tubes. Temporary piling to the river banks was installed July – September 2008.

Environmental Monitoring

The regime of river monitoring required by the Environment Agency (EA) was taken over from TWITA by the contractor in April 2008. Real time information is now being fed to the EA, the contractor and TWITA. Fish tracking by Cefas is continuing as is fish counting/smolt trapping by the EA at Riding Mill.

Other environmental monitoring has been installed in East Howdon and Jarrow by the contractor to comply with the requirements of the Code of Construction Practice.

Communications

The communication plan set out in the tender documentation was implemented over April – June 2008. A Strategic Partnering Forum was created and meets on a quarterly basis. Chaired by the Managing Director of TT2 Ltd this forum brings together the major stakeholders to address strategic and cross river issues. This was augmented by the creation of a North and South Partnering fora which are chaired by local elected representatives and consider local issues. Information dissemination is effected by the media, newsletters, drop-in sessions, schools liaison, web-sites (construction and operator) and presentations. A 24 hour phone line has been set up to receive calls for assistance, information and complaint. The communications effort is directed by a Strategic Communications Group.

In June 2008, the project was given the National 4ps 2008 Award for Excellence – Regeneration Category. It also was given the South Tyneside Award for Building Conservation for the relocation and renovation of the Sir Charles Palmer Statue. In May the project also won the Public Private Finance Award for Best Transport Project 2009. The project has now been awarded a total of 5 awards so far.

Programme

The current key delivery dates are:

Open New Tunnel/Close existing Tunnel	February 2011
Open existing Tunnel (New Tyne Crossing Complete)	December 2011

Land

The entire site needed by the constructors was delivered to them by TWITA in April 2008 as they had requested. The Gas Light PH was demolished in September 2008 following the granting of the necessary consent by South Tyneside Council's Planning Committee in July 2008. The TWITA took over the tenancy of 2 properties on Salem Street following a request from the previous occupiers because of their close proximity to the works. Both properties are owned by South Tyneside Council and have been sealed off for the duration of the construction works in Jarrow.

Acknowledgement

The photographs were taken in April 2009 and are reproduced with the kind permission of Bouygues Travaux Publics UK – the main contractor.

Paul Fenwick
New Tyne Crossing Project Director

Scrutiny Advisory Committee - A Review of 2008/09

The Scrutiny Advisory Committee is a committee of the Integrated Transport Authority. Its members are appointed annually by the five Districts in Tyne & Wear. Each District appoints two Councillors. To ensure independent advice - and a clear separation between those doing the scrutiny and those being scrutinised - Councillors on the Scrutiny Advisory Committee are not members of the Integrated Transport Authority. The role of the Scrutiny Advisory Committee can be encapsulated as giving advice and holding to account.

Membership of the Scrutiny Advisory Committee 2008/09:



David Forbes
[Chairman]
Sunderland



Ellen Ball
Sunderland



Brian Richmond
Gateshead



Lawrence
Hunter
Newcastle



Pat Hillicks
Newcastle



David Charlton
North Tyneside



David Ord
North Tyneside



Dave Bollands
[Vice Chairman]
Gateshead



Bill Brady
South Tyneside



Barrie Scorer
South
Tyneside

Six meetings of the Scrutiny Advisory Committee were held in 2008/09 at venues across Tyne & Wear, reflecting the shared work of the five Districts involved.

Work Programme: June 2008 – April 2009

Three key themes emerged from discussion this year. These were:

- **Services:** Hearing from officers delivering services. Detailed presentations enabled the Scrutiny Advisory Committee to comment on major capital projects such as the New Tyne Crossing and Metro Re-invigoration. Other initiatives, such as the new Bus Strategy, A Charter for Growth, Bus Corridors and Smart Ticketing, have all received comment.
- **Policy Development:** Understanding issues at a national, regional and local level. As well as a new name, the Integrated Transport Authority has additional powers and duties as a result of the Local Transport Act, 2008. As a Committee, Councillors have looked at what this means; including for future governance arrangements and policy setting. We have also commented on key outcome measures, moving from a PTA to an ITA, passenger safety and security, and the annual Risk Register.
- **Feedback:** Hearing from Scrutiny Advisory Committee members. As local Councillors, members of the Scrutiny Advisory Committee are able to express, by way of practical examples, the experience of local people using services. The Committee, this year, was keen to roll out best practice from across the Districts to compliment work undertaken by Nexus and others. Social inclusion and equalities were also highlighted as part of the debate.

To ensure linkage with the work of the wider agenda, reports have been presented at every meeting summarising decisions taken by the full Integrated Transport Authority and heard from the Chair of the ITA on a vision document for the period to 2012. Reporting from the ITA also had the benefit of enabling the Scrutiny Advisory Committee's to refresh, on a regular basis, its work programme to take account of new and emerging issues.

Outcomes:

Through discussions at bi-monthly meetings, the Scrutiny Advisory Committee has raised issues and shared ideas with officers from the Districts, Nexus and public transport providers in the region. It has sought to influence and improve outcomes for public transport users in the region.

Further Information:

www.twpta.gov.uk/wps/wcm/connect/PTA

Paul Staines, Scrutiny Manager 0191 277 7524 paul.staines@newcastle.gov.uk

Local Transport Act 2008



The Local Transport Act 2008 (“The Act”) gained Royal Assent in November 2008, and brought about a number of important changes to the way local transport networks are planned and provided, giving local authorities greater power and flexibility to meet local transport needs in the light of local circumstances.

One of the key changes for Tyne and Wear was the move from a Passenger Transport Authority (PTA) to an Integrated Transport Authority (ITA) in February 2009. The ITA gained statutory responsibility for the preparation of the next Local Transport Plan, and also received the same ‘wellbeing’ powers as local authorities (i.e. unless specifically prevented by other legislation, ITAs can act in ways which contribute to the wellbeing of the residents of the areas they serve). Where PTAs were primarily concerned with passenger transport services, ITAs now have a wider remit to consider other aspects of the local transport network (i.e. freight) when developing the Local Transport Plans in consultation with district authorities and PTEs.

The Act also gives local authorities the power to review and propose their own arrangements for local transport governance to support more coherent planning and delivery of local transport. Tyne and Wear City Region partners have commissioned a review of transport governance arrangements in the Tyne and Wear City Region. This will consider relationships between the ITA and other City Regional transport partners, along with the ITA’s interface with neighbouring unitary authorities in Durham and Northumberland. Subject to the review’s recommendations, the Act may facilitate a change in governance arrangements.

The Act has also improved the powers of local authorities to improve local bus services. Changes allow for improved partnership working between local authorities and bus operators, greater flexibility to implement ‘quality contract’ schemes where more control is needed over bus services, and enhanced powers for Traffic Commissioners to tackle poor reliability and punctuality. The Act also establishes the role of a national bus passenger champion, to be carried out by Passenger Focus (previously the national rail passenger champion).



ITA Standards & Audit Committee - A Review



The previous annual report had referred to the increased emphasis being given to the Committee's audit role. The Committee's terms of reference were expanded to reflect this change and took effect formally from 25 September 2008. Given the wider brief, the Committee also adopted a formal work programme to guide their deliberations, with some members attending an audit training day which had been arranged by the former Tyne & Wear Museums Service.

In view of the additional responsibilities, the Independent Remuneration Panel were invited to consider whether allowances should be introduced for the Independent Members of the Committee. The Panel's recommendations were reported to and approved by the Authority on 26 March 2009, the new allowances being backdated to 25 September 2008.

During the course of the year, the Committee considered a range of key Internal Audit documents, including the revised Strategic Plan for the period to 2010/11 which incorporated changes recommended by the Audit Commission. At each meeting, the Committee also received a progress report which enabled members to monitor Internal Audit activity and the Section's performance against a range of internal indicators.

One of the Committee's main tasks is to provide an independent assurance that the ITA has appropriate arrangements in place to manage risk and that its governance and internal control environment is robust. With this in mind, the Committee reviewed the Authority's Risk Management Framework and Strategic Risk Register as well as contributing to the Annual Governance Review.

The Committee also commented on the Authority's annual report and accounts for 2007/08 along with the Audit Commission's Annual Governance Report and Annual Audit and Inspection Letter.

As the Committee is required to oversee the financial reporting process, members received a revenue budget monitoring report at each meeting which gave them the opportunity to raise any concerns with the Authority via the Treasurer and Deputy Clerk.

During the year, the Committee also considered a range of reports regarding the ethical framework. The Committee approved a revised Protocol for Dealing with Complaints against Councillors. It also considered publications from the Standards Board for England and a DCLG consultation paper on proposed revisions to the Members' Code of Conduct, particularly in respect of conduct in a non-official capacity. The Committee

also considered issues raised at the Standard Board's Annual Assembly of Standards Committees.

Independent Members



**Mark Scrimshaw
(Chairman)**



Liz Green



Tony Atkinson



George Clark

ITA Members



**Councillor
Stuart Green**



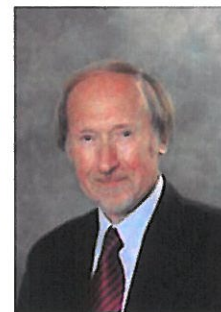
**Councillor
James Blackburn**



**Councillor
Tom Hanson**

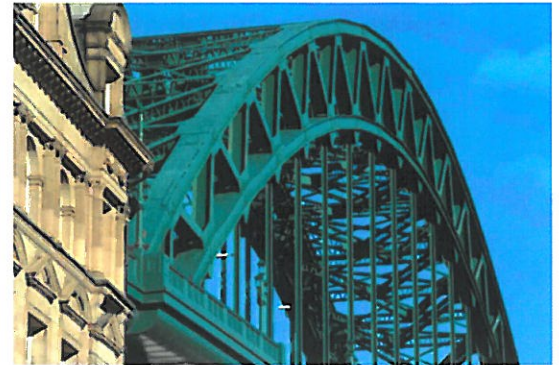


**Councillor
Greg Stone**



**Councillor
Peter Wood**

Statement of Responsibilities for the Statement of Accounts



The Authority's responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets; and
- To approve the statement of accounts.

Signed

Chair of Tyne & Wear Passenger Transport Authority

Date: 29th June 2009

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASACC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

In preparing this statement of accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the code.

The Treasurer has also:

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

Treasurer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2009, required by the Accounts and Audit Regulations are set out in the following pages.

I further certify that the Statement of Accounts presents fairly the financial position of the Authority at 31st March 2009 and its income and expenditure for the year ended 31st March 2009.

Signed

PV Woods, Treasurer and Deputy Clerk

Date: 29th June 2009

Statement of Accounting Policies



1. General Principles

The Chartered Institute of Public Finance and Accountancy (CIPFA) issues general guidance to authorities upon how their accounts should be compiled. These accounts conform to the requirements of the Institute as issued in its 2008 Statement of Recommended Practice (SORP). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets. The SORP is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the ITA's accounts present fairly the financial position and transactions of the Authority.

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

2. Accruals

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

3. Detailed Accounting Policies

a. Reserves

The Integrated Transport Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to count against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the

General Fund Balance statement so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council, these reserves are explained in the relevant policies below.

b. Provisions

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

c. Fixed Assets

General

The 2008/09 accounts have been compiled in accordance with CIPFA's Code of Practice, FRS 11 (Impairment of Fixed assets) and FRS 15 (Treatment of Tangible Fixed Assets).

Arising from the Code of Practice:

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

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

De-minimis Levels

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

Basis of Asset Valuations

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuations Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The ITA complies with FRS11 'Impairment of Fixed Assets and Goodwill' and FRS15 'Tangible Fixed Assets'. Fixed

assets are classified into groupings required by the 1993 Code of Practice on Local Authority Accounting.

The closing balances at 31 March 2008 were stated as at 1 April on the following basis:

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

Revaluation of Assets

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

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

Charges to Revenue for Fixed Assets

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

Depreciation

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

Life Expectancy of Assets (in years)			
	Initial	2007/08	2008/09
Freehold Land	n/a	n/a	n/a
Tyne Tunnels	120	75	74
Infrastructure	40	35	34
Other Properties	n/a	n/a	n/a

Grants

Where Grants and Contributions are received that are identifiable to capital expenditure where there is no asset the amounts are credited to the revenue account to net off the revenue expenditure funded from capital under statute.

