



Tyne and Wear Integrated Transport Authority

Meeting to be held at 10.00 am on Thursday 27 September 2012 in a Committee Room, Civic Centre, Newcastle upon Tyne

(Labour Group pre-meeting at 9:00am) (Opposition Group pre-meeting at 9:30am)

Membership: Blackburn, Curran, Green, Hobson, Hodson, Lawson, Lott, Maughan, McElroy, Murison, O'Shea, Smith, Stokel-Walker, Stone, D Wood (Chairman) and P Wood

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AGENDA

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1. Apologies for absence

2. Declarations of Interest of Members or Officers in any matter to be discussed at the meeting

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer).

Please also remember to leave the meeting where any personal interest requires this.

3. Minutes of the Previous Meeting

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FOR DECISION

4. Appointment of Acting Clerk

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5. 2011/12 Audit of the Annual Report and Accounts

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FOR INFORMATION		
10.	Response to CLG Consultation paper on Business Rate Retention: Implications for Concessionary Travel Funding	
	Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the Provisions of the Local Government (Access to Information) Act 1985.	
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	For information.	
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20.	Date and Time of the Next Meeting	
	Thursday, 22 November 2012 at 10am.	
21.	Exclusion of Press and Public	
	Exclusion of Press and Public under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied.	
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Tyne and Wear Integrated Transport Authority

26 July 2012
(10.00 - 11.50 am)

Present:

Councillor: D Wood (Chair)

Councillors: Curran, Green, Hobson, Hodson, Lawson, Lott, Maughan, McElroy, Murison, O'Shea, Smith, Stokel-Walker, Stone and P Wood

In attendance:

Newcastle City Council:

B Rowland - Clerk (ITA)
P Woods - Deputy Clerk and Treasurer (ITA)
S Ovens - Legal Advisor and Monitoring Officer (ITA)
D Slater - Executive Director of Environment and Regeneration
G Grant - Senior Transport Policy Officer (ITA)
E Goodman - Senior Accountant (ITA)
N Whitefield - Press Officer
V Miller - Democratic Services

Sunderland City Council:

D Laux - Assistant Head of Streetscene, Highways and Transportation

Nexus:

B Garner - Director General
K Mackay - Director of Rail and Infrastructure
T Hughes - Director of Customer Services
H Lewis - Press Office

26. **APOLOGIES FOR ABSENCE**

Councillor Blackburn.

27. **DECLARATIONS OF INTEREST OF MEMBERS OR OFFICERS IN ANY MATTER TO BE DISCUSSED AT THE MEETING**

Councillors Lott, O'Shea, Green, Hobson, Stokel-Walker, D Wood and P Wood declared a personal interest due to holding a concessionary travel pass.

Councillor Lott declared a personal interest as a member of the Tyne and Wear Pension Fund.

Councillor P Wood declared a personal interest due to being the Chairman of the Compass Community Transport charity.

28. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 31 May 2012 subject to the amendments outlined below were approved as a correct record and signed by the Chair.

Amendments

(a) Councillors present at the meeting

The list of councillors who had been present at the meeting should read: Blackburn, Curran, Green, Lawson, Hobson, Hodson, Lott, McElroy, Murison, O'Shea, Stokel-Walker, Stone and P Wood.

(b) 2011/12 Capital Programme Outturn Report

(Minute 17)

The first sentence of paragraph 4 should read "In response to a member's question about the Metro ARP underspend..."

Matters Arising

(a) Appointment of Lead Members' Portfolios

(Minute 6 refers)

RESOLVED – That the following appointments be made for the Municipal Year 2012/13:

Portfolio:	Portfolio Holder:
Economic development and regeneration	Councillor D Wood
Addressing climate change	Councillor Blackburn
Supporting safe and sustainable communities	Councillor McElroy

(b) Appointment of Committees and Working Groups for the Municipal Year 2012/13

- **Scrutiny Advisory Group**

(Minute 9 refers)

RESOLVED – That Councillor D Ord from North Tyneside Council be appointed as a member of the Scrutiny Advisory Group for the Municipal Year 2012/13.

- **Communication between the Authority and its working groups**

A member reported that, at its recent meeting, the Audit Committee had raised a question of how the Authority ensured that issues raised at meetings of various informal working groups were communicated to the Authority.

RESOLVED – That minutes of the Authority’s working groups be circulated to all members of the Authority on a regular basis for information.

- **Bus Strategy Working Group**

RESOLVED – That Councillor Curran be appointed as a member of the Bus Strategy Working Group for the Municipal Year 2012/13.

(c) ITA LTP 3 Measures and Targets

(Minute 15 refers)

B Garner reported that the LTP 3 measures and targets had been embedded in the revised Bus Strategy for Tyne and Wear, as set out in the Bus Strategy 2012 report for today’s meeting, agenda item 5.

(d) Bus Strategy Delivery Project Update

(Minute 16 refers)

- **Minutes of meetings held on the Bus Strategy Delivery Project**

B Garner informed members that the minutes of meetings held on the Bus Strategy Delivery Project were now available for circulation.

- **Progress of the preparation of a Qualify Contract Scheme (QCS) proposal in draft**

Officers confirmed that the work to prepare a QCS proposal in draft was in progress.

The Chair reiterated that the Authority had not as yet made a decision on options within the Bus Strategy Delivery Project, including on a QCS.

29. **THANKS TO THE LEGAL ADVISER AND MONITORING OFFICER**

The Chair, on behalf of the Authority, offered thanks to S Ovens who was leaving the Authority and wished him well for the future.

30. **LOCALISM ACT 2011 - THE AMENDED STANDARDS REGIME**

Submitted: A joint report of the Clerk and Legal Advisor and Monitoring Officer (previously circulated and copy attached to Official Minutes).

S Ovens presented the report which invited members to agree the new Code of Conduct for Members and finalise a number of other aspects of the new standards arrangements.

It was agreed that paragraph 3.2 of the report would be amended to read “The main difference, of course, is that a failure without reasonable excuse to register a DPI *and participate* in a relevant item of Authority business will be a criminal offence”.

RESOLVED – That:

- (i) The new Code of Conduct as set out in Appendix 1 be formally adopted; the Code to apply to elected members of the Authority and any co-opted members with voting rights; the Code to take immediate effect;
- (ii) George John Clark be appointed as the Authority’s Independent Person for a period of two years;
- (iii) Anthony Atkinson, George Clark, Elizabeth Green and Mark Scrimshaw be re-appointed as the independent members of the Authority’s Audit and Standards Committees for a further two year period to 31 May 2014;
- (iv) The allocation of the existing independent members’ allowances as proposed in paragraph 6.2 of the report be agreed.

31. BUS STRATEGY 2012

Submitted: A report of the Director General of Nexus (previously circulated and copy attached to Official Minutes).

B Garner presented the report on the draft revised ITA Bus Strategy for Tyne and Wear. The strategy aimed to arrest the decline in bus patronage, maintain and improve network accessibility and deliver better value for public money in Tyne and Wear. It was noted that the area still had a relatively high bus usage when compared to the national position.

The meeting discussed issues such as public subsidy for bus services in Tyne and Wear, key targets within the strategy, customer satisfaction levels, profitability of the service providers, promotion of public transport, the need to address the decline in bus patronage, the importance of delivering improvements and the deliverability of the strategy. Members agreed that “getting best value for travelling public and the tax payer” should form the core of the strategy and the discussions with bus operators.

B Rowland commented on the positive, constructive engagement with bus operators, which was ongoing, and confirmed that both options for delivery were still part of the strategy. The Chair reminded the meeting that the Authority had asked Nexus to draw up both options and then submit them to the Authority for decision. These options had not as yet been submitted to the Authority and no decision had been made.

RESOLVED – That:

- (i) the reference to customer satisfaction in paragraph 2.2.1 of the draft strategy document be clarified to explain the meaning of customer satisfaction figures before the document was released for consultation;
- (ii) following the amendment as outlined above, the draft revised ITA Bus Strategy 2012 be noted;
- (iii) following the amendment outlined above, the draft ITA Bus Strategy 2012 be released for a limited consultation with stakeholders; and
- (iv) information be provided to a future meeting on the profitability of all bus operators in Tyne and Wear.

32. LOCAL SUSTAINABLE TRANSPORT FUND - REVISED BID

Submitted: A report of the Joint Transport Steering Group (previously circulated and copy attached to Official Minutes).

D Slater presented the report which outlined the feedback received from the Government on the Authority's bid for the Local Sustainable Transport Fund (LSTF) and also the progress made towards preparation of a revised bid in line with that feedback.

During the ensuing discussion, members discussed a number of issues, including:

- the Authority's disappointment with the outcomes of the bid and the lack of information received from the Government at early stages on the likely outcome of the bid;
- the importance of the five Councils working together to ensure that the resubmission reflected the ITA's objectives and priorities and was drafted in line with the Government's advice. The Clerk invited members to communicate to their respective Councils the understanding of wider benefits of improvements planned for main corridors, including, for example, how tackling congestion on A1 could benefit other areas;
- members generally agreed that if a single corridor had to be chosen for the revised bid, the priority should be given to the A1 Western Bypass;
- the importance of supporting the revised bid with evidence;
- the importance of demonstrating value for money;
- the need for a collaborative approach with Northumberland and Durham;
- the importance of a reduction in journeys made by car in the most congested areas; and

- the tight timescale for the re-submission.

RESOLVED – That:

- (i) the contents of the report be noted;
- (ii) agreement be given to the submission of a revised bid to the Department for Transport by 10 August 2012;
- (iii) the focus of the contents of the draft submission, including the rationale for a realigned application process be noted; and
- (iv) the Delegated Committee be authorised to sign off the revised application for funding.

33. OPEN DATA

Submitted: A report of the Clerk (previously circulated and copy attached to Official Minutes).

G Grant presented the report which provided members with an overview of what open data was and the implications of the Department for Transport's new open data strategy. The report also outlined some of the potential economic and social benefits of open data initiatives that have a direct link to transport and the ITA's objectives.

Members welcomed the report and the potential benefits of the open data strategy.

RESOLVED – That:

- (i) the DfT's open data strategy be noted;
- (ii) the principles of open data be endorsed;
- (iii) permission be given to further work by officers to establish what data the ITA could release and the timescales for doing so; and
- (iv) permission be given to engagement with local software developers about future applications and uses of open data.

34. REVISION TO CHILD FARES

Submitted: A replacement report of the Director General of Nexus, as in the Supplemental Agenda 2 (previously circulated and copy attached to Official Minutes).

B Garner presented the report which sought the Authority's approval of a revision to child concessionary fares.

The report replaced the original confidential report, agenda item 17, due to the completion of the commercially sensitive negotiations and the removal of information on those negotiations from the report. The report was now available in the public domain.