Assets under Construction

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

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income & Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income & Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are classified as capital receipts and is credited to the Usable Capital Receipts Reserve and can be used for new capital investment.

d. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets, for example Local Transport Plan payments to other Authorities, has been charged as expenditure to the relevant service revenue account in the year. Where the Integrated Transport Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the levy.

e. Interest Charges

Interest on loans outstanding is accrued. Interest earned by the Authority is shown in the I&E Account. Interest charges have been calculated on the basis of the average credit ceiling for the year i.e. average debt outstanding. The interest rate for 2008/09 was 4.56% (4.87% for 2007/08).

f. Redemption of Debt

The Authority's revenue accounts have been charged with amounts which cover the Minimum Revenue Provision (MRP) required by the Local Government and Housing Act 1989. This has been set at 4% of the Authority's opening credit ceiling for supported capital expenditure and existing debt, for capital expenditure in 2007/08 financed by prudential borrowing the MRP calculation is based on the equal annual instalment method.

g. Investments

The investments shown on the Balance sheet at cash value plus accrued interest, include monies borrowed for the New Tyne Crossing project of £115m which has been invested externally until required by the concessionaire. The earmarked reserve for the Metro Re-invigoration is also invested externally.

h. Public Private Partnership (PPP)

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

In 2007/08 the scheme achieved financial close on the above project, and from 1 February 2008 the Tyne Tunnels are operated for a period of 30 years by the private sector concessionaire TT2.

i. Contingent Liabilities

There is a contingent liability in 2008/09 relating to major maintenance work on the pedestrian and cycle tunnel which is subject to negotiation with TT2, it is included as the likely value has not yet been determined.

j. Debtors and Creditors (Accruals)

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

k. Pensions

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

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

Under the 2008 SORP the council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £18.34m to £18.27m, a decrease of £0.07m, resulting in an increase of the pension deficit of £0.07m. Current and prior year surplus have been unaffected by this change.

The liabilities of the pension scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value.

The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as result of years of service earned this year, allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Net Operating Expenditure in the Income and Expenditure Account;
- Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return, credited to Net Operating Expenditure in the Income and Expenditure Account;
- Gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees;
- Debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited to the Statement of Total Recognised Gains and Losses; and
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

I. Other Accounting Policies

Employee Costs

The full cost of employees, including holidays, is charged to the accounts of the period within which the employees worked. Following the transfer of the Tyne Tunnels to the concessionaire in 2008 the Integrated Transport Authority only has one employee.

Employee costs in the I&E Account include the direct salaries and employer's contributions for National Insurance and contributions to the Local Government Superannuation Scheme in respect of that member of staff. Officers of the Authority and other professional and technical support staff are primarily employed by the City of Newcastle upon Tyne. Their costs are charged to the ITA, together with a proportion for overhead costs, on the basis of estimated time spent on the Authority's business by the staff involved.

Overheads

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

Value Added Tax

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

Tyne Tunnel Income

The majority of income from tolls is received on a cash basis, and so no accruals are necessary. However, prepayments on permit accounts are also received. In 2008/09 the balance outstanding on the permit account has been accrued (see Note 5 to the core financial statements).

m. Group Accounts

The 2008 SORP requires the Authority to produce Group Accounts to include services provided to the Council Tax payers in the Tyne and Wear area by organisations other than the Authority itself but in which the Authority has an interest.

Although there has been no definitive ruling by CIPFA or by the government in relation to Integrated Transport Authorities and Passenger Transport Executives, it is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared under merger accounting conventions, prepared on the basis of a full consolidation of the financial transactions and balances of the Authority and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

For the 2008/09 accounts, the Authority has fully complied with the requirements of the 2008 SORP, providing group figures for the 2008/09 accounts and comparators for 2007/08. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above, with the following additions and exceptions:

Local Government Pension Scheme

The employees of Nexus are members of the Local Government Pension Scheme, which is a defined benefits scheme (see note (k) above). Accounting policies consistent with those of the Authority have been adopted, except that the appropriate discount rate for liabilities has been assessed as 6.7%. In addition, there are no transactions between the Group Income and Expenditure Account and the Pensions

Reserve in relation to movements in the net pensions liability for Nexus, such that the amounts debited and credited to the Account are reflected in the Group Income and Expenditure Reserve.

Value Added Tax

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

Tangible Fixed Assets

Measurement

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

Impairment

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

Disposals

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

Charges to Income and Expenditure for Fixed Assets

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

n. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income & Expenditure Account for the interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Integrated Transport Authority has, this means that the amount shown in the balance sheet is the outstanding principal repayable, plus accrued interest and a calculation to equally charge interest over multiple periods where interest rates is subject to stepped increases.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to net operating expenditure in the Income & Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and

Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income & Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Integrated Transport Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which any premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income & Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

o. Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

p. Post Balance Sheet Events

Where a material post balance sheet event occurs, concerning conditions that did not apply at the balance sheet date, the nature of the event and its financial effect are disclosed in the accounts.





section 2

**Tyne & Wear Integrated
Transport Authority**

Annual Accounts
for the Financial Year
Ended 31 March 2009

Income and Expenditure Account for the Year Ended 31 March 2009

		2007/08	2007/08 restated	2008/09	2008/09	2008/09
	Note	£'000	£'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
<u>Central Services</u>						
Corporate & Democratic Core	4,40	520	520	745	(65)	680
<u>Highways, Road and Transport Services</u>						
New Tyne Crossing Preliminary Costs	6	29	29	40	-	40
T&W Districts LTP Grant	13,40	1,280	1,280	2,325	(2,212)	113
Other Grants	13,40	1,854	1,854	3,506	(3,506)	-
Public Transport Revenue Support	10	52,827	52,827	64,180	-	64,180
Net Cost of Services		56,510	56,510	70,796	(5,783)	65,013
Loss on Disposal of Fixed asset		-	-	-	-	-
<u>Trading Accounts</u>						
Tyne Tunnels	5*	(3,292)	(2,719)	5,051	(13,648)	(8,597)
<u>Interest Payable & Similar Charges</u>						
		6,887	6,887	10,025	-	10,025
<u>Interest & Investment Income</u>						
		(6,021)	(6,021)	-	(11,236)	(11,236)
<u>Pensions Interest Cost and Expected Return on Pension Assets</u>						
	8	30	30	640	-	640
Net Operating Expenditure		54,114	54,687	86,512	(30,667)	55,845
Levy Income	10	(67,409)	(67,409)		(69,431)	(69,431)
Net (Surplus)/Deficit for the Year		(13,295)	(12,722)	86,512	(100,098)	(13,586)

*The 2007/8 position has been restated to reflect prior year adjustment on prepaid tolls

Statement of Movement on the General Fund Balance

	Note	2007/08	2007/08 restated	2008/09
			£'000	£'000
Surplus for the year on the Income & Expenditure account		(13,295)	(12,722)	(13,586)
Net additional amount required by statute and non statutory proper practices to be debited or credited to general fund balance for the year		5,476	5,476	2,579
Increase in General Fund Balance for year		(7,819)	(7,246)	(11,007)
General fund balance brought forward		(10,966)	(10,966)	(18,212)
General fund balance carried forward		(18,785)	(18,212)	(29,219)

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

		2007/08 £'000	2008/09 £'000
Amounts Included in the Income and Expenditure Account but required by a statute to be excluded when determining the Movement on the General Fund Balance for the year			
Amortisation of intangible fixed assets			
Depreciation and impairment of fixed assets	9 & 18	(3,868)	(1,846)
Write Down of deferred charges to be financed from capital resources	9	(3,134)	(113)
Net loss on sale of fixed assets		-	-
Net charges made for retirement benefits in accordance with FRS17	8	(1,350)	(640)
		(8,352)	(2,599)
Amounts not included in the Income and Expenditure Account but required by a statute to be included when determining the Movement on the General Fund Balance for the year			
Minimum Revenue provision for capital financing	9 & 11	1,746	1,802
Capital expenditure charged in year to general fund balance		-	-
Employers contribution payable to the pension fund and retirement benefits payable direct to pensioners	31	1,484	1,099
		3,230	2,901
Transfers to or from the General Fund that are required to be taken into account when determining the movement on the General Fund balance for the year			
Voluntary revenue provision for capital financing		-	-
Net transfer to or from earmarked reserves	30	10,598	2,277
		10,598	2,277
Net additional amount required to be credited to the General Fund Balance for the year		5,476	2,579

Statement of Total Recognised Gains & Losses

	Note	2007/08 £'000	2007/08 restated £'000	2008/09 £'000
Surplus for the Year on the Income & Expenditure Account		(13,295)	(12,722)	(13,586)
Unrealised (gain)/loss from the revaluation of fixed assets	39	(10,449)	(10,449)	-
Actuarial (gain) / losses on pension fund assets /liabilities	31	2,030	2,014	3,830
Financing of fixed assets & deferred charges written off		-	-	-
Any other gains or losses - receipt from sale of assets		-	-	-
Surplus or deficit arising on revaluation of available for sale financial assets	29	50	50	(9)
Any other gains or losses - movement in other reserves		-	-	-
Total recognised (gains)/losses for the year	36	(21,664)	(21,107)	(9,765)
Balance at 1 April 2008		(72,239)	(72,159)	(93,266)
Balance at 31 March 2009		(93,903)	(93,266)	(103,031)

Reconciliation of Balances

	2007/08 £'000
Balance at 1st April	(72,239)
Adjusted re FRS 17	80
Restated Balance at 1st April	(72,159)

Consolidated Balance Sheet as at 31 March 2009

	Notes	2007/08		2007/08 Restated *		2008/09	
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets							
Operational Assets	17 - 20						
- Other Land & Buildings			12,135		12,135		12,135
- Vehicles, Plant, Furniture & Equipment			-		-		-
- Infrastructure Assets: Tunnels			103,014		103,014		101,617
- Infrastructure Assets: Other			4,007		4,007		3,889
Non Operational Assets							
- Assets under Construction			5,114		5,114		6,530
- Investment Properties			332		332		95
- Infrastructure Assets			-		-		-
- Other Land & Buildings			4,077		4,077		4,370
			<u>128,679</u>		<u>128,679</u>		<u>128,636</u>
Long Terms Debtors							
- Loans to Nexus	22		54,994		54,994		53,914
- Prepayments			-		-		340
Total Long-Terms Assets			<u>183,673</u>		<u>183,673</u>		<u>182,890</u>
Current Assets							
- Debtors	26,42	7,658		7,658		7,547	
- Investments	25a,41	111,484		111,484		126,263	
- Cash & Bank	23	18,728		18,728		25,667	
			<u>137,870</u>		<u>137,870</u>		<u>159,477</u>
Current Liabilities							
- Creditors	27,42	(3,794)		(4,367)		(3,988)	
- Borrowing repayable within 12 months	24	(4,455)		(4,455)		(38,142)	
			<u>(8,249)</u>		<u>(8,822)</u>		<u>(42,130)</u>
Total Assets Less Current Liabilities			<u>313,294</u>		<u>312,721</u>		<u>300,237</u>
Long Term Borrowing	25,42		(208,985)		(208,985)		(183,365)
Liability related to defined benefit pension scheme	31/32		(10,406)		(10,470)		(13,841)
Total Assets Less Liabilities			<u><u>93,903</u></u>		<u><u>93,266</u></u>		<u><u>103,031</u></u>
<i>Being represented by:</i>							
Capital Adjustment Account	21		(64,527)		(64,527)		(64,370)
Revaluation Reserve	39		(10,449)		(10,449)		(10,449)
Financial Instruments Adjustment Account	29		50		50		41
Earmarked Balances	30		(10,598)		(10,598)		(12,875)
General Fund Reserve	28		(18,785)		(18,212)		(29,219)
Pensions Reserve	31/32		10,406		10,470		13,841
Total Net Worth			<u><u>(93,903)</u></u>		<u><u>(93,266)</u></u>		<u><u>(103,031)</u></u>

*Balance Sheet has been restated to correct treatment of tolls prepayments and FRS17 changes

Treasurer's Certificate

I certify that the accounts set out on pages 37 to 62 fairly state the financial position of the Tyne and Wear Integrated Transport Authority as at 31 March 2009