During the ensuing discussion, a member commented on the importance of a wider consultation in future, including engagement with the existing and potential users. A member also commented that it was important to see bus operators' plans for future fares for children and young people. Members agreed that this matter should be part of discussions on the Bus Strategy Delivery Project.

In response to a member's question, B Garner explained that there were well established processes for monitoring the ridership on buses for the purpose of concessionary travel reimbursement and confirmed that fraud was not a significant concern particularly with the introduction of smartcards.

RESOLVED – That the following amendment to child concessionary fares with effect from 1 September 2012 be approved:

Child Single £0.60 (an increase of £0.10 from the current £0.50 fare);

Child All Day ticket £1.10 (an increase of £0.10 from the current £1.00 fare).

35. **2012/13 CAPITAL PROGRAMME - FIRST QUARTERLY REVIEW**

Submitted: A joint report of the Deputy Clerk and Treasurer of the ITA and the Director of Finance and Resources of Nexus (previously circulated and copy attached to Official Minutes).

Members noted the report which advised them of the overall performance of the 2012/13 Capital Programme, including its delivery to the end of the first quarter, and covered a diverse range of activities for which the Authority was the accountable body.

B Garner confirmed that whilst there would continue to be both positive and negative variances from year to year, Nexus was confident that the Metro Asset Renewal Plan (ARP) in total would be delivered to programme.

In response to a member's question relating to the Metrocar 3/4 life refurbishment programme, officers provided assurance as to the quality of the refurbishment work.

In response to a member's request, it was confirmed that the presentation of the projected outturn would be improved in future reports.

RESOLVED – That the position with regard to the 2012/13 Capital Programme at the end of the first quarter, as outlined in Section 2, be noted.

36. **OUTTURN AND DRAFT FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2011/12**

Submitted: A report of the Treasurer and Deputy Clerk (previously circulated and copy attached to Official Minutes).

Members considered the report which provided a summary of the Authority's financial results for 2011/12, presented the key accounting statements and provided an overview of significant financial matters which occurred during the year. P Woods and E Goodman provided clarification on the Authority's pension liabilities.

Members noted the feedback received from the Audit Committee who had reviewed the same report at their recent meeting held on 20 July 2012. Specifically, it was noted that the Committee had sought clarifications of a number of points including variances in budget, the increase in payments to TT2, the Metro Ticketing and Gating scheme not being shown in the Authority's accounts due to being Nexus' scheme funded directly by the DfT and the Authority's pension liabilities.

RESOLVED – That the report be noted.

37. **REVENUE BUDGET MONITORING REPORT TO JULY 2012**

Submitted: A report of the Treasurer and Deputy Clerk (previously circulated and copy attached to Official Minutes).

Members considered the report on the revenue budget monitoring position for the period 1 April to 30 June 2012. The monitoring information included information on the budget for administration and financing of the Authority, its borrowing and lending and financing of the Tyne Tunnels.

RESOLVED – That the report be noted.

38. **RAIL UPDATE**

Submitted: A joint report of the Director General of Nexus and the Clerk of the ITA (previously circulated and copy attached to Official Minutes).

K Mackay presented the report which provided an update on rail issues, including the Government's recent announcement regarding the £9bn infrastructure investment, the East Coast Main Line franchise consultation and rail devolution proposals.

During the ensuing discussion, members welcomed the plans for investment, commented on the importance of lobbying for the cascading of new and better rolling stock to Tyne and Wear, on the importance of a coherent approach across the region, including the Local Enterprise Partnership (LEP) and the Association of North East Councils (ANEC) and on risks associated with the proposed decentralisation of rail.

RESOLVED – That the report be noted.

39. **DATE AND TIME OF THE NEXT MEETING**

Thursday, 27 September 2012 at 10am.

40. **NORTH EAST SMART TICKETING INFRASTRUCTURE (NESTI) UPDATE REPORT TO ANEC**

Submitted: A report of the Director General of Nexus (previously circulated and copy attached to Official Minutes).

Members noted the report, presented by B Garner, which informed members of the North East Smart Ticketing Initiative (NESTI) update report which had been submitted to the 20 July 2012 meeting of the ANEC Leaders and Elected Mayor's Group.

It was confirmed that as the above mentioned meeting had now been held, the report was no longer restricted and was available in the public domain.

RESOLVED – That the report be noted.

41. **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That by virtue of section 100A and paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 the press and public be excluded from the remainder of the meeting because exempt information was likely to be disclosed and the public interest test against the disclosure had been satisfied.

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DATE: 27 September 2012
SUBJECT: Appointment of Acting Clerk
REPORT OF: The Legal Advisor and Monitoring Officer to the Authority

PURPOSE OF REPORT

Following the departure of the Clerk to the ITA this report recommends interim arrangements which are aimed at ensuring business continuity by utilizing existing knowledge of strategic ITA issues and providing appropriate support, pending the appointment of a permanent Clerk in the New Year.

RECOMMENDATIONS

The Authority is recommended to appoint:

- i. Paul Woods, the Deputy Clerk and Treasurer, as Acting Clerk (NB: he will continue in his role as Treasurer); and
- ii. David Slater, Newcastle City Council's Executive Director of Environment and Regeneration, as Acting Deputy Clerk and non-executive director of Nexus.

BACKGROUND DOCUMENTS

None

CONTACT OFFICERS

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IMPACT ON OBJECTIVES

To support economic development and regeneration	Positive
To address climate change	Positive
To support safe and sustainable communities	Positive



1	Executive Summary
1.1	This report sets out proposed new interim arrangements following the departure of the Clerk to the Authority.
2	Introduction and Background
2.1	Section 34(8) of the Local Government Act 1985 provides that:: “Each joint authority shall appoint a person to be the clerk to the authority and in making the appointment the authority shall have regard to the desirability of that person being the chief officer of a constituent council of the authority”.
2.2	Members will be aware that Barry Rowland left Newcastle City Council (NCC) at the end of August. As a result, he ceased to be the Clerk to the Authority and a non-executive director on the Nexus Board.
2.3	Ewen Weir has been appointed as NCC’s Acting Chief Executive. The process for the appointment to the permanent post is on-going. It is anticipated that the new Chief Executive will be in post within 6 months (which allows for any notice period).
3	Proposals
3.1	At present, Paul Woods, in his existing role as Deputy Clerk and Treasurer, is carrying out the duties of the Clerk. The option of appointing NCC’s Acting Chief Executive as Acting Clerk of the Authority for the interim period mentioned above has been considered. However, given the need to ensure continuity of strategic knowledge of transport issues over this short period, it is proposed that Paul Woods be appointed as Acting Clerk until the new permanent Clerk is appointed.
3.2	He will continue in his role as Treasurer but, in order to provide appropriate cover, it is proposed that David Slater, NCC’s Executive Director of Environment and Regeneration, be appointed as Acting Deputy Clerk during this period. He has significant experience of highway and transport issues. It is also proposed that David Slater be appointed as a non-executive director of Nexus during this period.

Tyne & Wear Integrated Transport Authority

Report on the financial statement audit for the
year ended 31 March 2012

Tyne and Wear Integrated Transport Authority
Civic Centre
Newcastle upon Tyne
NE1 8PD

Dear Sirs

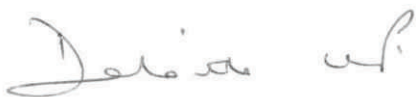
We have pleasure in setting out in this document our report to the Tyne and Wear Integrated Transport Authority for the year ended 31 March 2012, for discussion at the meeting scheduled for 27 September 2012. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2012.

In summary:

- the major issues, which are summarised in the Executive Summary, have now been largely addressed and our conclusions are set out in our report.
- there are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.
- in the absence of unforeseen difficulties, management and we expect to meet the agreed audit and financial reporting timetable.

We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work.

Yours faithfully



For and behalf of Deloitte LLP

Appointed Auditor

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Executive summary

Status	Description	Detail
Completion of the audit		
Our audit is largely complete.	<p>The status of the audit is as expected at this stage of the timetable agreed in our audit plan.</p> <p>Key items outstanding:</p> <ul style="list-style-type: none"> • final accounts review; • receipt of loan confirmations and the legal letter; • receipt of letter of representation; • Whole of Government Accounts review; • testing of the impairment of the refurbished tunnel; and • final review and close down procedures, including the subsequent events review. 	N/A
Overall view		
We anticipate issuing an unmodified financial statement audit opinion.	<p>On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements of the Authority and the Group.</p> <p>The matters that we have taken into account in forming our overall view are described in the following sections.</p>	N/A
Significant audit risks		
Testing on all audit risks was substantially completed with no issues arising.	<p>The key audit risks which we have identified as part of our overall audit strategy are:</p> <ol style="list-style-type: none"> 1. <u>Accounting treatment of the Tyne Tunnel Crossing</u> The accounting treatment of the new tunnel is in line with the prior year which was reviewed by our internal property experts. An inconsistency in the valuation of the 1967 tunnel which was refurbished during the year has now been adjusted (see Section 3) although our testing of the impairment is ongoing. 2. <u>Accounting for the North East Smart Ticketing Initiative (NESTI) funding</u> The release of NESTI funding was in line with our understanding of the funding requirements but we note that the legal documentation has not yet been revised to reflect actual arrangements. 3. <u>Revenue recognition</u> Testing of the completeness of Tyne Tunnel toll income has not identified any issues. 4. <u>Group reporting</u> Disclosures in the group accounts have been reviewed and are in line with the requirements of the Code. 5. <u>Management override of controls</u> No instances of management override of controls were noted. 	Section 1

Executive summary (continued)

Status	Description	Detail
Accounting and internal control systems		
We have not identified any significant control deficiencies.	As set out in the Annual Governance Statement, management assessed the accounting and internal control systems to be satisfactory. Our audit findings did not identify any significant deficiencies in the financial reporting systems. We have, however, raised an insight in relation to the authorisation of journals.	Section 4
Our observations on your financial statements		
No issues have been noted in relation to the accounting policies or financial reporting.	<p><u>Accounting policies and financial reporting</u></p> <p>As part of our audit, we consider the quality and acceptability of the Authority's accounting policies and financial reporting. We have nothing to report in these areas.</p> <p><u>Financial Standing</u></p> <p>We have considered the financial standing of the Authority through review of the outturn in 2011/12 and budgets for 2012/13. The Authority is clearly facing significant financial challenges but we have no specific concerns over the response to those challenges or the financial standing of the Authority.</p>	Section 3
Value for money conclusion		
Our work supports an unqualified VFM conclusion.	Under the Audit Commission Code of Audit Practice, as appointed auditors, we are required to draw a positive conclusion regarding the organisation's arrangements to secure economy, efficiency and effectiveness of its use of resources (the value for money (VFM) conclusion). We intend to issue an unqualified VFM conclusion.	Section 2
Liaison with internal audit		
No issues were noted from the findings of Internal Audit.	The audit team, following an assessment of the independence and competence of internal audit, reviewed the findings of internal audit and considered the potential impact on our audit approach. No issues of concern were noted and no change to our audit approach was required.	N/A
Independence		
We are compliant with the relevant independence requirements.	We confirm we are independent of the Tyne & Wear Integrated Transport Authority. Our reporting requirements in respect of independence matters, including fees, are covered in Section 5.	Section 5