Signed

Deputy Clerk and Treasurer
Date: 29 June 2009

Chair of the Authority
Date: 29 June 2009

Cash Flow Statement for Year Ended 31 March 2009

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

	Notes	2007/08	2008/09	Change
		£'000	£'000	£'000
Revenue Activities				
Payments				
Cash paid to and on behalf of Employees		2,941	60	(2,881)
Redundancy and Pension Adjustments		194	47	(147)
Pension Fund Costs		1,049	1,049	-
Other Operating Costs		1,845	11,630	9,785
Public Transport Revenue Support	10	52,827	64,180	11,353
		58,856	76,966	18,110
Receipts				
Levy		(68,820)	(69,431)	(611)
Cash Received for Goods and Services		(13,675)	(19,617)	(5,942)
		(82,495)	(89,048)	(6,553)
Net cash inflow from revenue activities	33	(23,639)	(12,082)	11,557
Servicing of finance				
Payments				
Interest and Lease Payments		7,871	11,180	3,309
Receipts				
Interest on Revenue Balances		(4,481)	(6,872)	(2,391)
Interest reimbursed by Nexus		(2,002)	(2,813)	(811)
Net Cash outflow from servicing of finance		1,388	1,495	107
Capital Activities				
Payments				
Purchase of Fixed Assets		17,025	2,154	(14,871)
Receipts				
Repayment of Long Term Debtors		(2,686)	(2,334)	352
Net cash outflow from capital activities		14,339	(180)	(14,519)
Net cash outflow before financing		(7,912)	(10,767)	(2,855)
Financing				
Payments				
Repayments of Amounts Borrowed		9,061	44,478	35,417
Temporary investments		110,500	12,350	(98,150)
Receipts				
New Loans Raised		(119,915)	(53,000)	66,915
Capital Grant		(1,528)	-	1,528
Net Cash (Inflow)/Outflow from Financing	35	(1,882)	3,828	5,710
(Increase)/Decrease in Cash and Equivalents	34	(9,794)	(6,939)	2,855

Disclosure Notes to the Core Financial Statements

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

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

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

4. ITA Expenses

	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£'000	£'000	£'000
Expenditure			
Supplies and Services	354	394	40
Central Support Services	285	351	66
Deficiency Payments to Superannuation Fund	-	-	-
	<u>639</u>	<u>745</u>	<u>106</u>
Income			
Other Income	(119)	(65)	54
	<u>(119)</u>	<u>(65)</u>	<u>54</u>
Net Expenditure	<u>520</u>	<u>680</u>	<u>160</u>

5. Tyne Tunnels Expenditure

	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£'000	£'000	£'000
Expenditure			
Employees	2,694	38	(2,656)
FRS 17 Current Service Costs Pension Adjustment	410	-	(410)
FRS 17 Past Service Costs Pension Adjustment	290	-	(290)
FRS 17 Loss on Curtailment	620	-	(620)
Premises	539	67	(472)
Transport	65	-	(65)
Supplies and Services	875	26	(849)
Usage Payments	498	2,953	2,455
Central Support Costs	337	121	(216)
Capital Charges and Impairment	3,868	1,846	(2,022)
	<u>10,196</u>	<u>5,051</u>	<u>(5,145)</u>
Income			
Toll Income *	(12,834)	(13,560)	(726)
Other Income **	(81)	(88)	(7)
	<u>(12,915)</u>	<u>(13,648)</u>	<u>(733)</u>
Net Expenditure	<u>(2,719)</u>	<u>(8,597)</u>	<u>(5,878)</u>

* Toll income includes an accrual for pre-payments. This is estimated at £591,269 at 31.3.09, (£572,459 at 31.3.2008)

** Other income relates other minor income-generating activities.

The Tyne Tunnel was transferred to TT2 from February 2008, The payments to TT2 for operating the tunnel. The following analysis reconciles the above analysis with the figures for the Tyne Tunnel shown in the budget comparison table in the Explanatory Foreword.

	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£'000	£'000	£'000
Net Expenditure	(2,719)	(8,597)	(5,878)
Adjustments			
-New Tyne Crossing Prelim Costs	29	40	11
- Pension Adjustment	(346)	589	935
- Capital Charges	(3,868)	(1,846)	2,022
- Financing Charges	1,017	1,194	177
- Interest	(623)	(1,151)	(528)
Figures as per the Explanatory Foreword	(6,510)	(9,771)	(3,261)

6. New Tyne Crossing preliminary costs:

	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£'000	£'000	£'000
Premises	-	-	-
Supplies and Services	5	4	(1)
Support Services	24	36	12
Interest Charges	-	-	-
	29	40	11

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

7. Expenditure on Publicity

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

	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£	£	£
Advertising Staff Vacancies	3,689	105	(3,584)
ITA Websites	35,880	34,000	(1,880)
ITA Policy statements	2,351	1,617	(734)
	41,920	35,722	(6,198)

8. Tyne and Wear Pension Fund - FRS17 Disclosures at 31 March 2009

Employees of Tyne and Wear Integrated Transport Authority are admitted to the Tyne and Wear Pension Fund ("the Fund") which is administered by South Tyneside Council under the Regulations governing the Local Government Pension Scheme ("LGPS"), a defined benefit scheme. The employers contributions to the Fund in respect of the period 1 April 2004 to 31 March 2009 are set out below:

Period	<u>Percentage of Members Contribution</u>
1 April 2004 to 31 March 2005	1.97
1 April 2005 to 31 March 2006	2.51
1 April 2006 to 31 March 2007	2.51
1 April 2007 to 31 March 2008	2.51
1 April 2007 to 31 March 2009	1.80

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

	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£'000	£'000	£'000
Current service cost	410	-	(410)
Past service costs	290	-	(290)
Curtailments / settlements	620	-	(620)
Amount charged to net service cost	1,320	-	(1,320)
Expected return on pension scheme assets	(1,660)	(1,290)	370
Interest on pension scheme liabilities	1,690	1,930	240
Amount (credited)/debited to other income finance	30	640	610
Total revenue charge before deduction	1,350	640	(710)

Data provided by the Administering Authority used by actuary in the FRS 17 disclosure at 31 March 2009:

	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
<u>Active Members at 31 March 2007</u>			
Number	98	98	-
Total Pay (£000's)	2,330	2,330	-
<u>Pensioner and deferred pensioner members</u>			
Deferred members	30	30	-
Total Pay (£000's)	48	48	-
Pensioners and dependants	83	83	-
Total Pay (£000's)	423	423	-

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

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

9. Capital Financing

The Local Government and Housing Act 1989 requires the Authority to set aside an amount from revenue, the Minimum Revenue Provision (MRP), for the repayment of external loans. Although these regulations were superseded by amendments to the Capital Finance Regulations during the year (for new schemes only), the Authority continues to set aside more than 4% (see also Note 11).

The 1993 Code of Practice on Local Authority Accounting requires that for the purpose of compliance with the statutory requirements, the provision for depreciation in the service accounts should be regarded as part of the MRP. The difference is charged to the statement of movement on the general fund balance.

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

	<u>2007/08</u>	<u>2008/09</u>		
	Total	Tyne Tunnel	ITA	Total
	£'000	£'000	£'000	£'000
Statutory MRP:				
- Department of Transport	-	-	-	-
- PWLB	4,004	353	3,740	4,093
- Nexus Principal Repayment	(2,258)	-	(2,291)	(2,291)
Less : Deferred Charges	(4,662)	-	(113)	(113)
	(2,916)	353	1,336	1,689
Revenue Contributions	-	-	-	-
Less Grant	1,528	-	-	-
Less: Provision for Depreciation and Impairment	(3,868)	(1,846)	-	(1,846)
Appropriation	(5,256)	(1,493)	1,336	(157)

10. Levy on Districts and Revenue Support Grant to Nexus

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

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

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

In 2008/09, the levy was increased by 3%, with no technical adjustment.

	2006/07	2007/08	2008/09
	£'000	£'000	£'000
Levy on Tyne and Wear Districts	(65,057)	(67,409)	(69,431)

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

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

	2006/07	2007/08	2008/09
	£'000	£'000	£'000
Payment to Nexus	61,548	52,827	64,180

11. Minimum Revenue Provision (MRP)

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

	2007/08	2008/09	Change
	£000	£000	£000
ITA / Tyne Tunnel			
Opening Capital Financing Requirement	38,471	47,473	9,002
Closing Capital Financing Requirement *	47,473	48,178	705
Amount set aside	1,539	1,552	13
Minimum Revenue Provision (4%)	1,539	1,899	360
Loans to Nexus			
Opening Capital Financing Requirement	56,456	57,286	830
Closing Capital Financing Requirement	57,286	56,234	(1,052)
Amount set aside (recoverable)	2,258	2,291	33
Minimum Revenue Provision (4%)	2,258	2,291	33
Loans to Tyne & Wear Districts			
Opening Capital Financing Requirement	5,186	6,255	1,069
Closing Capital Financing Requirement	6,255	6,005	(250)
Amount set aside	207	250	43
Minimum Revenue Provision (4%)	207	250	43
Total			
Opening Capital Financing Requirement	100,112	111,014	10,902
Closing Capital Financing Requirement	111,014	110,417	(597)

12. Members' Allowances

The total paid in members' allowances during the year:

	2007/08 £	2008/09 £	Change £
Expenditure	74,240	79,853	5,613

Increases in members allowances arise from the recommendations made by the "Independent Remuneration Panel", which reports annually to the ITA. The last report taken to committee was on 26 March 2009.

13. Related Party Transactions

	2007/08 £'000	2008/09 £'000	Change £'000
Receipts			
<u>Levies on Tyne and Wear Councils</u>			
Gateshead MBC	(11,787)	(12,161)	(374)
Newcastle City Council	(17,012)	(17,268)	(256)
North Tyneside MBC	(11,836)	(12,449)	(613)
South Tyneside MBC	(9,312)	(9,640)	(328)
City of Sunderland	(17,462)	(17,913)	(451)
	<u>(67,409)</u>	<u>(69,431)</u>	<u>(2,022)</u>
Payments			
<u>LTP Grant Payments</u>			
Gateshead MBC	520	338	(182)
Newcastle City Council	637	687	50
North Tyneside MBC	63	172	109
South Tyneside MBC	179	219	40
City of Sunderland	362	427	65
	<u>1,761</u>	<u>1,843</u>	<u>82</u>
<u>Congestion Funding Grant</u>			
Gateshead MBC	26	33	7
Newcastle City Council	95	-	(95)
North Tyneside MBC	38	35	(3)
South Tyneside MBC	29	-	(29)
City of Sunderland	-	68	68
	<u>188</u>	<u>136</u>	<u>(52)</u>
Receipts			
<u>Newcastle City Council</u>			
Interest on Revenue Balance	(734)	(1,303)	(569)
<u>Nexus</u>			
Loans from ITA - Principal	(2,258)	(2,291)	(33)
Loans from ITA - Interest	(2,812)	(2,612)	200
	<u>(5,070)</u>	<u>(4,903)</u>	<u>167</u>
Payments			
<u>Newcastle City Council</u>			
Provision of Support Services	968	854	(114)
<u>Nexus</u>			
Revenue Support Grant	52,827	64,180	11,353
Grant to fund capital expenditure	1,854	3,506	1,652
Loan to fund capital expenditure	3,088	1,239	(1,849)
	<u>57,769</u>	<u>68,925</u>	<u>11,156</u>
<u>Tyne & Wear Superannuation Fund</u>			
Employers Contributions	1,484	1,096	(388)

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

14. Fees Payable to Audit Commission

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

	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£	£	£
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	46,151	49,000	2,849
Fees payable in respect of other services provided by the appointed auditor	-	-	-
	<u>46,151</u>	<u>49,000</u>	<u>2,849</u>

15. Support Services

The Integrated Transport Authority does not currently employ its own support staff. The lead authority for the ITA is Newcastle City Council, which provides administrative, banking, engineering, financial, internal audit, legal and other advisory services directly to the Authority. Charges for these services are made through service level agreements.

16. Integrated Transport Authority Lead Officers

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

<u>Responsibility</u>	<u>Title</u>
Policy / Legal / Administration:	Acting Clerk - <i>Barry Rowland</i>
Financial advice:	Deputy Clerk and Treasurer - <i>Paul Woods</i>
Engineering:	Engineer to the Tunnels - <i>John Miller</i>

	£m
The Tyne Tunnel with supporting building, including the administrative block and two ventilator buildings valued at depreciated replacement cost	90,000
The pedestrian/cycleway tunnel valued at depreciated replacement cost	13,360
The infrastructure approach roads to the north and south of the tunnel valued at historical cost	4,000
Other operational land at market value based on alternative uses	12,135
Other non-operational land at market value based on current use	0,062
Former Non-Operational commercial properties valued as cleared sites	0,095
Total	119,652

18 Movements on Fixed Assets

Movements in fixed assets during the year were as follows:

Operational Assets	2008/09			Total £'000
	Other Land & Buildings £'000	Vehicles, Plant, etc £'000	Infra- Structure £'000	
	Net Book Value of Assets at 31 March 2008	12,135		
Movement in 2008/09				
Additions				-
Disposals				-
Transfer				-
Impairment				-
Revaluations				-
Depreciation			(1,515)	(1,515)
Net Book Value as at 31 March 2009	12,135	-	105,506	117,641

Non-Operational Assets	2008/09		Total £'000
	Other Land & Buildings £'000	Asset Development Costs £'000	
	Net Book Value of Assets at 31 March 2008	4,409	
Movement in 2008/09			
Additions*	387	1,416	1,803
Disposals		-	-
Impairment	(331)	-	(331)
Transfer	-	-	-
Revaluations	-	-	-
Depreciation	-	-	-
Net Book Value as at 31 March 2009	4,465	6,530	10,995

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

19 Capital Expenditure and Financing

	2007/08 £'000	2008/09 £'000	Change £'000
Opening Capital Financing Requirement	100,113	111,014	10,901
<u>Capital Investment</u>			
Operational Assets	2,237	-	(2,237)
Non-Operational Assets	6,499	1,804	(4,695)
Deferred Charges	4,662	5,830	1,168
Loans to Outside Bodies	3,088	1,579	(1,509)
<u>Sources of Finance</u>			
Grant received	(1,528)	(5,717)	(4,189)
Capital receipts Applied	(52)	-	52
Sums set aside from revenue	(4,005)	(4,093)	(88)
Closing Capital Financing Requirement	111,014	110,417	(597)
<i>Explanation of Movements in Year</i>			
Increase in underlying need to borrow (supported by Government financial assistance)	4,110	-	(4,110)
Increase in underlying need to borrow (unsupported by Government financial assistance)	6,791	(597)	(7,388)
Increase/Decrease in Capital Financing Requirement	10,901	(597)	(11,498)

20 Tyne Tunnel Capital Expenditure

	2007/08 £'000	2008/09 £'000	Change £'000
<i>Main items of expenditure were:</i>			
Tyne Tunnels Improvements	287	-	(287)
<i>Major capital commitments at the start of following year are:</i>			
Tyne Tunnels Improvements	309	-	(309)

21 Capital Adjustment Account

	2007/08 £'000	2008/09 £'000	Change £'000
Opening Balance 1st April	(69,783)	(64,527)	5,256
Revenue Reserve	-	-	-
Capital receipts	52	-	(52)
Capital receipts applied	(52)	-	52
Government grants for deferred charges & fixed assets	(1,528)	-	1,528
MRP	(1,746)	(1,802)	(56)
Deferred Charges written off	4,662	113	(4,549)
Depreciation	1,600	1,515	(85)
'Prior Year adjustment correction of grant	-	-	-
Revaluation /Impairment	2,268	331	(1,937)
Closing Balance 31st March	(64,527)	(64,370)	157

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

22 Long Term Debtors

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

	2007/08 £'000	2008/09 £'000	Change £'000
Opening Balance 1st April	54,197	54,994	797
Loans to NEXUS			
New loans	3,088	1,239	(1,849)
Loan repayments	(2,258)	(2,292)	(34)
Movement in Loans due within one year	(33)	(28)	5
Closing Balance 31st March	54,994	53,913	(1,081)

23 Cash

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

	2007/08 £'000	2008/09 £'000	Change £'000
Local bank accounts	18,728	25,677	6,949
Cash in Transit	-	-	-
Cash in hands of officers	-	-	-
	18,728	25,677	6,949

24 Short Term Borrowing (< 1 year)

<u>Source of Loan</u>	2007/08 £'000	2008/09 £'000	Change £'000
Public Works Loan Board	-	(18,130)	(18,130)
Market Loans	-	(20,012)	(20,012)
Newcastle City Council	(4,455)	-	4,455
	(4,455)	(38,142)	(33,687)

25 Long Term Borrowing (> 1 year)

<u>Source of Loan</u>	2007/08 £'000	2008/09 £'000	Change £'000
Public Works Loan Board	(118,957)	(93,345) *	25,612
Market Loans	(90,028)	(90,020)	8
Department of Transport	-	-	-
	(208,985)	(183,365)	25,620
<u>Maturity Pattern of Loans:</u>			
1 to 2 Years	-	-	-
2 to 3 Years	-	(15,013)	(15,013)
3 to 5 Years	-	-	-
5 to 10 Years	(3,404)	(3,404)	-
10 to 15 Years	(4,306)	(4,306)	-
Over 15 Years	(201,275)	(160,642)	40,633
	(208,985)	(183,365)	25,620
<u>Fair value of debt portfolio</u>			
Public Works Loan Board	(127,240)	(118,634)	8,606
Market Loans	(75,647)	(73,117)	2,530
	(202,887)	(191,751)	11,136

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

25a Investments	<u>2007/08</u> £'000	<u>2008/09</u> £'000	<u>Change</u> £'000
Investments	111,484	126,263	14,779
Fair value of investments	108,811	125,506	16,695

26 Debtors	<u>2007/08</u> £'000	<u>2008/09</u> £'000	<u>Change</u> £'000
Amounts falling due within one year:			
Repayments due on Loans to Nexus Tyne & Wear Districts	6,842	6,701	(141)
Accrued Interest on Loans	-	-	-
Tax to be Recovered	563	522	(41)
Other debtors and prepayments	253	324	71
	<u>7,658</u>	<u>7,547</u>	<u>(111)</u>

27 Creditors	<u>2007/08</u> £'000	<u>2008/09</u> £'000	<u>Change</u> £'000
Amounts falling due within one year:			
Payments due to Nexus Tyne & Wear Districts - LTP Claims	(1,209)	(1,429)	(220)
Tyne & Wear Districts - Other	(1,231)	(949)	282
Accrued Interest on Loans	(13)	(184)	(171)
Accrued Payments to Pension Fund	-	-	-
New Tyne Crossing Advisors	(87)	(66)	21
Payments due to TT2	(211)	(283)	(72)
Other Accruals *	(498)	(296)	202
	(1,118)	(781)	337
	<u>(4,367)</u>	<u>(3,988)</u>	<u>379</u>

* other accruals increased by £573,000 for polls prepaid adjustment

28 General Reserves

The movement in reserves is explained by the following summary:

	<u>2007/08</u> £'000	<u>restated</u> £'000	<u>2008/09</u> £'000	<u>Change</u> £'000
Opening Balance	(10,966)	(10,966)	(18,212)	(7,246)
Net Expenditure during Year				
Levy on Districts	(67,409)	(67,409)	(69,431)	(2,022)
Payment to Nexus	52,827	52,827	64,180	11,353
Revenue Expenditure				
- ITA	3,273	3,273	1,738	(1,535)
- Tyne Tunnel	(7,112)	(6,539)	(9,811)	(3,272)
- New Tyne Crossing	29	29	40	11
	<u>(3,810)</u>	<u>(3,237)</u>	<u>(8,033)</u>	<u>(4,796)</u>
Capital Expenditure	-	-	-	-
Transfer to ear marked Reserve	10,573	10,573	2,277	(8,296)
Closing Balance	<u>(18,785)</u>	<u>(18,212)</u>	<u>(29,219)</u>	<u>(11,007)</u>

29 Financial Instruments Adjustment Account

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

30 Earmarked Reserve

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

<u>2007/08</u> £m	<u>2008/09</u> £m
10.598	12.875

Introduction

The disclosure below relate to the funded liabilities within the Tyne & Wear Pension Fund (the "Fund") which is part of the Local Government Pension Scheme. Tyne & Wear Integrated Transport Authority participate in the Fund which provides defined benefits based on members' final pensionable salary. In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Contribution for the accounting period ending 31 March 2010

The Employer's regular contribution to the Fund for the accounting period 31 March 2010 are estimated to be £0.79M. In addition, Strain on Fund Contributions may be required.

Assumption

The latest actuarial valuation of Tyne & Wear Integrated Transport Authority's liabilities took place as at 31 March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

	31-Mar-07	31-Mar-08	31-Mar-09
Inflation	3.2	3.7	3.3
Rate of general increase in Salaries*	4.7	5.2	4.8
Rate of increase to pensions in payment	3.2	3.7	3.3
Rate on increase to deferred pensions	3.2	3.7	3.3
Discount rate	5.3	6.8	6.8

*In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2007

Principal demographic assumptions

Post retirement mortality	31 March 2008	31 March 2009
<u>Males</u>		
	PNFA00 with allowance for MC improvement factors to 2007	PNMA00 with allowance for MC improvement factors to 2007
Base table (in 2007)		
Scaling to above base table rates	145%	145%
Cohort improvement factors (from 2007)	100% of MC	80% of LC
Minimum underpin to improvement factors	1.00%	1.25%
Future lifetime from age 65 (currently aged 65)	19.1	19.9
Future lifetime from age 65 (currently aged 45)	21.0	22.1
<u>Females</u>		
	PNFA00 with allowance for MC improvement factors to 2007	PNFA00 with allowance for MC improvement factors to 2007
Base table (in 2007)		
Scaling to above base table rates	130%	130%
Cohort improvement factors (from 2007)	100% of MC	60% of LC
Minimum underpin to improvement factors	0.50%	1.25%
Future lifetime from age 65 (currently aged 65)	22.1	22.8
Future lifetime from age 65 (currently aged 45)	23.3	25.0
Expected return on assets		

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS17

	Asset split at 31 March 2007	Asset split at 31 March 2008	Asset split at 31 March 2009
	%	%	%
Equities	67.1	66.1	66.1
Property	10.1	8.4	8.4
Government bonds	13.6	10.2	10.2
Corporate bonds	7.6	10.4	10.4
Cash/Other	1.6	4.9	4.9
Total	100.0	100.0	100.0
Long-term expected rate of return at 31 March 2007	7.0	7.0	6.2

*Following the Amendment to FRS17 issued in December 2006, disclosure of the expected return on assets by asset category is no longer

required (only the total rate needs to be disclosed along with the asset values). The overall expected rate of return on Fund assets is weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

Tyne & Wear Integrated Transport Authority employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating return for each asset class over the actual asset allocation for the Fund at 31 March 2009"

Reconciliation of funded status to balance sheet

	Values as at 31 March 2007	Values as at 31 March 2008	Values as at 31 March 2009
	£M's	£M's	£M's
National value of assets	24.69	18.27	15.44
Present value of liabilities	32.43	27.97	28.52
Net pension asset/(liability)		(9.70)	(13.08)

Analysis of Income and Expenditure/Profit and Loss charge

	Period ending 31 March 2008	Period ending 31 March 2009
	£M's	£M's
Current service cost	0.41	0.00
Past service cost	0.29	0.00
Interest cost	1.65	1.88
Expected return on assets	(1.65)	(1.29)
Curtailment cost	0.00	0.00
Settlement cost	0.62	0.00
Expense recognised	1.32	0.59

Changes to the present value of liabilities during the accounting period

	Period ending 31 March 2008	Period ending 31 March 2009
	£M's	£M's
Opening present value of liabilities	32.43	27.97
Current service cost	0.41	0.00
Interest cost	1.65	1.88
Contributions by participants	0.12	0.00
Actuarial (gains)/losses on liabilities*	1.64	(0.81)
Net benefit paid out#	(0.75)	(0.52)
Past service cost	0.29	0.00
Net increase in liabilities from disposals and acquisitions	0.00	0.00
Curtailments	0.00	0.00
Settlements	(7.82)	0.00
Closing Present value of liabilities	27.97	28.52

*Includes changes to the actuarial assumptions

Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums of £0.00M for the period ending 31 March 2009

Changes to the fair value of assets during the accounting period

	Period ending 31 March 2008	Period ending 31 March 2009
	£M's	£M's
Opening fair value of assets	24.69	18.27
Current service cost	0.41	0.00
Actuarial (gains)/losses on assets	(0.44)	(4.65)
Contribution by the employer	1.44	1.05
Contribution by the participants	0.12	0.00
Net benefit paid out#	(0.75)	(0.52)
Net increase in assets from disposals and acquisitions	0.00	0.00
Settlements	(8.44)	0.00
Closing fair value of assets	18.27	15.44

Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sum of £0.00M for the period end ending 31 March 2009

Accrual return on assets

	Period ending 31 March 2008	Period ending 31 March 2009
	£M's	£M's
Expected return on assets	1.65	1.29
Actuarial gain/(loss) on assets	(0.44)	(4.65)
Actual return on assets	1.21	(3.36)

Analysis of amount recognised in STRGL*

	Period ending 31 March 2008	Period ending 31 March 2009
	£M's	£M's
Total actuarial gains/(losses)	(2.08)	(3.84)
Total gain/(loss) in STRGL	(2.08)	(3.84)

* STRGL (Statement of Total Recognised Gains & Losses)

History of asset values, present value of liabilities and surplus / deficit *

	As at 31 March 2008	As at 31 March 2009
	£M's	£M's
Fair value of assets	18.27	15.44
Present value of liabilities	27.97	28.52
Surplus / (deficit)	(9.70)	(13.08)

"In accordance with paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for periods ending 2006 and 2005 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised)."