Executive summary (continued)

Status	Description	Detail
Our observations on your Annual Report		
The Annual Report is consistent with our knowledge.	We have obtained the draft financial statements and reviewed the information published alongside the accounts, namely the contents of the 2011/12 Annual Report & Accounts, for consistency with the accounts and our knowledge from performing the audit. We noted no issues from this review.	N/A
Identified misstatements and disclosure misstatements		
There were no uncorrected misstatements or disclosure deficiencies.	<p>Audit materiality for the Authority is £3,687,300 (2010/11: £3,600,000) and materiality applied by the auditors of Nexus was £3,100,000 (2010/11: £2,470,070).</p> <p>There were no identified uncorrected misstatements or disclosure deficiencies. We have nothing to note in regards to the presentation of the financial statements.</p> <p>Details of recorded audit adjustments are included in Appendix 1.</p>	Appendix 1
Management representations		
We request that the Authority approve to the signing of the management representation letter.	A draft of the representation letter to be signed on behalf of the Authority has been included at Appendix 3.	Appendix 3
Other matters		
The Audit Commission has confirmed Deloitte's continued appointment as external auditors for 2012/13.	We have previously reported to you that the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission in 2012/13. On 2 June the Audit Commission announced proposals that the audits currently undertaken by their in-house practice should be outsourced to the private sector for the year ended 31 March 2013 onwards and five-year contracts have been awarded to that effect. Following a consultation exercise with all audited bodies about the appointment of their auditor for the audit of the 2012/13 and future years' accounts, the Commission has recently written to the Clerk confirming Deloitte as the appointed auditor for the Authority. The Commission will continue to regulate the local public audit market, monitor the performance of the firms providing audit services and determine the scale audit fees until the Government implements a new local public audit regime	N/A

1. Significant audit risks

The results of our audit work on significant audit risks are set out below.

Accounting for Tyne Tunnel Crossing

Based on our review of the model the accounting treatment is appropriate.

Risk

The new Tyne Tunnel crossing requires complex accounting arrangements similar to a PFI scheme to be put in place. There is therefore a risk that errors in accounting treatment may be made which would cause the accounts to be materially misstated.

Deloitte response

In 2010/11 we reviewed the accounting model and advice provided by PricewaterhouseCoopers in relation to the model to ensure it was in line with the guidance provided by our in house experts. Consistent with our expectations, the accounting treatment is unchanged from the prior year and no issues have been identified in relation to the 2011 tunnel.

An inconsistency in the accounting basis of valuation for the 1967 tunnel has been identified and has been addressed (see Section 3). Our testing of the impairment of the tunnel is still ongoing.

Accounting for North East Smart Ticketing Funding (NESTI)

Based on our testing the NESTI project has been accounted for in accordance with the substance of the transaction.

Risk

Funding received from the Local Authorities is held on the balance sheet until the associated conditions, namely spend incurred on the NESTI project, are satisfied. The release of the funding will therefore need to be in line with the rights and obligations attached to the funding. From prior year knowledge this is when it has been matched to relevant expenditure.

Deloitte response

We have tested a sample of items to NESTI expenditure and reviewed the release of the deferred income to ensure it complies with the funding requirements.

The legal documentation for the NESTI project is still inconsistent with the substance of the transaction (see Section 4).

Revenue recognition

Based on our testing income has been recognised correctly.

Risk

International Standards on Auditing (UK and Ireland) 240, "The auditor's responsibility to consider fraud in an audit of financial statements", requires auditors to perform certain audit procedures related specifically to fraud risk, and requires a presumption that revenue recognition is a key audit risk.

For the Authority we consider that the specific revenue recognition risk relates to the completeness of Tyne Tunnel toll income

Deloitte response

We have tested a sample of toll income to check completeness and reviewed management controls currently in place to ensure the recognition of revenue is reasonable. No issues have been identified in our testing.

1. Significant audit risks (continued)

Group reporting

Based on our testing, the consolidation has been performed correctly and all appropriate disclosures made.

Risk

Group accounts are prepared for the Authority and Nexus. Omissions in disclosures were identified in last year's group accounts.

Deloitte response

We reviewed and tested the consolidation schedule for the preparation of the group accounts and reviewed disclosures against the Code of Practice and the Disclosure checklist. All relevant disclosures have been included.

Management override of controls

No instances of override of controls by management have been noted.

Risk

International Standards on Auditing (UK and Ireland) require auditors to presume that there is a risk of fraud in relation to management override of controls, and to perform specific procedures to address this risk.

Deloitte response

For a sample of journals we have reviewed their accounting treatment and obtained an understanding of the business rationale with a focus on any that appear to be unusual given our understanding of the Authority and its environment. We have also reviewed the minutes of the Authority meetings to understand key control issues identified and addressed during the year. Through these procedures, and over the course of all of our audit work, we have not identified any instances whereby management have circumvented controls.

2. Value for Money Conclusion

Value for money (VFM) conclusion

The requirement	Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a positive conclusion regarding the organisation's arrangements to secure economy, efficiency and effectiveness of its use of resources (the value for money (VFM) conclusion).
Work completed	<p>In 2011/12, as set out in the "Work Programme and Scales of Fees 2011/12 - Local government, housing and community safety" and supporting the New Approach to VFM Audit document issued by the Audit Commission, our VFM audit work consists of the following:</p> <ul style="list-style-type: none">• review of the annual governance statement (AGS);• review the results of any work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and• undertake other local risk-based work as appropriate, or any work mandated by the Audit Commission. <p>We have not identified any local risk-based work, nor were there any additional work mandated by the Commission.</p>
Conclusion	No issues impacting our VFM conclusion have been identified and we intend to issue an unmodified conclusion.

3. Our observations on your financial statements

In the course of our audit on the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our comments on the quality and acceptability of the Authority's accounting policies and estimates are discussed below.

We have considered the accounting policies as set out in the financial statements and consider them to be in line with the Local Authority Accounting Code of Practice. In addition, we are required to consider going concern. However, in the context of the Authority this takes the form of consideration of financial standing.

We have considered the financial standing of the Authority through review of the outturn in 2011/12 and budgets for 2012/13. We have no specific concerns over the financial standing of the Authority.

Tunnel valuations

Inconsistency in the basis of valuation for the tunnels needs to be addressed.

Background

The existing vehicle and cycle / pedestrian tunnels were valued on a depreciated replacement cost basis as they were being accounted for as Other Land and Buildings although disclosed as Infrastructure within the accounts. The Local Authority Accounting Code of Practice requires infrastructure assets to be valued on a historical cost basis and the Authority's accounting policy is consistent with the Code. In line with accounting advice provided by PricewaterhouseCoopers in 2010/11, the new tunnel was correctly valued at historical cost.

The Code defines historical cost as the carrying value as at 1 April 2007 (i.e. brought forward from 31 March 2007), adjusted for subsequent depreciation and impairment as appropriate. A revaluation was carried out on the 1st April 2007 meaning that the prior year accounts were misstated by the revaluation adjustment in 2007 (£10.8 million) and the subsequent increase in the depreciation charge (£0.1 million per year). The net impact was an overstatement of the opening PPE (property, plant and equipment) and opening unusable reserves of £10.3 million in 2011/12. A prior period adjustment is not required as the misstatement is not considered material in nature.

In the 2011/12 accounts, however, the existing vehicle tunnel was revalued following its refurbishment. The revaluation was undertaken on depreciated replacement cost using the new tunnel build costs, adjusted to reflect the different technology and age of the existing tunnel, as a basis.

Conclusion

Management agreed that the basis of valuation required amendment so the revaluation has been reversed and an impairment review carried out. The impact of the amendment is a reduction in the value of net assets and unusable reserves of £18 million. There is no impact on the general fund.

4. Accounting and internal control systems

The identified significant audit risks are detailed in Section 1. For each of these significant audit risks we have assessed the design and implementation of internal controls in each of those areas. No issues have been identified during the course of this work.

During the course of our audit we identified two control observations which are detailed below.

NESTI agreement	
Background	<p>In 2009/10, the Department for Transport (DfT) provided the North East Local Authorities with an additional £10m to its capital block allocation. This was pooled with the Authority in order to provide funding for the NESTI project and legal agreements put in place. No restrictions were attached by the grant payer other than the monies were to be used on capital projects in 2009/10. As the spend on NESTI was due to be incurred over a number of years, an informal "variation to the agreement" was agreed and the initial funding was spent on the development of the Tyne Tunnel 2 with the condition attached by the Local Authorities that the equivalent amounts would be spent by the Authority on NESTI.</p> <p>During 2009/10, TWITA received £1.7m directly from the DfT and £5.5m was received from the Local Authorities. The remaining £2.8m was received from the remaining Authorities in 2010/11. The funding is carried on the balance sheet until the condition attached, namely spend on the NESTI project, is satisfied.</p> <p>In 2010/11 we recommended that the legal documentation be updated to reflect the inconsistencies with the substance of the transaction that was eventually agreed. This has not been done due to: the anticipated legal costs; management time required; and there being no change to the project itself (just the funding flows). However, failure to do so exposes the Authority to the risk of difficulties in the event of any subsequent disagreements. We acknowledge that costs may be prohibitive but the decision to accept the risk of not updating the legal documentation should be formalised.</p>
Deloitte recommendation	<p>Assess the risk of inconsistencies between the legal documentation and substance of the subsequently agreed transaction and the cost of amending / establishing an addendum to address the inconsistency. Based on this information, determine whether the inconsistency should be addressed or if the Authority is going to accept the risk.</p>
Management response	<p>A review of the risk of challenge and the costs which could be involved in amending legal documentation is in progress with advice from the ITA's legal advisors. The results of this review will be reported to members once complete and a decision taken on whether or not to amend the legal documentation.</p>

Journals	
Background	<p>Senior accountants are able to raise and authorise journals between £50,000 and £1m without any independent review. Journals over £1m are authorised by a principal accountant. During the course of our testing, we noted a journal (number XX0010) for £1.3m that was correcting the coding of a previous journal. Both the correction and original journals had been authorised but the review had not identified the coding error, largely due to the principal accountant approving the journal not being involved in the Authority to any meaningful degree.</p>
Deloitte recommendation	<p>Assess scope to delegate the preparation of journals to more junior staff and move the responsibility for the authorisation process to the Authority Senior Accountant.</p> <p>Reconsider the level at which journals require independent review.</p>
Management response	<p>The ITA currently adheres to the levels for authorisation and independent review of journals set by the lead authority. A review of the appropriateness of these levels in relation to the ITA will be completed, as well as examining the scope to delegate work where appropriate to make the most efficient use of resources available to provide finance support.</p>

5. Independence

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Code of Audit Practice, we are required to report to you on the matters listed below.

Confirmation	
We confirm our independence.	We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.

Non-audit services	
No non-audit services have been provided.	In our opinion there has been no breach of the APB Revised Ethical Standards for Auditors. We have not provided any non-audit services to the Authority.

Fees	
Audit fees received in 2011/12 were in line with fee set by the Audit Commission.	The fees payable to the auditors, Deloitte, for the audit of the annual accounts (excluding VAT) was £32,599 (2010/11: £37,470). No non-audit fees were received. A rebate of £2,608k (2010/11: £1,796) was received directly from the Audit Commission as the Commission distributed savings achieved nationally.

6. Responsibility statement

The Audit Commission published a 'Statement of responsibilities of auditors and of audited bodies' alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audited bodies by summarising where, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body begin and end, and what is expected of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do.

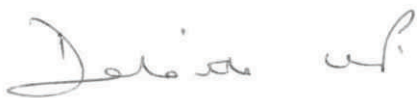
Our report has been prepared on the basis of, and our audit work carried out in accordance with the Code and the Statement of Responsibilities, copies of which has been provided to the Authority by the Audit Commission.

While our report includes suggestions for improving accounting procedures, internal controls and other aspects of your business arising out of our audit, we emphasise that our consideration of the Authority's system of internal control was conducted solely for the purpose of our audit having regard to our responsibilities under Auditing Standards and the Code of Audit Practice. We make these suggestions in the context of our audit but they do not in any way modify our audit opinion which relates to the financial statements as a whole. Equally, we would need to perform a more extensive study if you wanted us to make a comprehensive review for weaknesses in existing systems and present detailed recommendations to improve them.

Any conclusion, opinion or comments expressed herein are provided within the context of our opinion on the financial statements and our conclusion on value for money as a whole, which was expressed in our auditors' report.

We view this report as part of our service to you for use as Members for Corporate Governance purposes and it is to you alone that we owe a responsibility for its contents. We accept no duty, responsibility or liability to any other person as the report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

If you intend to publish or distribute financial information electronically or in other documents, you are responsible for ensuring that any such publication properly presents the financial information and any report by us thereon, and for the controls over and security of the website. You are also responsible for establishing and controlling the process for electronically distributing accounts and other information.



Deloitte LLP

Chartered Accountants

Newcastle upon Tyne
September 2012

Appendix 1: Audit adjustments

Uncorrected misstatements

There are no unadjusted uncorrected misstatements which exceeded our clearly trivial reporting threshold identified during our 2011/12 audit. For 2011/12 this threshold was £204,850 (£180,000 2010/11).

Disclosure deficiencies

Auditing standards require us to highlight significant disclosure deficiencies to enable Audit Committees to evaluate the impact of those matters on the financial statements. During our audit we have not identified any significant disclosure deficiencies.

Recorded audit adjustments

We report all individual identified recorded audit adjustments in excess of the clearly trivial threshold set out above and other identified misstatements in aggregate adjusted by management.

There has been one audit adjustment in the current year to restate the 1967 tunnel valuation (see Section 3).

	(Credit)/ charge to deficit on provision of services £'000	(Increase)/ decrease to General Fund £'000	Increase/ (decrease) in net assets £'000	(Increase)/ decrease in unusable reserves £'000
Factual misstatement				
<u>Accounting adjustments relating to the 1967 Tunnel</u>				
Reversal of revaluation of 1967 tunnel			(15,714)	15,714
Impact on the depreciation charge	(258)		258	
Impact on the reserves for the depreciation		258		(258)
Difference between historic cost and FV depreciation (nil impact, adjustment of £31k)				-
Impairment of the 1967 tunnel	514		(514)	
Impact on the reserves for the impairment		(514)		514
<u>Accounting adjustments relating to the Pedestrian Tunnel</u>				
Impairment of the pedestrian Tunnel	2,113		(2,113)	
Impact on the reserves for the impairment		(2,113)		2,113
Total misstatements	2,369	(2,369)	(18,083)	18,083
		<u>2,369</u>		
Net impact on General Fund		nil		

In addition, an adjustment has been processed to reclassify £5 million of investments held on behalf of Nexus from investments to short term debtors on the balance sheet as the monies are actually held in an account in the name of Newcastle City Council. This has no impact on the net assets or reported results of the Authority.

Appendix 2: Additional resources available to you

Additional information on current and future technical developments

IASPlus

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board, International Financial Reporting Standards, and international accounting and auditing in general. It includes:

- summaries of all IASB standards and interpretations;
- background on all IASB and IFRIC agenda projects plus summaries of all IASB and IFRIC meetings;
- comparisons of IFRSs and various local GAAPs;
- updates on national accounting standards development in around 80 countries and regions throughout the world; and
- free e-learning modules for each IAS and IFRS – made available at no charge in the public interest.

The site is available to browse at any time; alternatively you can subscribe to e-mail alerts and newsletters by going to <http://www.iasplus.com/subscribe.htm>.

Our range of publications

Our iGAAP books are available to our clients electronically and in hard copy. These include our major manuals providing comprehensive, practical guidance; model annual report and financial statements; and our major text on financial instruments providing in depth support to preparers and auditors in this challenging area.

Our range also includes quarterly iGAAP newsletters providing a round up of recent developments. iGAAP and ukGAAP alerts are issued whenever a new exposure draft or standard is issued.

Stay tuned online: Internet-based corporate reporting updates

The Deloitte UK Technical Team run a series of internet-based financial reporting updates, aimed at helping finance teams keep up to speed with IFRS, UK GAAP and other reporting issues.

Each update lasts no more than one hour, and sessions are held three times a year, at the end of March, July and November. Recordings of past sessions are available via www.deloitte.co.uk/audit.

Audit podcasts

Our leading experts provide you with a short discussion of new IFRS standards and practical insights. These can be accessed via our website, www.deloitte.co.uk/audit. Alternatively, you can subscribe to our podcasts via iTunes – just search for Deloitte IFRS.

Appendix 3: Draft management representation letter

Tyne & Wear Integrated Transport Authority – Audit of the financial statements and group financial statements for the year ended 31 March 2012

This representation letter is provided in connection with your audit of the annual financial statements of Tyne & Wear Integrated Transport Authority and its Group accounts for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Tyne & Wear Integrated Transport Authority and its Group as of 31 March 2012 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework.

We acknowledge our responsibilities for preparing financial statements for the Authority and Group which present a true and fair view and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework which give a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”.
4. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. The uncorrected misstatements and disclosure deficiencies (of which there are none) are detailed in Appendix 1 to the Report to the Authority.
5. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority’s or Group’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
6. The financial statements are free from material misstatement.
7. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

Information provided

8. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
9. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
10. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - (i). management;
 - (ii). Members of the Authority
 - (iii). employees who have significant roles in internal control; or
 - (iv). others where the fraud could have a material effect on the financial statements.
13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
14. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements.
15. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
16. No claims in connection with litigation have been or are expected to be received.
17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
18. Where required, the value at which assets and liabilities are recorded in the balance sheet is, in the opinion of the Members, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Authority. Any significant changes in those values since the balance sheet date have been disclosed to you.
19. There have been no irregularities involving members or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
20. There have been no events since the balance sheet date which require adjustment of or a disclosure in the financial statements or notes thereto. Should further material events occur, which may necessitate revision of the figures included in the annual accounts or inclusion of a note thereto, we will advise you accordingly.
21. The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets.
22. We recognise that we are responsible for ensuring that the statement of accounts as published on the website properly presents the financial information and your auditor's report and for the controls over, and security of, the website. We also recognise that we are responsible for establishing and controlling the process for electronically distributing annual reports and other information.
23. We confirm that:
 - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities accord with the Members' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.
24. All known material liabilities have been properly included in the annual accounts and all material contingent liabilities have been disclosed.
25. We are not aware of any potential clawback by grant payers of grants that have been released to income.
26. Our Annual Report will be consistent with and include the financial statements as audited.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Tyne & Wear Integrated Transport Authority

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REPORT FOR DECISION

DATE: 27 September 2012
SUBJECT: Annual Report and Accounts 2011/12
REPORT OF: Treasurer and Deputy Clerk, ITA

Not confidential

PURPOSE OF REPORT

The 2011/12 audit programme is now largely completed and Deloitte as the external auditor expect to issue their opinion before the end of September. As a result of the audit, the amended Annual Report and Accounts for 2011/12 is now presented for consideration and approval by the ITA.

RECOMMENDATIONS

The ITA is recommended to:

- i. Receive, review and approve the Letter of Representation (Appendix 1)
- ii. Authorise the Treasurer to sign the Letter of Representation on behalf of the Authority
- iii. Receive, review and approve the amended ITA and Group Accounts for 2011/12 (Appendix 2)
- iv. Authorise the Chair and the Treasurer to sign the amended ITA and Group Accounts

BACKGROUND DOCUMENTS

Held by the contact officer.