Information for years other than the two years above can be obtained from this and previous FRS17 disclosures.

History of experience gains and losses*

	Period ending 31 March 2008	Period ending 31 March 2009
	£M's	£M's
Experience gains/(losses) on assets	(0.44)	(4.65)
Experience gains/(losses) on liabilities#	(4.65)	(0.22)

"In accordance with paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experience gain/(loss) on liabilities shown has not been re-stated for the periods ending 2007, 2006 and 2005 and includes the experience relating to unfunded liabilities"

This item consists of gains / (losses) in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

32 Disclosure under FRS17 (LPGS unfunded benefits)

Introduction

The disclosure below relate to the unfunded pension arrangements established by the Tyne & Wear Passenger Transport Authority. These are defined benefit arrangements based on members' final pensionable salary.

In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Contribution for the accounting period ending 31 March 2010

In accounting period ending 31 March 2010 the Employer expects to pay £0.05M directly to beneficiaries.

Assumption

The latest actuarial valuation of unfunded LGPS benefits took place as at 31 March 2007. The principal assumptions used by the independent actuaries in updating the latest valuation results for FRS17 purposes were:

	Principal financial assumptions (% per annum)		
	31 March 2007	31 March 2008	31 March 2009
Inflation	3.2	3.7	3.3
Rate of increase to pensions in payment	3.2	3.7	3.3
discount rate	5.3	6.8	6.8

	Principal demographic assumptions	
	31 March 2008	31 March 2009
Post retirement mortality		
Males		
Base table (in 2007)		
Scaling to above base table rates	145%	145%
Cohort improvement factors(from 2007)	100% of MC	80% of LC
Minimum underpin to improvement factors	1.00%	1.25%
Future lifetime from age 65 (currently aged 65)	19.1	19.9
Future lifetime from age 65 (currently aged 45)	21.0	22.1

Females		
Base table (in 2007)	PNFA00 with allowance for MC improvement factors to 2007	PNFA00 with allowance for MC improvement factors to
Scaling to above base table rates	130%	130%
Cohort improvement factors(from 2007)	100% of MC	60% of LC
Minimum underpin to improvement factors	0.50%	1.25%
Future lifetime from age 65 (currently aged 65)	22.1	22.8
Future lifetime from age 65 (currently aged 45)	23.3	25.0

Reconciliation of funded status to balance sheet

	Values as at 31 March 2007 £M's	Values as at 31 March 2008 £M's	Values as at 31 March 2009 £M's
Present value of liabilities	0.85	0.77	0.76
Net pension asset/(liability)	(0.85)	(0.77)	(0.76)

Analysis of Income and Expenditure/Profit and Loss charge

	Period ending 31 March 2008 £M's	Period ending 31 March 2009 £M's	
Current service cost	0.00	0.00	0.00
Past service cost	0.00	0.00	0.00
Interest cost	0.04	0.05	0.05
Curtailment cost	0.00	0.00	0.00
Settlement cost	0.00	0.00	0.00
Expense recognised	0.04	0.05	0.05

Changes to the present value of unfunded liabilities during the accounting period

	Period ending 31 March 2008	Period ending 31 March 2009
	£M's	£M's
Opening present value of liabilities	0.85	0.77
Current service cost	0.00	0.00
Interest cost	0.04	0.05
Actuarial (gains)/losses on liabilities*	(0.07)	(0.01)
Net benefit paid out	(0.05)	0.05
Past service cost	0.00	0.00
Net increase in liabilities from disposals and acquisitions	0.00	0.00
Curtailments	0.00	0.00
Settlements	0.00	0.00
Closing present value of unfunded liabilities	0.77	0.76

* Includes changes to the actuarial assumptions

Analysis of amount recognised in STRGL*

	Period ending 31 March 2008	Period ending 31 March 2009
	£M's	£M's
Total actuarial gains/(losses)	(2.08)	0.01
Total gain (loss) in STRGL	0.07	0.01

* STRGL (Statement of Total Recognised Gains & Losses)

History of present value of liabilities and surplus/deficit

	As at 31 March 2008	As at 31 March 2009
	£M's	£M's
Present value of liabilities	0.77	0.76
Surplus / (deficit)	(0.77)	(0.76)

*FRS17 requires the history to show this period plus the previous four periods if applicable. Information for years other than the two periods shown above can be obtained from this and previous FRS17 disclosure.

History of experience gains and losses*

	Period ending 31 March 2008	Period ending 31 March 2009
	£M's	£M's
Experience gains/(losses)#	(0.01)	(0.01)

"In accordance with paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. This disclosure note present the history of liabilities, and experience gain / (loss) on liabilities, for periods ending 2008 and 2009. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefit

This item consists of gains / (losses) in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

	2007/08	2007/08 Restated	2008/09	Change
	£'000	£'000	£'000	£'000
Deficit / Surplus for the year				
General Fund	(7,819)	(7,246)	(11,007)	(3,761)
Items in another classification in the cash flow statement				
Revenue - Levy Income				
- Payments	(4,074)	(4,074)	(10,702)	(6,628)
- Receipts	3,183	3,183	11,237	8,054
Financing				
- Payments	(1,747)	(1,747)	(1,801)	(54)
Non-Cash Transactions				
- capital reserve	(10,573)	(10,573)	(1,600)	8,973
Items on an Accruals Basis				
- Movement in Debtors	(1,157)	(1,157)	70	1,227
- Movement in Creditors	(1,356)	(1,929)	1,721	3,650
- Movement in Stock	(96)	(96)	-	96
Net Cash Flow on Revenue Activities	(23,639)	(23,639)	(12,082)	11,557

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

	2008/09		Change
	Balance	Balance	
	31.3.08	31.3.09	
	£'000	£'000	£'000
Cash in hand and at bank	18,728	25,667	6,939
Cash in Hands of Officers	-	-	-
	18,728	25,667	6,939

35 This statement analyses Net Cash Inflow from financing:-

	2007/08	2008/09	Change
	£'000	£'000	£'000
Financing			
Repayments			
- Department of Transport Loan	-	-	-
- PWLB	50	40,024	39,974
- Short Term Borrowing	9,012	4,454	(4,558)
- Temporary Investments	110,500	12,350	(98,150)
New Borrowing			
- PWLB	(115,460)	(53,000)	62,460
- Short Term Borrowing	(4,456)	-	4,456
Capital grant	(1,528)	-	1,528
Closing Balance 31 March	(1,882)	3,828	5,710

36 Details of Total Movements in Reserves

	Capital Reserves			Revenue Reserves		Total
	Revaluation Reserve	Capital Adjustment Account (CAA)	Financial Instrument Adjustment Account	Capital Earmarked reserve	Pension Reserve	
	£000	£000	£000	£000	£000	£000
Balance at 1st April 2008	(10,449)	(64,527)	50	(10,598)	10,470	(93,266)
Net (surplus)/deficit for year	-	-	-	(2,277)	-	(11,007)
Unrealised (gain)/loss from the revaluation of fixed assets	-	-	-	-	-	-
Effects of disposals of fixed assets						
Disposal of fixed assets	-	-	-	-	-	-
Financing of fixed assets and deferred charges written off	-	157	(9)	-	-	148
Government grant applied	-	-	-	-	-	-
Movements in Pensions Reserve						
Actuarial losses/(gains) in the year	-	-	-	-	3,371	3,371
Balance at 31st March 2009	(10,449)	(64,370)	41	(12,875)	13,841	(103,031)

The Capital Adjustment Account (CAA) is not backed by cash and therefore cannot be called upon to support spending.

Further details of the movement in Capital Adjustment account (CAA) can be found at Note 9 and Note 21 to the Core Financial Statements

37 Future Capital Commitments

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

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

	£000
2009/10	12,900
2010/11	57,300
2011/12	45,627
2012/13	-
Total	115,827

38 Contingent Liabilities

The PTA has a contingent liability in respect of major maintenance of the pedestrian & cycle tunnel, resulting from current negotiations with TT2, the liability is likely to be less than £20,000. This should be resolved in 2009/10

39 Revaluation Reserve

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

	2007/08	2008/07	Change
	£'000	£'000	£'000
Opening balance at 1 April	-	(10,449)	(10,449)
- Revaluation adjustments	(10,449)	-	10,449
Closing balance at 31 March	(10,449)	(10,449)	-

40 Grants

	2007/08	2008/07	Change
	£'000	£'000	£'000
Paid			
Newcastle City council	-	270	270
LT P -Districts	-	1,843	1,843
Nexus -capital expenditure	1,854	3,505	1,651
Congestion Funding-capital	120	99	(21)
Congestion Funding -revenue	68	36	(32)
	2,042	5,753	3,711
Received			
s31 Transport Grant	(1,459)	(5,618)	(4,159)
Congestion Funding -capital	(69)	(99)	(30)
Congestion Funding -Revenue	(119)	(36)	83
	(1,647)	(5,753)	(4,106)

41 Leasing transactions

Leasing transactions during 2008/9 and commitments are as follows

	2007/08 £'000	2008/09 £'000
rentals paid	93	128
Operating leases commitments to further rental charges at 31 March		
Expiring between two and five years of the Balance Sheet	372	270

42 Financial instruments - amounts recognised in the Balance Sheet

The table below shows the carrying values of financial instruments included within the ITA's Balance sheet

In accordance with the SORP, any accrued interest as at 31 March 2009 is included within the carrying values.

	2007/08 £'000	2008/09 £'000
Financial assets		
Loans & receivables		
Long term debtors	54,994	54,254
Debtors	7,658	7,547
Investments	111,484	126,263
	174,136	188,064
Financial Liabilities		
Creditors	(4,367)	(3,988)
Borrowing repayable within one year	(4,455)	(38,143)
Long term borrowing	(208,895)	(183,365)
	(217,717)	(225,496)

Recognised gains and losses

The following table summarises the gains and losses which have arisen in the ITA's accounts in relation to financial instruments. The majority of these are reflected in the income and expenditure account.

Recognised gains and losses 31/03/2009

Recognised in Income & Expenditure Account

Financial assets:

Interest receivable on loans and receivables

Financial liabilities:

Interest payable

Total

2008/09 £'000
(11,236)
10,025
(1,211)

Nature and Extent of Risk Arising from Financial Instruments And How The Council Manages Those Risks

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

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

credit risk – the possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party

liquidity risk – the possibility that a party will be unable to raise funds to meet its commitments associated with financial instruments

market risk – the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates etc

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

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

The Authority's Financial assets have been reviewed for impairment and the Authority is not aware of any factors which would suggest that the amounts will not be received in full.

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

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

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

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

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

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

Sensitivity to market interest rates - The ITA is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It should be noted that had interest rates been higher the ITA would in practice have taken different decisions in relation to rescheduling of debt and to new borrowing and investments undertaken. The likely impact of such different decisions is not possible to quantify. However, the table below shows the extent to which the ITA's interest payable and interest receivable would have been different had market interest rates during the year been 1% higher than they actually were, calculated based on the actual new and variable loans and investments that the authority held during the year.

	Actual	With 1% Increase	Change
	£'000	£'000	£'000
Recognised in Income & Expenditure account			
Interest receivable on loans & receivables	(11,236)	(12,030)	794
Financial Liabilities-interest Payable	10,025	10,248	(223)
	(1,211)	(1,782)	571

There is no impact on the Income and Expenditure account on how the ITA manages risks arising from financial instruments.