CONTACT OFFICERS

<i>name</i>	<i>email</i>	<i>phone</i>
Eleanor Goodman	eleanor.goodman@newcastle.gov.uk	0191 277 7518

IMPACT ON OBJECTIVES



REPORT FOR DECISION

To support economic development and regeneration	Neutral
To address climate change	Neutral
To support safe and sustainable communities	Neutral

1	Executive Summary
1.1	At its meeting of 27 July, the ITA reviewed the draft key financial statements and a report highlighting key details from the draft 2011/12 accounts.
1.2	This report highlights adjustments to the financial statements which have been made during the course of the audit, and the final adjusted accounts are included with this report at Appendix 2.
1.3	The final accounts were reported to Audit Committee on 14 September 2012, who had no concerns they wished to draw to the attention of the Authority.
2	Introduction and Background
2.1	The 2011/12 audit programme is now largely completed and Deloitte as the external auditor expect to issue their opinion in advance of the statutory deadline of 30 September. As a result of the audit, the amended Annual Report and Accounts for 2011/12 is now presented for the ITA's consideration and approval. No significant amendments are anticipated between the publication of this report and the meeting however, should this be the case, revised figures will be circulated.
3	Independent Auditor's Opinion
3.1	The external auditors anticipate issuing an unmodified audit opinion, dependent on the successful completion of a small number of outstanding items set out in their report earlier on this agenda.
4	Adjustments to the financial statements
	We have agreed the following amendments to the accounts with the auditors:
4.1	Tyne Tunnels Valuation
4.1.1	In previous years' accounts and in the 2011/12 draft accounts, the 1967 vehicle tunnel and the Tyne Pedestrian and Cycle Tunnels were valued on a Depreciated Replacement Cost basis. Under International Financial Reporting Standards (IFRS) both vehicle tunnels and the Pedestrian and Cycle Tunnels should be classed as Infrastructure assets and valued on a Historic Cost basis.
4.1.2	A prior period adjustment has not been required as the misstatement is not considered qualitatively material to an understanding of the authority's financial position. The revaluation has therefore been reversed in year, and both vehicle tunnels as well as the Pedestrian and Cycle Tunnels are now carried on the Balance



	Sheet at Historic Cost.
4.1.3	The net result of the adjustments required is a reduction in net assets and unusable reserves of £18m. There is no impact on the usable reserves or cash position of the authority as a result of these accounting adjustments.
4.2	Investments held on behalf of Nexus
4.2.1	An adjustment has been processed to reclassify £5m of investments which the ITA has placed on behalf of Nexus from Short Term Investments to a Debtor with Newcastle City Council
4.2.2	The ITA provides fund management services to Nexus under a partnership agreement (until 2011/12 this agreement was signed with Newcastle City Council) and therefore holds investments on its behalf. £5m was held at the year end in an account in the name of Newcastle City Council, so the debtor is required to show that the lead authority owe this to the ITA.
4.2.3	A Short Term Creditor of £28m is still held on the Balance Sheet to reflect the fact that the total amount is owed to Nexus to be repaid at their request.
4.2.4	This adjustment has no impact on the net assets or reported results of the Authority.
5	Arrangements to secure economy, efficiency and effectiveness in the use of resources
5.1	As part of the audit of the Authority's accounts, the external auditors are required to assess the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources, commonly referred to as the Value for Money (or VFM) assessment.
5.2	Under the New Approach to VFM Audit document issued by the Audit Commission, the VFM audit work in relation to the ITA consists of a review of the Annual Governance Statement (AGS), review of the results of work by the Audit Commission or other relevant regulatory bodies or inspectorates, and other local risk-based work as appropriate.
5.3	At the time of writing the report, the external auditors have assessed the ITA as having proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, and anticipate issuing an unqualified VFM



	opinion.
6	Financial Standing of the Authority
6.1	External audit have considered the financial standing of the Authority through review of the 2011/12 outturn and 2012/13 budgets and, while acknowledging that the Authority faces significant challenges, have raised no specific concerns over the financial standing of the Authority.
7	Next Steps
7.1	The accounts must be signed by the Chair and the Treasurer of the Authority by 30 September 2012, and published on the ITA's website by that date.
8	Potential impact on objectives
8.1	There is no impact on ITA objectives as a result of the recommendations in this report.

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Tyne and Wear
Integrated Transport Authority

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Tyne & Wear Integrated Transport Authority – Audit of the financial statements and group financial statements for the year ended 31 March 2012

This representation letter is provided in connection with your audit of the annual financial statements of Tyne & Wear Integrated Transport Authority and its Group accounts for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Tyne & Wear Integrated Transport Authority and its Group as of 31 March 2012 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework.

We acknowledge our responsibilities for preparing financial statements for the Authority and Group which present a true and fair view and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework which give a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. The uncorrected misstatements and disclosure deficiencies (of which there are none) are detailed in Appendix 1 to the Report to the Authority.

5. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority's or Group's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
6. The financial statements are free from material misstatement.
7. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

Information provided

8. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
9. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
10. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - (i). management;
 - (ii). Members of the Authority
 - (iii). employees who have significant roles in internal control; or
 - (iv). others where the fraud could have a material effect on the financial statements.
13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
14. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements.
15. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
16. No claims in connection with litigation have been or are expected to be received.
17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
18. Where required, the value at which assets and liabilities are recorded in the balance sheet is, in the opinion of the Members, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the

Authority. Any significant changes in those values since the balance sheet date have been disclosed to you.

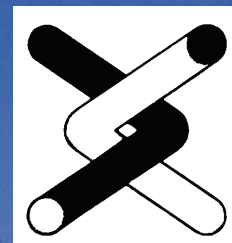
19. There have been no irregularities involving members or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
20. There have been no events since the balance sheet date which require adjustment of or a disclosure in the financial statements or notes thereto. Should further material events occur, which may necessitate revision of the figures included in the annual accounts or inclusion of a note thereto, we will advise you accordingly.
21. The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets.
22. We recognise that we are responsible for ensuring that the statement of accounts as published on the website properly presents the financial information and your auditor's report and for the controls over, and security of, the website. We also recognise that we are responsible for establishing and controlling the process for electronically distributing annual reports and other information.
23. We confirm that:
 - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities accord with the Members' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.
24. All known material liabilities have been properly included in the annual accounts and all material contingent liabilities have been disclosed.
25. We are not aware of any potential clawback by grant payers of grants that have been released to income.
26. Our Annual Report will be consistent with and include the financial statements as audited.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Tyne & Wear Integrated Transport Authority

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Tyne & Wear Integrated Transport Authority

Annual Report & Accounts

for the Financial Year ended
31 March 2012

Prepared by:

Eleanor Goodman
Paul Woods

ITA Accountant
ITA Treasurer

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Section 1

Tyne & Wear Integrated Transport Authority

Annual Report 2011/12



What is the Tyne and Wear Integrated Transport Authority?



We are a joint authority consisting of 16 elected members appointed by the five Tyne and Wear District Councils, established by the Local Government Act 1985. From 9 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.

Our vision for transport in Tyne and Wear

Our vision is that Tyne and Wear will have a fully integrated and sustainable transport network, allowing everyone the opportunity to achieve their full potential and have a high quality of life. Our strategic networks will support the efficient movement of people and goods within and beyond Tyne and Wear, and a comprehensive network of pedestrian, cycle and passenger transport links will ensure that everyone has access to employment, training, community services and facilities.

The five goals of the transport strategy we have adopted to meet this vision are:

- To support the economic development, regeneration and competitiveness of Tyne and Wear, improving the efficiency, reliability and integration of transport networks across all modes
- To reduce carbon emissions produced by local transport movements, and to strengthen our networks against the effects of climate change and extreme weather events
- To contribute to healthier and safer communities in Tyne and Wear, with higher levels of physical activity and personal security
- To create a fairer Tyne and Wear, providing everyone with the opportunity to achieve their full potential and access a wide range of employment, training, facilities and services
- To protect, preserve and enhance our natural and built environments, improving quality of life and creating high quality public places

Chairman's Foreword and Introduction 2011/12



This Annual Report of the Tyne and Wear Integrated Transport Authority's finances offers an opportunity to reflect on the past year and consider the future of transport services in Tyne and Wear within the context of current economic uncertainties.

Last year the ITA agreed its ten year strategy, containing our three key objectives: to support economic development and regeneration; to address climate change; and to support safe and sustainable communities. This year we can celebrate delivering on these objectives through various projects that benefit the economic and social life of our communities, while also reducing carbon emissions.

The opening of the award winning New Tyne Crossing has now been reinforced with the refurbishment of the original Tyne Tunnel. This is the culmination of almost 15 years of work by the ITA that has seen this vital infrastructure project designed, funded and built. Our work in delivering this project has seen us win numerous awards, and brought jobs and economic benefits to Tyne and Wear.

These benefits have been seen in the supply chains and impetus the construction brought the area. We have also received significant levels of compliments on the improvement this new link across the river brings to the movement of goods and services and an improved ability for people to access employment and opportunities.

This isn't the only reason for celebration this year. The government also announced funding for a new bridge in Sunderland – due to be delivered by 2015. Funding was also secured to get designs ready so that the Silverlink junction on the A19 could be upgraded. As one of only six schemes across the UK to get this type of funding it means we are strongly placed to get further improvements at Silverlink from 2015. The past year also saw the ten year anniversary of the opening of the Metro line extension to Sunderland and the fortieth anniversary of Nexus owning and operating the cross-Tyne Shields Ferry service.

Meanwhile, passengers of the Metro of all ages had various reasons to celebrate. There were no increases in the cost of Metro Gold Cards and child concessionary tickets and, if renewed online, the annual MetroSaver was also frozen. Where fare increases were necessary we capped them at a lower level than initially proposed following lobbying to win additional support from the government. We also enabled up to 12,000 teenagers to access much cheaper Metro travel after the eligibility for the current 16-18 Metro Student Card was extended to those in vocational training and apprenticeships.

The operators of the Metro, DB Regio Tyne and Wear (DBTW) also had cause for celebration after winning the prestigious 'Operator of the Year' accolade at the 2011 Light Rail Awards. As part of our Metro modernisation programme, new ticketing machines have been installed in around half

Chairman's Foreword and Introduction

of all stations, a number of stations have been upgraded, new tracks have been laid, and new Metro cars are running on the network. When we consider that this programme of improvements will continue in the coming years – alongside smart ticketing being introduced from next year, Metro passengers have a lot to look forward to.

There are some people with a keen interest in the Metro that don't have much to look forward to in the next year though. Following our efforts in lobbying for recognition of the dangers and problems associated with metal theft we have seen motions brought forward in the House of Commons, Crimestoppers are now leading a pilot project in the area while police support – including helicopters – all align with our efforts. We are determined to reduce the impact of metal theft on the travelling public, and also on those families who are affected by the injuries that can be caused (invariably to young people) by decisions to help criminal gangs steal metal from electrified sites.

2011/12 has also seen improvements for bus users – both in this year and with work we have done to prepare for the future. New 'Green' Buses have come into service in both Newcastle and Sunderland. Meanwhile, we have also asked Nexus to examine the potential for changes to the way bus services are planned, delivered, and funded. In 2012/13 we will be considering the potential benefits offered by changing the current system to be a Quality Contracts, or Quality Partnerships scheme.

We have also secured almost £5m funding to implement further improvements to bus services in the next two years. This funding will be spent on various initiatives but particularly focused on ensuring that the most important junctions in Tyne and Wear can all be controlled from our central Urban Traffic Management Control (UTMC) centre. This UTMC centre was launched in February 2012 and has ensured we have better control of the road network than ever before.

It is not just with intelligent technology that we are trying to improve the road network. We are also using 'smarter choices' initiatives to help people change their travel behaviour to incorporate healthy and sustainable travel modes. We have secured just under £5m to focus on helping young people and their parents / carers travel to school sustainably. On publication of this annual report we are also awaiting confirmation of an additional £5m to focus on enabling people to access employment areas by sustainable travel.

There is great pressure on all public bodies to respond to the current public spending environment and find efficiencies in the services they provide. By working closely with local councils and partners the ITA has been able to protect frontline local services while delivering a reduction in the Levy to local authorities. As outlined above we have also been consistently successful in accessing funding despite a competitive environment.

The Tyne and Wear Integrated Transport Authority was named the ITA of the year – for the first time – at the 2011 National Transport Awards ceremony in London. Given the nature and range of the successes outlined in this foreword, matched by the professionalism and quality of the services given by our front and back line services we have every reason to look forward with optimism – despite the economic pressures we undoubtedly face in the years ahead.

Councillor David Wood
Chair of Tyne & Wear Integrated Transport Authority

Clerk's Foreword

2011/12



In his introduction, the Chair of the ITA has outlined many of the improvements we have delivered in the past year. Without repeating the details outlined in the introduction, I do echo the sentiment that despite the challenges we have faced we have moved to improve the transport network. This has been achieved not just in physical improvements that the public will instantly recognise, such as the New Tyne Crossing, but also in the shape of progress made on longstanding issues, such as receiving design money to ready the Silverlink junction for future works.

Despite the financial pressures facing the ITA, we have approached the last year with a clear focus on improving transport for everyone across Tyne and Wear. The ITA is acutely aware that transport plays a crucial role in enabling people to enjoy safe and sustainable communities and by contributing to the economic growth and regeneration of the area it helps people to access jobs and businesses to create them.

I would like to pay tribute to all the staff who have delivered these services. It is a difficult and uncertain time for them considering the impact financial cuts have had, but it is to their credit that the quality of service offered has not been affected by this.

For some of the projects we have delivered, the public will easily be able to understand the work involved. The Tunnels and other capital works like the Metro Asset Renewal programme and road improvements are highly visible in terms of the work that goes into them. The people involved in delivering these improvements can be seen building and improving the physical transport infrastructure of our region.

Meanwhile, work goes on to plan, prioritise and secure funding for future work. Whenever there is an announcement that outlines benefits secured for the future, dedicated specialist staff have worked together to achieve this. This type of work is less visible to the public, but is equally important to ensure we receive finance in a competitive funding environment.

As Clerk to the ITA, I ensure Tyne and Wear is on the front foot to anticipate and respond swiftly to changes in national circumstances including policy and governance. I also undertake a wider role as the lead Chief Executive for transport for the seven local authorities in the North East - and also, where appropriate, on issues that affect our neighbours in the Tees Valley. This has enabled the region to adapt to changing circumstances while maintaining a consistent view across the area.

In the past year the government has announced its intention to devolve local major scheme funding from 2015 onwards, while also offering the opportunity (and associated risks) of local government having a larger and controlling stake in certain rail operations. We are well placed to consider and act on these opportunities through the actions we have taken over the last year.

Clerk's Foreword

As we move into the new financial year, I am confident that the work we have undertaken in 2011/12 will lead to future successes. Despite the challenges we face, I relish the opportunity to enable Tyne and Wear to emerge stronger, leaner and more resilient.

Barry Rowland

Clerk to the Tyne & Wear Integrated Transport Authority until 31 August 2012

Members of the Authority during 2011/12



J. McElroy
(Vice Chair)



S. Green



P. Maughan



D. Wood
(Chairman)



H. Murison



G. Keating



J. Stokel-Walker



F. Lott



E. Hodson



B. Burdis



A. McMillan



T. Hanson
(Vice Chair)



J. Blackburn



A. Emerson
(Statutory
Vice Chair)



A. Hall



P. Wood
(Leader of
Opposition)



Explanatory Foreword by the Treasurer



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 and Wear area.

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

This statement of accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain which requires that the accounts present a true and fair view of 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.

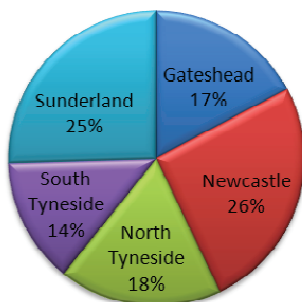
The purpose of this foreword is to provide the reader with:

- An understanding of the accounting statements
- A review of the Authority's financial results in 2011/12 and its financial position
- An overview of activities and significant matters which occurred during the year.

Background to the Tyne and Wear Integrated 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 tolls paid by users of the Tyne Tunnels, which are used to fund the operation of the Tunnels and the financing of the New Tyne Crossing project.

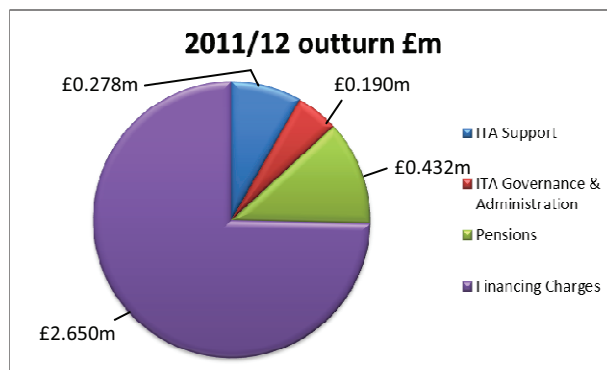
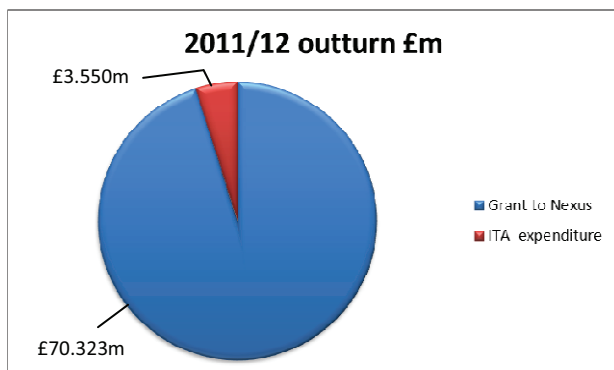
The levy for 2011/12 amounted to £73.792m, distributed between the Districts as set out in the chart below:



District	Levy 2011/12 (£m)
Gateshead	12.726
Newcastle	18.962
North Tyneside	13.152
South Tyneside	10.164
Sunderland	18.788
Total	73.792

Explanatory Foreword by the Treasurer

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



Expenditure for the year on the ITA's retained element of the levy was £3.550m against a budget of £3.568m.

The lead authority for the ITA is Newcastle City Council. It provides administrative, engineering, financial, legal and other advisory services directly to the Authority under a Service Level Agreement. Further expenditure is incurred by the ITA on costs relating to governance and administration, financing charges relating to principal and interest payments on inherited debts and grant to Nexus and the Tyne and Wear Districts, and superannuation contributions in respect of the ITA's obligations for the pensions of former employees.

The ITA owns the Tyne Tunnels which link the A19 under the River Tyne between Howdon and Jarrow. There are two tolled vehicle tunnels, and tunnels for both pedestrians and cyclists. The Tunnels are entirely self-financing from the tolls, i.e. there is no call on the levy to support them. The Tunnels are operated under a contract to a concessionaire company TT2 Ltd and appear within the accounts as a trading function. Tolls on vehicles are also used to fund the works required for the New Tyne Crossing.

The New Tyne Crossing is a major construction project that began in 2008, to provide a new tunnel alongside the existing one. The new tunnel was completed and opened in February 2011, and the old tunnel was closed for refurbishment. The newly refurbished tunnel opened ahead of schedule in November 2011, so for the first time there are two vehicle tunnels available. The new tunnel carries two lanes of southbound traffic and the existing tunnel carries two lanes of northbound traffic.

Further information about the project is given in the New Tyne Crossing review on pages 19 to 22.

Explanatory Foreword by the Treasurer

Analysis of Revenue Expenditure Against Budget - ITA

The table below compares actual spend against budget for 2011/12 and shows actual figures for 2010/11 to provide comparison across years.

Budget Heading	2010/11 Actual £000	2011/12 Budget £000	2011/12 Actual £000	Variance £000
Service Level Agreement and staffing charges	332	290	278	(12)
Audit Fees	40	30	30	-
Members Allowances and Expenses	83	86	80	(6)
Accommodation Charges	8	6	6	-
Local Government Association Subscription	36	32	31	(1)
Conferences	1	1	4	3
Travel Expenses and Subsistence	2	3	3	-
Scrutiny Committee	2	5	2	(3)
Website SLA	42	22	22	-
Printing Costs and Professional Services	10	15	9	(6)
Advertising	2	5	3	(2)
Payments to Pension Fund	511	432	432	-
Financing Charges	2,811	2,681	2,733	52
Interest on investments and revenue balances	(61)	(40)	(83)	(43)
Total ITA Operating Expenses	3,819	3,568	3,550	(18)
Grant to Nexus	68,555	70,323	70,323	-
Total ITA Expenditure	72,374	73,891	73,873	(18)
Expenditure Financed from Earmarked Reserve	1,273	-	-	-
Nexus Grant returned to hold in Earmarked Reserve	-	-	(1,720)	(1,720)
Interest on Earmarked Reserve	(270)	-	(199)	(199)
Transfer to / (from) Earmarked Reserve	(1,003)	-	1,919	1,919
Levy Income	(71,706)	(73,792)	(73,792)	-
Transfer from ITA General Fund Reserve	668	99	81	(18)

Overall spending for 2011/12 was within budget, with small variations on some individual budget lines. Savings were made on the Service Level Agreement with the lead authority, on Members Allowances and Expenses and Printing Costs. Financing charges (interest charges and principal repayments) were higher than budgeted, but this was largely offset by higher than budgeted interest on revenue balances and investments.

At 31 March 2012, the ITA had £23m of investments with external financial institutions, which are held on behalf of Nexus. There is a further £5m debtor with the Newcastle City Council for

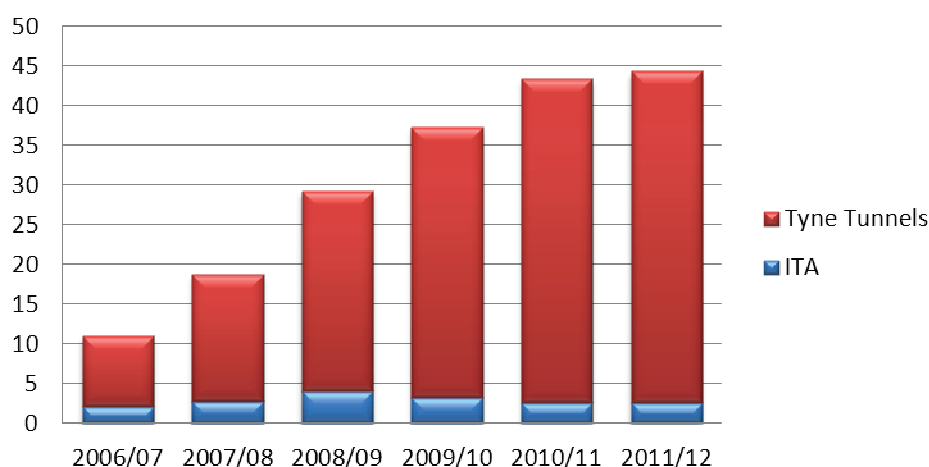
Explanatory Foreword by the Treasurer

monies held at the year end in the lead authority's name which are owed to the ITA and repayable to Nexus. The ITA's own cash balances are invested with the lead authority, Newcastle City Council, providing an extremely low-risk return on balances. The average rate of interest paid on loans in the year was 4.4% and the average interest received on balances was 1.6%.