43 Events After The Balance Sheet Date

The accounts were approved for issue by the Treasurer on the 29th June 2009. There were no events between the Balance sheet date and this date that may affect the users' understanding of the accounting statements and therefore requires disclosure



section 3

Tyne & Wear Integrated
Transport Authority

Group Accounts
for the Financial Year
Ended 31 March 2009

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

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

Group Income & Expenditure Account for the Year Ended 31 March 2009

	Note	2007/08	2007/08	2008/09		
			Restated	Gross	Income	Net
		£'000	£'000	Expenditure	£'000	Expenditure
			£'000	£'000	£'000	
General Fund Services	3					
Planning and Development		902	902	1,167		1,167
Corporate & Democratic Core		2,318	2,318	2,449		2,449
Non-Distributed Costs		6,156	6,156	5,596		5,596
Transport		76,368	76,368	142,319	(58,769)	83,550
Exceptional Items not included in specific services	4	(1,785)	(1,785)	-	(168)	(168)
Net Cost of Services		83,959	83,959	151,531	(58,937)	92,594
Trading Accounts						
Tyne Tunnels	5	(3,292)	(2,719)	5,051	(13,648)	(8,597)
Interest Payable		4,074	4,074	7,413	-	7,413
Interest on revenue balances		(5,601)	(5,601)	-	(10,680)	(10,680)
Pensions Interest costs and Expected Return on Pension Assets	6	310	310	2,490	-	2,490
Taxation of Group Entities		(90)	(90)	-	(110)	(110)
Net Operating Expenditure		79,360	79,933	166,485	(83,375)	83,110
Levy /grant Income		(92,920)	(92,920)			(103,132)
Net Income & Expenditure Account (surplus)/deficit		(13,560)	(12,987)			(20,022)

The Income & Expenditure Account has been restated to reflect changes in the accounting treatment of pre-paid tolls details.

**This is the surplus before appropriation for statutory provisions in respect of depreciation, minimum revenue provision for debt repayment, contributions to the pension reserve and earmarked reserve. The surplus after this is £17.13m, as shown in the following statement.

Statement of Movement on General Fund Balance

	2007/08	2007/08 Restated	2008/09
	£'000	£'000	£'000
Surplus for the year on the Income & Expenditure account	(13,560)	(12,987)	(20,022)
Net additional amount required by statute and non statutory proper practices to be debited or credited to general fund balance for the year	4,177	4,177	2,889
Increase in General Fund Balance for year *	(9,383)	(8,810)	(17,133)
General fund balance brought forward	(17,439)	(17,439)	(26,249)
General fund balance carried forward	(26,822)	(26,249)	(43,382)

*Analysis of Surplus

ITA	(736)	(736)	(1,236)
Tyne Tunnels	(7,083)	(6,510)	(9,771)
Nexus	(1,564)	(1,564)	(6,126)

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

	2007/08	2007/08 Restated	2008/09
	£'000	£'000	£'000
(Surplus) Or Deficit On Authoritys Income And Expenditure account	(13,295)	(12,722)	(13,586)
Add(Surplus) or Deficit on Nexus	(265)	(265)	(6,436)
Group Account Surplus Or Deficit For the year	(13,560)	(12,987)	(20,022)

Note of Reconciling Transactions

	2007/08		2008/09	
	£'000	£'000	£'000	£'000
Amounts Included in the Income and Expenditure Account but required by a statute to be excluded when determining the Movement on the General Fund Balance for the year				
Depreciation and impairment of fixed assets	(3,868)		(1,846)	
Write Down of deferred charges to be financed from capital resources	(3,134)		(113)	
Net loss on sale of fixed assets	-			
Net charges made for retirement benefits in accordance with FRS17	(8,300)		(11,550)	
		(15,302)		(13,509)
 Amounts not included in the Income and Expenditure Account but required by a statute to be included when determining the Movement on the General Fund Balance for the year				
Minimum Revenue provision for capital financing	1,746		1,802	
Capital expenditure charged in year to General fund balance	-		-	
Employers contribution payable to the pension fund and retirement benefits payable direct to pensioners.	11,504		15,419	
		13,250		17,221
 Transfers to or from the General Fund that are required to be taken into account when determining the movement on the General Fund balance for the year				
Voluntary revenue provision for capital financing	-		-	
Net transfer to or from earmarked reserves.	6,229		(823)	
		6,229		(823)
 Net additional amount required to be credited to the General Fund Balance for the year		4,177		2,889

Statement of Total Recognised Gains & Losses

	Note	2007/08		2008/09	Change
		2007/08	Restated		
		£'000	£'000	£'000	£'000
Surplus for the Year on the Income & Expenditure account		(13,560)	(12,987)	(20,022)	(7,035)
Unrealised (gain)/loss from the revaluation of fixed assets		(10,449)	(10,449)		10,449
Actuarial (gain)/losses on pension fund assets /liabilities		(14,720)	(14,756)	37,520	52,276
Surplus or deficit arising on revaluation of available for sale Financial assets		50	50	(9)	(59)
Financing of fixed assets & deferred charges written off		-	-	-	-
Any other gains or losses		1,172	1,172	(1,731)	(2,903)
Total recognised gains for the year		(37,507)	(36,970)	15,758	52,728
Balance at 1st April		(348,818)	(348,238)	(385,208)	(36,970)
Balance at 31st March		<u>(386,325)</u>	<u>(385,208)</u>	<u>(369,450)</u>	<u>15,758</u>
Reconciliation of Balances		2007/08			
		£'000			
Balance at 1st April		(348,818)			
Adjusted re FRS 17		580			
Restated Balance at 1st April		<u>(348,238)</u>			

Group Balance Sheet as at 31 March 2009

	Notes	2007/08		2007/08 restated		2008/09	
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets							
Operational Assets	11-12						
- Other Land & Buildings		14,722		14,722		14,809	
- Vehicles, Plant & Machinery		38,197		38,197		36,826	
- Infrastructure Assets		400,764		400,764		396,169	
- Community Assets		19,049		19,049		26,777	
Non Operational Assets		9,523		9,523		10,995	
Long Term Investments		1		1		1	
			482,256		482,256		485,577
Prepayments						340	
Long Terms Debtors		-	-	-	-	-	340
Total Long-Terms Assets			482,256		482,256		485,917
Current Assets							
- Stock		3,152		3,152		3,165	
- Debtors	15	11,208		11,208		15,484	
- Short Term Investments		150,607		150,607		164,421	
- Cash		19,283		19,283		26,341	
			184,250		184,250		209,411
Current Liabilities							
- Creditors	16	(19,287)		(19,860)		(23,394)	
- Short Term Borrowing	13	(4,455)		(4,455)		(38,412)	
			(23,742)		(24,315)		(61,806)
Total Assets Less Current Liabilities			642,764		642,191		633,522
Long Term Borrowing	14		(208,985)		(208,985)		(183,165)
Provisions for Liabilities & Charges	17		(4,778)		(4,778)		(4,036)
Pension Liability			(42,676)		(43,220)		(76,871)
							(264,072)
Total Assets Less Liabilities			386,325		385,208		369,450
<i>Being represented by:</i>							
Capital adjustment account			(122,064)		(122,064)		(118,807)
Revaluation reserve			(10,449)		(10,449)		(10,449)
Financial Instruments Adjustment Account			50		50		41
usable Capital receipts reserve			-		-		-
General Fund Reserve			(26,822)		(26,249)		(43,382)
Earmarked Reserve			(10,598)		(10,598)		(12,875)
Deferred Capital Grants	18		(259,118)		(259,118)		(260,849)
Pension Reserve			42,676		43,220		76,871
Total Balances & reserves			(386,325)		(385,208)		(369,450)

*Balance Sheet has been restated to correct treatment of tolls prepayments and FRS17 changes

Treasurer's Certificate

I certify that the accounts set out on pages 65 to 77 fairly state the financial position of the Tyne and Wear Integrated Transport Authority as at 31 March 2009

Signed

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Deputy Clerk and Treasurer
Date: 29 June 2009

Chair of the Authority
Date: 29 June 2009

Group Cash Flow Statement for Year Ended 31 March 2009

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

	Notes	2007/08	2008/09	<u>Change</u>
		£'000	£'000	£'000
Net cash flow from revenue activities	19	(28,269)	(20,196)	8,073
Servicing of finance				
Payments				
Interest and Lease Payments		9,064	11,742	2,678
Receipts				
Interest on Revenue Balances		(7,069)	(9,380)	(2,311)
Net cash flow from servicing of finance		1,995	2,362	367
Taxation		-	-	-
Capital Activities				
Payments				
Purchase of Fixed Assets		35,442	21,559	(13,883)
Receipts				
Sale of Fixed Assets		(12)	(41)	(29)
Net cash flow from capital activities		35,430	21,518	(13,912)
Net cash flow before financing		9,156	3,684	(5,472)
Management of Liquid Resources				
Temporary Investments		-	-	-
Net cash flow from management of liquid resources		-	-	-
Financing				
Payments				
Repayments of Amounts Borrowed		8,597	44,403	35,806
Temporary investments		110,500	12,350	(98,150)
Grant Finance Raised		(8,663)	(12,290)	(3,627)
Receipts				
New Loans Raised		(124,531)	(54,240)	70,291
Net cash flow from financing		(14,097)	(9,777)	4,320
(Increase)/Decrease in Cash and Equivalents	20	(4,941)	(6,093)	(1,152)

Disclosure Notes to the Group Core Financial Statements

1. These accounts have been prepared by merger accounting conventions, combining the Tyne and Wear Integrated Transport Authority and Nexus. They have been merged as at 31 March 2009
2. Further detail to these accounts may also be found within the previous section (single entity accounts) and within the Nexus accounts. Any item without a specific disclosure note below is purely calculated as the sum of the values in the single entity accounts.

3. Analysis of General Fund Services	Net Expenditure 2007/08 £000	Net Expenditure 2008/09 £000	Change £000
Central ITA Costs:			
- Supplies & Services	235	329	94
- Central Support Services	285	351	66
New Tyne Crossing preliminary costs	29	40	11
District Grants (LTP)	3,134	113	(3,021)
Metro - Operating	8,336	15,285	6,949
- Capital and Provisions	9,544	7,923	(1,621)
Ferry	993	966	(27)
Rail	4,171	4,411	240
Bus Services	10,276	11,471	1,195
Bus Infrastructure	3,157	3,182	25
Transport Promotion and Information	1,961	2,590	629
Deregulation and Pensions	6,155	5,596	(559)
Concessionary Travel	40,818	45,765	4,947
Current Pension cost adjustment	(3,350)	(5,260)	(1,910)
Exceptional Item	(1,785)	(168)	1,617
	83,959	92,594	8,635

4. This relates to proceeds from the disposal of Airspace and the recovery of deposits

5. Trading Operations: Tyne Tunnels

	2007/08 £'000	2008/09 £'000	Change £'000
Expenditure			
Employees	2,694	38	(2,656)
Current Pension Cost Adjustment	410	-	(410)
Past Service Costs Pension Adjustment	290	-	(290)
Loss on Curtailment	620	-	(620)
Premises	539	67	(472)
Transport	65	-	(65)
Supplies and Services	875	26	(849)
Central Support Costs	498	2,953	2,455
Lease Charges	337	121	(216)
Depreciation Charges & Impairment	3,868	1,846	(2,022)
	10,196	5,051	(5,145)
Income			
Toll Income	(12,834)	(13,560)	(726)
Other Income	(81)	(88)	(7)
	(12,915)	(13,648)	(733)
Net Expenditure	(2,719)	(8,597)	(5,878)

* Toll income includes an accrual for pre-payments. This is estimated at £591,269 at 31.3.09, (£572,453 at 31.3.2008)

Disclosure Notes to the Group Core Financial Statements

6. Full notes to the pension fund disclosures can be found within the single entity account disclosures. Both the ITA and Nexus are member of the Tyne and Wear Pension Fund, and as such the disclosures are identical, with the exception of the following:

The following tables present an analysis of the amounts that have been charged to the I&E Account:

	2007/08		2008/09	
	£'000 ITA	£'000 Nexus	£'000 ITA	£'000 Nexus
Current service cost	410	4,920	-	3,800
Past service costs	290	1,750	-	-
Curtailments / settlements	620	-	-	-
Amount charged to net service cost	1,320	6,670	-	3,800
Expected return on pension scheme assets	(1,660)	(10,020)	(1,290)	(9,790)
Interest on pension scheme liabilities	1,690	10,300	1,930	11,640
Amount credited to other income finance	30	280	640	1,850
Total revenue charge before deduction	1,350	6,950	640	5,650

7. Minimum Revenue Provision (MRP)

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

	2007/08 £'000	2008/09 £'000	Change £
ITA / Tyne Tunnel			
Opening Capital Financing Requirement	38,471	47,473	9,002
Closing Capital Financing Requirement	47,473	48,178	705
Amount set aside	1,539	1,552	13
Minimum Revenue Provision (4%)	1,539	1,899	360
Loans to Nexus			
Opening Capital Financing Requirement	56,456	57,286	830
Closing Capital Financing Requirement	57,286	56,234	(1,052)
Amount set aside (recoverable)	2,258	2,291	33
Minimum Revenue Provision (4%)	2,258	2,291	33
Loans to Tyne & Wear Districts			
Opening Capital Financing Requirement	5,186	6,255	1,069
Closing Capital Financing Requirement	6,255	6,005	(250)
Amount set aside	207	250	43
Minimum Revenue Provision (4%)	207	250	43
Total			
Opening Capital Financing Requirement	100,113	111,014	10,901
Closing Capital Financing Requirement	111,014	110,417	(597)

Disclosure Notes to the Group Core Financial Statements

8. Related Party Transactions

	2007/08 £'000	2008/09 £'000	Change £'000
Receipts			
<u>Levies on Tyne and Wear Councils</u>			
Gateshead MBC	(11,787)	(12,161)	(374)
Newcastle City Council	(17,012)	(17,268)	(256)
North Tyneside MBC	(11,836)	(12,449)	(613)
South Tyneside MBC	(9,312)	(9,640)	(328)
City of Sunderland	(17,462)	(17,913)	(451)
	<u>(67,409)</u>	<u>(69,431)</u>	<u>(2,022)</u>
<u>LTP Grant Payments</u>			
Gateshead MBC	520	338	(182)
Newcastle City Council	637	687	50
North Tyneside MBC	63	172	109
South Tyneside MBC	179	219	40
City of Sunderland	362	427	65
	<u>1,761</u>	<u>1,843</u>	<u>82</u>
<u>Congestion Funding Grant</u>			
Gateshead MBC	26	33	7
Newcastle City Council	95	0	(95)
North Tyneside MBC	38	35	(3)
South Tyneside MBC	29	0	(29)
City of Sunderland	-	68	68
	<u>188</u>	<u>136</u>	<u>(52)</u>
<u>Newcastle City Council</u>			
Interest on Revenue Balance	(734)	(1,303)	(569)
Payments			
<u>Newcastle City Council</u>			
Provision of Support Services	968	854	(114)
	<u>968</u>	<u>854</u>	<u>(114)</u>
<u>Tyne & Wear Superannuation Fund</u>			
Employers Contributions	1,484	1,096	(388)

Disclosure Notes to the Group Core Financial Statements

9. Fees Payable to Audit Commission

The 2006 Statement of Recommended Practice (SORP) issued by CIPFA requires that all fees payable to the Audit Commission, the external auditors of the Integrated Transport Authority, are disclosed. This should include both work carried out in performing statutory functions and additional work .

	2007/08 £'000	2008/09 £'000	Change £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	116	126	10
Fees payable in respect of other services provided by the appointed auditor	-	-	-
	116	126	10

10 Integrated Transport Authority Lead Officers

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

<u>Responsibility</u>	<u>Title</u>
Policy / Legal / Administration:	Acting Clerk
	- <i>Barry Rowland</i>
Financial advice:	Deputy Clerk and Treasurer
	- <i>Paul Woods</i>
Engineering:	Head of Planning and Transportation
	- <i>Harvey Emms</i>

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

Director General	<i>Bernard Garner</i>
Director of Finance & Administration	<i>John Fenwick</i>
Director Of Rail and Infrastructure	<i>Ken Mackay</i>

Disclosure Notes to the Group Core Financial Statements

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

11 Fixed Assets

Movements in fixed assets during the year were as follows:

Operational Assets	2008/09						Total £'000
	Land & Buildings £'000	Vehicles, Plant, etc £'000	Ferry £'000	Infra-Structure £'000	Other Assets £'000	Capital Projects £'000	
Cost or Vested Value							
Value at 31 March 2008	16,641	114,457	6,433	456,350	23,384	6,130	623,395
Additions	-	-	-	-	-	18,646	18,646
Disposals	-	-	(334)	-	(732)	-	(1,066)
Transfers	325	3,533	47	7,073	3,105	(14,083)	-
Depreciation							
Value at 31 March 2008	(1,919)	(76,260)	(2,101)	(61,716)	(8,667)	-	(150,663)
Disposals	-	-	330	-	731	-	1,061
Depreciation for Year	(238)	(4,904)	(227)	(9,686)	(1,737)	-	(16,792)
Impairment	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Net Book Value at 31 March 2009		36,826	4,148	392,021	16,084	10,693	474,581

Non-Operational Assets	2008/09						Total £'000
	Land & Buildings £'000	Vehicles, Plant, etc £'000	Ferry £'000	Infra-Structure £'000	Other Assets £'000	Capital Projects £'000	
Value at 31 March 2008	4,409	-	-	-	-	5,114	9,523
Additions	387	-	-	-	-	1,416	1,803
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Impairment	(331)	-	-	-	-	-	(331)
Depreciation	-	-	-	-	-	-	-
Net Book Value at 31 March 2009	4,465	-	-	-	-	6,530	10,995

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

12 Total Capital Expenditure funded by PTA

	2007/08 £'000	2008/09 £'000	Change £'000
Nexus -grant	2,901	3,505	604
Nexus loan	3,088	1,239	(1,849)
Tyne & Wear Districts -local transport plan	1,761	2,212	451
Tyne Tunnels	287	-	(287)
New Tyne crossing	8,449	2,256	(6,193)
	16,486	9,212	(7,274)

13 Short Term Borrowing

Source of Loan	2007/08 £'000	2008/09 £'000	Change £'000
Public Works Loan Board	-	(18,130)	(18,130)
Market Loans	-	(20,012)	(20,012)
Newcastle City Council	(4,455)	-	4,455
	(4,455)	(38,142)	(33,687)

Short Term Borrowing has increased due to debt rescheduling

Disclosure Notes to the Group Core Financial Statements

14 Borrowing

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

15 Debtors

Amounts falling due within one year:	2007/08 £'000	2008/09 £'000	Change £'000
Trade Debtors	1,198	8,016	6,818
Tyne & Wear Districts	-	-	-
Tax to be Recovered	563	522	(41)
Other debtors and prepayments	9,447	6,946	(2,501)
	<u>11,208</u>	<u>15,484</u>	<u>4,276</u>

16 Creditors

Amounts falling due within one year:	2007/08 £'000	2008/09 £'000	Change £'000
Trade Creditors	(5,207)	(5,654)	(447)
	-	-	-
Tyne & Wear Districts - LTP Claims	(1,231)	(949)	282
Tyne & Wear Districts - Other	(13)	(184)	(171)
Bank Overdraft	-	-	-
Loans repayable by instalments	(4,550)	(4,541)	9
Accrued Payments to Pension Fund	-	(66)	(66)
Newcastle City Council Income	(87)	-	87
New Tyne crossingadvisors	(211)	(283)	(72)
Other Accruals*	(8,063)	(11,421)	(3,358)
Patmebls Due To TT2	(498)	(296)	202
	<u>(19,860)</u>	<u>(23,394)</u>	<u>(3,534)</u>

* other accruals increased by £573,000 re tolls prepaid adjustment in 2007/8

17 Provision for Liabilities and Charges

	2007/08 £'000	2008/09 £'000	Change £'000
Deferred Taxation	2,333	2,223	(110)
Provision for Pensions	-	78	78
Provision for Uninsured Losses	952	766	(186)
Land Acquisition, Compensation and Contractors	1,493	969	(524)
	<u>4,778</u>	<u>4,036</u>	<u>(742)</u>

18 Deferred Capital Grants

	2007/08 £'000	2008/09 £'000	Change £'000
Beginning of year	260,291	259,118	(1,173)
Additions	8,663	11,658	2,995
Amortisation to revenue account	(9,836)	(9,927)	(91)
End of year	<u>259,118</u>	<u>260,849</u>	<u>1,731</u>

Disclosure Notes to the Group Core Financial Statements

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

	2007/08	2007/08 Restated	2008/09	Change
	£'000	£'000	£'000	£'000
Deficit / Surplus for the year				
General Fund (after grants)	(7,995)	(7,422)	(17,333)	(9,338)
Items in another classification in the cash flow statement				
Revenue - Levy Income	-	-	-	-
Servicing of Finance				
- Payments	(6,886)	(6,886)	(13,314)	(6,428)
- Receipts	5,577	5,577	13,293	7,716
Financing				
- Payments	(1,747)	(1,747)	(1,801)	(54)
Non-Cash Transactions				
-Capital reserve	(10,573)	(10,573)	(1,600)	8,973
- Capital expenditure charged to revenue	-	-	-	-
- Depreciation	(17,180)	(17,180)	(15,277)	1,903
- Movement on Deferred Capital Grants	9,836	9,836	9,927	91
- Movement on Provisions	612	612	632	20
- Movement on Pensions	3,070	3,070	3,410	340
- Losses on Disposal	12	12	36	24
Items on an Accruals Basis				
- Movement in Debtors	1,378	1,378	5,456	4,078
- Movement in Creditors	(4,338)	(4,911)	(3,638)	700
- Movement in Stock	(35)	(35)	13	48
- Deferred Income	-	-	-	-
Net Cash Flow on Revenue Activities	(28,269)	(28,269)	(20,196)	8,073

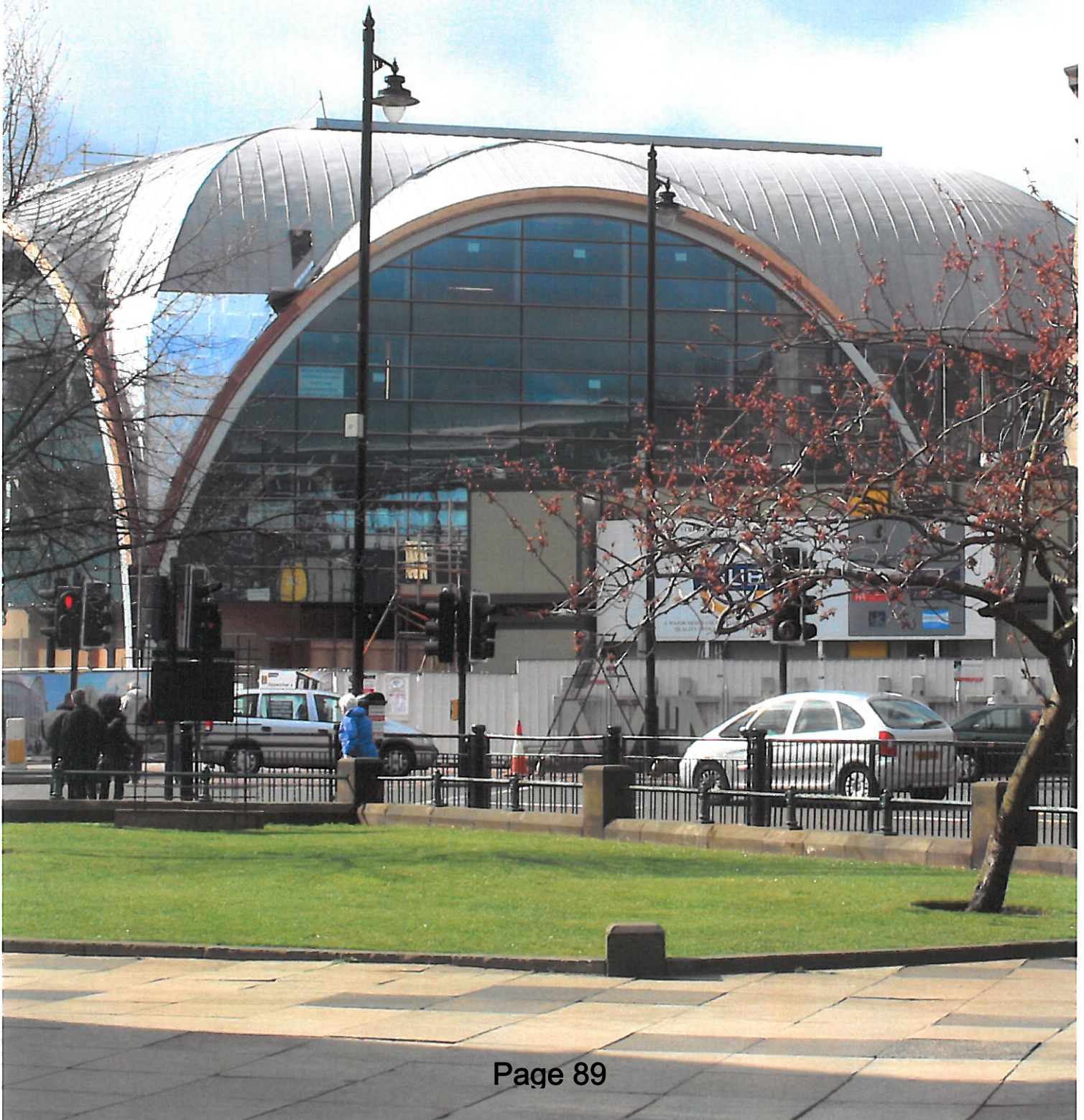
20 This statement reconciles the net movement in cash for all activities to cash and cash equivalents:

	2007/08	2007/08 Restated	2007/08	Change
	Balance 31.3.08 £'000	Balance 31.3.08 £'000	Balance 31.3.09 £'000	£'000
Cash & Bank	19,283	19,283	26,341	7,058
Investments	39,123	39,123	38,158	(965)
	58,406	58,406	64,499	6,093

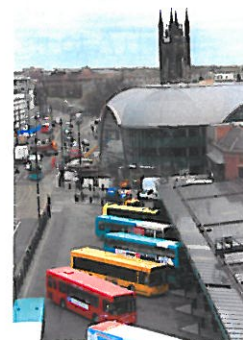
section 4

Tyne & Wear Integrated Transport Authority

Annual Governance Statement



Annual Governance Statement 2008/08



Section 1: Scope of Responsibility

The Tyne and Wear Integrated Transport Authority (ITA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The ITA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the ITA is responsible for putting in place proper arrangements (known as a Governance Framework) for:

- (i) the governance of our affairs and
- (ii) facilitating the effective exercise of our functions, including arrangements for the management of risk.

In relation to (i) we have adopted a Local Code of Corporate Governance ("Local Code"), which is consistent with the principles of the *CIPFA/SOLACE Framework Delivering Good Governance in Local Government*. A copy is available on our website at www.twpta.gov.uk.

The Local Code evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA. It has been updated and approved as part of this review.

In relation to (ii) the ITA has put in place a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- (a) identify and prioritise the risks to the achievement of our policies, aims and objectives; and
- (b) to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

Section 2: The Purpose of the Governance Framework

In addition to the above, the ITA's Governance Framework comprises the systems and processes, culture and values, through which the ITA is directed and controlled and its

activities through which it accounts to, engages with and leads the community. It enables the ITA to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The governance framework has been in place at the ITA for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts.

This Annual Governance Statement explains how we have complied with the Local Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a "statement on internal control".

Section 3: The Governance Framework

The main features our Governance Framework are described in our Local Code and are summarised below.

CORE PRINCIPLE 1: Focusing on our Purpose and Outcomes for Citizens

Identifying and communicating the ITA's vision of its purpose and intended outcomes for citizens and service users.

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

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

There is a policy work programme enabling us to secure effective and forward looking decision making.

The ITA has produced a short summary outlining its vision and new direction of travel.

Reviewing the ITA's vision and the implications for its governance arrangements.

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

The Passenger Transport Policy Statement is reviewed every three years, with ongoing monitoring provided to members twice a year. We have recently aligned our key output measures closely to the National Indicators used for Local Area Agreements.

We are working with colleagues in Nexus and across Tyne and Wear to discuss the opportunities presented by the Local Transport Act 2008 and the transition to an Integrated Transport Authority.

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

Stakeholder consultations, the Community Engagement Strategy, the Corporate Communications Plan and close working relations with key partners also ensure that the ITA continues to reflect upon its priorities and governance arrangements. We have undertaken a partnership governance review of the Local Transport Plan.

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

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

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

Service level agreements with the Lead Authority (Newcastle City Council) are in place, and regularly monitored, to ensure best value is being achieved.

Performance measurement and management information includes our key output measures linking to the set of National Indicators and local performance indicators. Targeting for all indicators includes analysis of past performance, comparative performance, priorities identified through consultation and financial plans, and checks on achievability.

Performance is reported to the ITA.

Performance against the capital programme is also monitored on a regular basis, with quarterly reports taken to the ITA. There is also regular monitoring of the Financial Strategy.

CORE PRINCIPLE 2: Members and Officers have Clearly Defined Roles and Responsibilities

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

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

There is a clear scheme of delegation to officers.

The roles of Scrutiny and Standards and Audit Committees are set out within their Terms of Reference. The role of Standards and Audit Committee has been reviewed within the last 12 months.

CORE PRINCIPLE 3: We Promote High Standards of Conduct and Behaviour

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

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

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

There is a Register of Interests and Registers of Gifts and Hospitality for both members and officers.

CORE PRINCIPLE 4: Transparent Decision Making Subject to Scrutiny and Risk Management

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

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

Standing Orders were reviewed in May 2008, Financial Regulations have been reviewed and considered by members in May 2009.

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

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

The ITA has a Risk Management Framework in place and maintains a register of its strategic risks as well as project risks related to the New Tyne Crossing Project. The ITA uses the risk management resources available within the Lead Authority as required.

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

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

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

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

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

The ITA is subject to internal and external audit and inspection regimes. The ITA has an internal audit service provided by the Lead Authority.

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

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

The ITA has an agreed whistle-blowing policy.

There is a corporate complaints procedure in place via the Lead Authority, with Nexus having separate procedures in place for managing complaints.

CORE PRINCIPLE 5: Developing the Capacity and Capability of Members to be Effective

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

The ITA provides members with training and there is induction training for new members.

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

CORE PRINCIPLE 6: Engaging with Local People and Stakeholders

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

Meetings are held in public.

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

There is also a communications plan.

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

The ITA works closely with other districts as part of the LTP Core Team which includes the distribution of the Local Transport Plan funding.

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

Nexus establishes and monitors its objectives and performance through the Passenger Transport Policy Statement and its Annual Performance Plan and 3 year business plan. The ITA has a partnership with TT2 Ltd to operate the existing Tyne Tunnel and the construction of a New Tyne Crossing.

Section 4: Annual Review of Effectiveness of Governance Framework

The ITA has responsibility for conducting, at least annually, a review of the effectiveness of the Governance Framework including the system of internal control. The review is led by the ITA Officer Co-ordination Group and the outcomes are reviewed by the Standards and Audit Committee before being considered and approved by the ITA.

The review is informed by :

- (a) The executive managers within the ITA who have responsibility for the development and maintenance of the governance environment.
- (b) The views of our internal auditors which are regularly reported to Standards and Audit Committee through regular progress reports and through the Annual Internal Audit Opinion.
- (c) An annual review of the effectiveness of our Internal Audit arrangements (as required by Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2006).
- (d) The views of our external auditors, regularly reported to Standards and Audit Committee through regular progress reports and through the Annual Audit and Inspection Letter, Annual Governance Report and through regular meetings with officers.
- (e) The independent views of inspection agencies.
- (f) The governance and internal control arrangements of our significant partnerships, contractors and group arrangements:
 - The Local Transport Plan Partnership (responsible for delivering the Local Transport Plan)
 - Nexus (the passenger transport executive responsible for the planning, provision and promotion of public transport). The ITA has appropriate representation within Nexus which provides an ongoing source of assurance
 - TT2 Ltd (responsible for the construction and effective operation of the Tyne Tunnels and New Tyne Crossing) and internal arrangements in place to support and monitor the contract.
- (g) The Value for Money Self-Assessment which assesses our performance and the services we provide.
- (h) The ITA's Strategic Risk Register, which captures the most significant risks associated with delivery of the ITA's objectives.
- (i) The Lead Authority's own annual review of its Governance Framework.

- (j) The views of members through the ongoing work of the Standards and Audit Committee and the ITA.
- (k) The work of the ITA Officer Co-Ordination Group – this group consists of Lead Authority officers who meet monthly to monitor ongoing performance issues and governance arrangements.

Section 5: Significant Governance Issues

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

The following were identified as significant within the 2007/08 Annual Governance Statement and have been successfully resolved or have undergone improvements to the extent that they did not constitute significant weaknesses during 2008/09:

Arrangements for Significant Partnerships	Internal Audit reviewed the Lead Authority’s arrangements for managing significant partnerships and found the framework satisfactory. An ongoing assurance mechanism has been implemented to ensure that the governance arrangements of significant partnerships are annually reviewed and to ensure that they provide an annual assurance of their effectiveness.
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This review has highlighted the following issues as significant during 2008/09:

Information Governance	This refers to the Lead Authority’s framework for handling information in an effective, appropriately confidential and secure manner in line with ethical, quality and legal obligations and responsibilities. In 2008/09, progress was made in improving awareness of information governance, in training key officers in both legal requirements and good practice (in particular on the requirements of the Data Protection Act) and in strengthening the organisational management of the issue. Good progress has also been made in improving information security, secure disposal of waste, and an interim encryption solution is now in place however, these improvements were only recently implemented.
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The findings of this review are subject to completion of the 2008/09 external audit plan.

Section 6: Significant Improvements Needed to Governance and Internal Control

The review also identifies:

- (a) Issues that may need significant improvement but which do not constitute “significant weaknesses” in our governance and internal control arrangements. These are:

- (i) **Standards and Audit Committee:** continued focus is needed to embed the recently revised Terms of Reference and Work Programme.
 - (ii) **Scrutiny Processes:** Democratic Services and Scrutiny Advisory Committee will work closely together during 2009/10 to strengthen the work programme, and align it closely with key national and local priorities in order to ensure that the ITA benefits from a robust scrutiny process.
 - (iii) **Action Planning:** this is linked to the Lead Authority's arrangements - good progress has been made in improving service planning guidelines and checking this is robustly followed however action planning requires further attention to ensure all of our action plans meet the required standard.
 - (iv) **Business Continuity, Planning and Testing:** this is linked to the Lead Authority's arrangements - good progress is being made with embedding business continuity with a Corporate Continuity Strategy being implemented, critical services identified and continuity plans in place at various levels. Further work is required during 2009/10 to achieve the level of embedding needed including senior level endorsement of strategies and plans, further testing and regular reporting on progress and issues to an appropriately senior level.
- (b) Issues that have improved during 2008/09 and no longer represent significant improvements needed to our governance and internal control arrangements. These are:
- (i) Improvements to the Internal Audit Plan and Service Level Agreement for Audit Services.
 - (ii) Increased focus on governance and internal control within the Standards and Audit Committee through revised Terms of Reference, a Work Programme and relevant training.
 - (iii) The embedding of processes to produce the Annual Governance Statement.
 - (iv) A number of member induction and training sessions held during 2008/09.

Section 7: Conclusion

We consider the governance and internal control environment operating during 2008/09 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. A number of weaknesses and issues have been identified and these are set out in Section 5 above. Implementing the action plans is a priority.

Systems are in place to continually review and improve the governance and internal control environment. A number of additional mid-year checks will be undertaken to provide assurance that improvements are being implemented and that the assessment is improving.

The annual review has shown that, with the exception of those items listed in Section 5, the arrangements are in place and operating as planned.

We have been advised on the implications of the review by the ITA Officer Co-ordination Group. We propose over the coming year to improve our governance and internal control arrangements as noted in this statement and are satisfied that this will address the need for the required level of improvement. We will monitor the implementation and operation of the improvements, as part of our next annual review.

**Barry Rowland
Acting Clerk**

Date: 29th June 2009

**Councillor David Wood
Chair of the ITA**

Date: 29th June 2009

**Paul Woods
Treasurer and Deputy
Clerk**

Date: 29th June 2009