Reserves

	2010/11 £000	2011/12 £000	Movement £000
General Fund			
ITA	(2,600)	(2,519)	81
Tyne Tunnels	(40,772)	(41,757)	(985)
Earmarked Reserves			
Metro Reinvigoration	(12,438)	(14,357)	(1,919)
Total	(55,810)	(58,633)	(2,823)

The chart below shows the level of ITA and Tyne Tunnels reserves over the period 2006/07 to 2011/12.



In line with the three-year Medium Term Financial Strategy, some use of reserves has been made to support ITA expenditure while significant reductions have been made to the levy. There was less use of ITA reserves than in 2010/11 (£0.081m compared with £0.668m) and the actual amount required was lower than budgeted.

Tyne Tunnel reserves continue to be built up as part of the long-term financing model for the New Tyne Crossing project.

Capital Expenditure

Capital Expenditure has been incurred in 2011/12 in relation to the New Tyne Crossing Project and the refurbishment of the Tyne Pedestrian and Cycle Tunnel. There has been further capital expenditure on payment of capital grants to the Tyne and Wear Districts and Nexus.

Explanatory Foreword by the Treasurer

	2010/11 Actual £000	2011/12 Budget £000	2011/12 Actual £000	2011/12 Variance £000
New Tyne Crossing				
Construction Milestone Payments	37,800	45,377	45,377	-
Environmental Milestone Payments	-	1,250	1,250	-
Environmental Improvements	464	263	136	(127)
Land / Property	221	413	194	(219)
Professional Fees	1,374	998	1,176	178
Tyne Pedestrian and Cycle Tunnel Refurbishment	510	325	423	98
Total Tunnels Capital Programme	40,369	48,626	48,555	71
Local Transport Plan				
Integrated Transport Block Grant to Districts*	-	9,440	9,440	-
Public Transport Schemes Allocation	4,533	4,395	1,685	(2,710)
Total LTP	4,533	13,835	11,125	(2,710)
Local Sustainable Transport Fund*				
Capital Grants to Districts	-	210	198	(12)
North East Smart Ticketing Initiative				
Capital Payments to Nexus	52	4,794	1,776	(3,018)

* Prior to 2011/12, Integrated Transport Block grant was paid directly by DfT to the Tyne and Wear Districts. The Local Sustainable Transport Fund is a new grant from 2011/12 onwards.

In addition to the capital expenditure shown within the ITA's own accounts, Nexus have also invested £37.8m in the Metro Asset Renewal Plan and Metro Ticketing and Gating programmes. A total capital outturn of around £100m has been achieved in 2011/12, representing the highest level of capital investment in the ITA's history.

New Tyne Crossing

The key milestone delivered in the year was the opening of the fully refurbished original Tunnel ahead of schedule on 21 November 2011, making two road tunnels available for the first time. Outturn spend on the New Tyne Crossing capital programme was £48.555m against the revised budget of £48.626m. This is all to be funded by Prudential Borrowing in line with the long-term financing model for the New Tyne Crossing. The majority of the capital spend is made up of the final capital construction payments to TT2 totalling £45.377m and environmental milestone payments of £1.250m. Further expenditure has been incurred on environmental monitoring and professional fees.

Initial works and professional fees relating to the refurbishment of the Tyne Pedestrian and Cycle Tunnels totalling £0.423m have been incurred in 2011/12. The contract for the refurbishment works

Explanatory Foreword by the Treasurer

is expected to be awarded in the summer of 2012, with the majority of the capital spend programmed for 2012/13 and 2013/14.

Local Transport Plan Integrated Transport Block

LTP Integrated Transport Block funding is now awarded directly to the ITA by DfT. The ITA allocates this funding between the five Tyne and Wear districts and Nexus. A proportion of the total allocation is ringfenced to provide support to the Metro Asset Renewal Programme and other public transport related schemes.

In 2011/12, £2.710m of the funding was returned to the ITA by Nexus, representing the Metro ARP contribution which was not required since a decision was made by DfT to fund 100% of the works. This funding will be used to meet the increased local contribution to the works in 2012/13.

Local Sustainable Transport Fund – Schools Go Smarter

During 2011/12, the ITA was awarded £1.500m capital and £3.404m revenue grant by the DfT under its LSTF funding stream. The “Schools Go Smarter” programme aims to make a real impact on congestion by developing attractive and practical alternatives to car use to be used by schoolchildren and their parents so they are encouraged to adopt active and low carbon ways to get to and from school. The 2011/12 approved capital budget was £0.210m, with an outturn spend of £0.198m. Revenue spend of £0.228m was also incurred against a budget of £0.232m. The unused funding has been carried forward to the new financial year and no funding has been lost.

North East Smart Ticketing Initiative (NESTI)

In 2009/10, the ITA agreed to take on the role of Lead Authority in developing and implementing the NESTI programme on behalf of the twelve Local Authorities in the North East. The Authorities entered into a collaboration agreement in October 2010, in order to agree appropriate governance arrangements and to provide the necessary resources to support the project. The ITA holds the funding on behalf of the authorities. The remaining budget of £8.114m is shown on the ITA’s balance sheet as Grants Received in Advance (see Note 14 to the accounts, p.48).

The objective of NESTI is to establish a smart ticketing infrastructure across the North East. NESTI will support the acquisition of smart ticket machines on buses and Metro stations and a smart back office (known as an ITSO HOPS) available for use by any participating local authority to make its Concessionary Travel Scheme smart.

The outturn for 2011/12 is £1.776m against an approved budget of £4.794m. The reduced expenditure requirement is mainly as a result of £0.306m savings made in relation to grant funding of bus operators for the installation of their smart ticketing equipment, and £2.545m slippage into 2012/13 in relation to the Metro Ticketing and Gating project where NESTI will provide funding for station validators when deployed next year.

Main highlights during the year include the successful implementation and transfer of all travel concession authorities to the regional HOPS (the back office system that supports NESTI) and the establishment of legally binding agreements with bus operators which places certain obligations on the bus operators to participate in NESTI in return for grant funding.

Explanatory Foreword by the Treasurer

Analysis of Revenue Expenditure against Budget - Tyne Tunnels

The vehicle tunnel has been open for more than forty years, with traffic numbers having increased substantially since then. In 2011/12 the traffic level was 12.5m vehicles, corresponding to a total toll income of £14.886m after adjusting for prepayments (compared with £13.176m in 2010/11). In line with the financing strategy for the New Tyne Crossing, tolls were increased on 1 January 2012 to £1.40 for cars and small vans and £2.00 for lorries and large vans (with a ten percent discount for permit holders).

In February 2008, the Tunnels were passed over to TT2 Ltd who will operate them as concessionaire until 2037. TT2 Ltd also managed the construction of the new Tunnel completed in February 2011 and the refurbishment of the existing Tunnel, completed in November 2011.

The table below details expenditure within the ringfenced Tyne Tunnels trading account and compares it against actual outturn for 2010/11 and the budget for 2011/12.

	2010/11 Actual £000	2011/12 Budget £000	2011/12 Actual £000	Variance £000
Employees	33	33	34	1
Pensions	592	499	499	-
Supplies and Services and Other Expenses	88	45	45	-
Support Services	161	145	145	-
Community Fund	2	20	18	(2)
Financing Charges	3,119	5,833	5,530	(303)
Toll Income	(13,176)	(14,995)	(14,886)	109
Usage Payments	2,915	5,807	6,522	715
Other Income	(1)	-	(4)	(4)
Interest on Investments and Tunnel Balances	(569)	(338)	(774)	(436)
Total Tunnels Operating Costs	(6,836)	(2,951)	(2,871)	80
NESTI Expenditure financed from Tunnel Reserves	52	5,203	1,886	(3,317)
Surplus transferred to Tyne Tunnels General Fund Reserve	(6,784)	2,252	(985)	(3,237)

Although there were variances on some individual items, the overall surplus was largely in line with the budgeted position. The net surplus on Tunnels Operating costs was £2.871m, against the original budget of £2.951m surplus. £1.886m of expenditure on NESTI has been financed in year from Tunnel Reserves. This reflects the fact that in 2009/10, grant was received by the twelve North East Local Authorities, Nexus and the ITA and this grant was applied to finance capital expenditure on the New Tyne Crossing in that year. An equivalent amount (£7.178m) of capital and revenue expenditure is therefore to be funded from Tunnel Reserves. The remaining surplus against the Tyne Tunnels General Fund is £0.985m.

Explanatory Foreword by the Treasurer

The extent of the surplus is significantly less than in 2010/11, which reflects the fact that payments to the Concessionaire, TT2 Ltd, have increased on the opening of both Tunnels as construction work has been completed. Financing charges have also increased significantly, as a result of the additional prudential borrowing being taken out to meet the capital construction payments.

Pension Liabilities

The ITA is a member of the Tyne and Wear Pension Fund, which is part of the Local Government Pension Scheme. This is a scheme which provides defined benefits based on members' final pensionable salary. In the ITA's accounts, a liability for future pension costs is recognised on the Balance Sheet, and pension contributions are charged against the General Fund (i.e. funded from the levy or tolls).

The figure presented in the Comprehensive Income and Expenditure Statement is different to the actual contributions charged against the General Fund. This is because it is prepared on an International Accounting Standard 19 (IAS 19) basis. Under IAS 19, the ITA is required to disclose the total value of all pension payments that have accumulated (including deferred pensions) at 31 March each year. This value is made up of:

- The total cost of pensions that are being paid out to former employees who have retired
- The total sum of the pension entitlements earned to date for current employees

The standard also requires all investments (assets) of the Pension Fund to be shown at their market value at 31 March each year. In reality, the value of such investments fluctuates on a day-to-day basis, but this is ignored for the purpose of the accounting standard. Comparing the value of all future pension payments and the value of investments at 31 March results in an overall surplus or deficit for the Pension Fund. This is called the IAS 19 surplus or deficit.

At 31 March 2012, actuaries have estimated that the IAS 19 deficit is £6.730m. This compares with an equivalent figure in the 2010/11 accounts of £4.277m. There are two main reasons for this increase. The first is the change in the discount rate used in the calculation of the present value of the future payments required, from 5.5% at 31 March 2011 to 4.6% at 31 March 2012. This discount rate is required for IAS 19 purposes to be based on the yield on high quality long term corporate bonds, which have fallen since 31 March 2011. A lower discount rate results in a higher present value being placed on the future cashflows, and the liability has therefore increased.

The second factor in the increase in the overall liability shown on the balance sheet is asset performance. Market conditions have meant that returns on assets at 31 March 2012 are lower than those assumed at 31 March 2011, resulting in an increase in the deficit.

The IAS 19 deficit has to be disclosed in the accounts, but there will be no change to the actual contributions due to be paid to the Pension Fund in 2012/13. These contributions are calculated following the detailed triennial Pension Fund valuation, the next valuation date being 31 March 2013. The IAS 19 valuation is only a snapshot at a given point in time, whereas the detailed triennial valuation assesses the ongoing financial position of the Pension Fund, and is used to review contribution rates to the Fund from employers to ensure that existing assets and future contributions will be sufficient to meet future pension payments.

Explanatory Foreword by the Treasurer

Looking ahead to 2012/13 and beyond

The public sector financial environment continues to be extremely challenging. In recognition of the considerable financial pressures facing the Districts, the ITA has agreed a further 5% reduction in the levy for 2012/13, in addition to the 5% reduction already put in place in 2011/12.

This financial strategy involves the use of ITA and Nexus reserves in the short term, while further efficiency savings and savings relating to the cost of bus services are identified and delivered. This includes considering options of Quality Partnerships and Quality Contracts approaches.

There is a further challenge for the ITA around the level of funding provided for concessionary fares. The ITA will be lobbying government in 2012/13 to try to ensure that funding for 2013/14 and beyond adequately reflects the costs of funding the statutory concessionary travel scheme.

Despite the difficult financial environment, there are still opportunities for the ITA to bid for external funding to expand its activities and achieve its objectives. For example, the ITA was notified at the end of 2011/12 that it had been successful in its bid for around £5m of DfT funding under the Better Bus Areas Fund. This grant will be used to fund a package of measures in 2012/13 and 2013/14, aimed at improving reliability on key bus corridors and at junctions that cater for 22,000 buses a day, supplemented by a number of supporting measures that target areas which will more generally improve confidence in bus services.

A revised bid for further LSTF funding was submitted to DfT in August 2012. This funding, if the bid is successful, will be used to support a package of works aimed at promoting economic growth and reducing transport-related barriers to accessing employment. A decision is anticipated in September 2012.



Explanatory Foreword by the Treasurer

ITA Accounts

The ITA Accounts for 2011/12 are set out in section 2. These consist of the following statements, along with notes to each:

Movement in Reserves Statement

This statement shows the movement in year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce the levy) and Unusable Reserves. The surplus or deficit on the provision of services line shows the true economic cost in accounting terms of providing the ITA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the levy. Integrated Transport Authorities raise a levy to cover expenditure in accordance with regulations; this may be different from the accounting cost. The levy position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories: Usable Reserves (i.e. those which the Authority may use to provide services, subject to the need to maintain a prudent level) and Unusable Reserves (i.e. those which the Authority is not able to use to provide services). This category of reserves includes those that hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulation".

Cash Flow Statement

The Cash Flow Statement shows the change in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows from operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Group Accounts

The Group Accounts provide the same information as above, but incorporate the Nexus accounts within the figures. Notes to the Group Accounts provide further detail to items which are materially different in the Group Accounts to the single entity ITA accounts.

New Tyne Crossing

Project Review of

2011/12

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. Financial year 2011/12 was the fourth full year of the contract which has a thirty year term. It was also the year in which the New Tyne Crossing objectives were realised with the commissioning of the refurbished 1967 tunnel.

Operations

The traffic volumes using the new tunnel (bi-directional flow) were very similar to those in the previous financial year. On average the weekday flow was 35,500 and unlike 2010/11 there was very little disruption due to bad weather.

The refurbishment of the 1967 tunnel was completed and reopened to traffic on the morning of 21 November 2011. Since then there has been a rapid increase in traffic using the tunnels and continuous growth since, to an average weekday flow of 45,000 vehicles per day to the end of March 2012. Journey times have reduced dramatically and are now more consistent.

The tunnels systems are now automated and all are overseen from the new Control Room in the tunnel offices. Staff numbers have reduced to reflect the new arrangements and this has been achieved by natural wastage, early retirement and voluntary redundancies.

The performance of TT2 is monitored on a daily basis by the ITA's Monitoring Officer who is based at the Tyne Tunnel. There was no requirement to apply any penalty deductions and TT2's operational performance for the year is classed as 'very good'. This is the fourth consecutive year TT2 has achieved this rating.

There was a modification to the toll charge regime using the Transitional Tolling powers in the River Tyne (Tunnels) Order 2005. The Tolls were raised to £1.40 for cars and to £2.00 for HGVs from 1 January 2012. This was the first increase since 1 January 2008 and was in line with the toll strategy approved by the ITA on 27 September 2007. From 1 September 2011, the toll of £0.20 for motorcycles was removed following a resolution by the ITA on 25 August 2011. The tolls for cars and HGVs are subject to a 10% discount for permit account holders.

Construction

Construction of the £260m (2007 prices) scheme began in April 2008 when the site was passed to TT2 and their main contractor Bouygues TP. By the beginning of the 2011/12 financial year, the new tunnel had been commissioned and the traffic had been switched from the 'old' tunnel to allow the major refurbishment work to proceed.

The refurbishment work included:

New Tyne Crossing Review

- Installation of an escape passage throughout the entire length of the tunnel.
- Installation of new drainage, Mechanical and Electrical and monitoring (SCADA) systems.
- Installation of new passive fire protection to the main structure of the tunnel.
- Installation of a fixed fire protection system.
- Construction of new structure to replace the sun visor at the south portal.
- Modification of the north portal structure.
- Installation of new tolls plaza on the site of the old toll booths.



In addition to the refurbishment works, the construction works to the south junction in Jarrow continued and the landscaping works throughout the site were undertaken.

An emergency exercise was successfully staged and completed on 8 November 2011. This involved all the emergency services and the local Council Emergency Planning Officers. The Independent Certifier signed the 'Permission to Use' certificate on 21 November 2011. This was nearly 2 weeks ahead of the target date of 3 December 2011.

Environmental Monitoring

In accordance with the Agreement with the Environment Agency, monitoring of fish numbers and condition and smolt trapping/recording at Riding Mill continued throughout the year. This obligation on the ITA terminated on 31 March 2012.

Work has continued to develop the potential fish pass at Hexham Bridge. The Tyne Rivers Trust are delivering this in compliance with the Agreements between the Tyne Riparian Owners and Occupiers Association and the Environment Agency. The detailed designs and planning application documents are in preparation but the programme for construction has not been fixed as yet.

Tyne Pedestrian and Cyclist Tunnels (TPCT)

The ITA approved a budget of £6m in July 2010 for major refurbishment to the TPCT. Planning documents required for Listed Building Consent were prepared in 2010/11 and submitted to the Local Planning Authorities in April 2011. Consent was given in October 2011 and was accompanied by a number of Conditions. These Conditions will be discharged once the tender documents are returned and/or works are underway. The most onerous of the Conditions related to the proposed installation of inclined lifts. This Condition was discharged in February 2012 following selection of a preferred supplier in November 2011. Detailed design has since been developed and a short list of main contractors selected for invitations to submit a tender. Works on the refurbishment are expected to commence in Autumn 2012 and involve a total closure of the tunnels for up to 12 months. A shuttle bus is planned to maintain the transport link between 6am and 8pm daily.



Communications

The Strategic Partnering Forum and the North and South Partnering Forums continued to meet until November 2011. They were seen as being useful for the local communities to raise construction related issues. Information dissemination also continued through 2011/12 via newsletters, drop in sessions (until November 2011), schools liaison and the websites. The 24 hour help line still operates to deal with calls for assistance, information, complaints and compliments. The communications effort was directed by the Strategic Communications Group until November 2011. In the financial year 2011/12, TT2 report 147 complaints and 284 compliments.

There was one substantial event in 2011/12 which attracted significant attention. This was the Commissioning of the refurbished tunnel and 4 lanes at the Tyne Tunnel becoming available for the first time. This took place at 10:00am on 21 November 2011 and was attended by the Chair and Members of the ITA, the Leader of South Tyneside Council and the Mayor of North Tyneside Council. TT2, the Contractor Bouygues TP and ITA officers were also in attendance. The first 10 vehicles in each direction received a gold Permit to mark the occasion.

New Tyne Crossing Review

Land

Over the period April-December 2011, the entire site area in Jarrow was landscaped and most handed over to the local authority for use as Public Open Space. Highways affected by the works were all handed back to the appropriate highways authorities with the exception of the Bilton Hall Bridge on the A19.

Official Opening

The ITA was pleased to welcome Her Majesty the Queen accompanied by His Royal Highness The Duke of Edinburgh to mark the official opening of the second vehicular Tyne Tunnel on 18 July 2012. The Royal Party visited the south side of the Tyne Tunnels, in Jarrow, where The Queen started a wheelchair race, and met with designers and representatives of local communities, before planting a tree. The Royal party met ITA officers, Tyne Tunnels staff and others involved in the project before the Queen delivered a speech and unveiled a plaque marking the occasion.

Councillor David Wood, Chairman of the TWITA, said: "It is a great honour to welcome Her Majesty The Queen, accompanied by His Royal Highness The Duke of Edinburgh, to officially open the second Tyne Tunnel. Although both tunnels have been operational for a few months now, this formal opening ceremony completes the process and we are absolutely delighted that The Queen is able to perform this function, having opened the first road tunnel back in October 1967."

Acknowledgement

Some of the photographs are reproduced with the kind permission of the main contractor.

Paul Fenwick
New Tyne Crossing Project Director



Scrutiny Advisory Committee - A Review of 2011/12

“... Giving Advice
and Holding to
Account ...”

The Scrutiny Committee was established in 2003. Members are appointed annually by the five Tyne and Wear Districts. Each District appoints two Councillors. To ensure independent advice - and visible separation between scrutiny and those being scrutinised - the Councillors appointed are not members of the ITA. The Scrutiny Committee appoints its own Chair and Vice Chair and agrees its own work programme. The role of the committee can best be described as giving advice and holding to account.

As part of the new arrangements, four meetings were held at quarterly intervals during 2011/12 at different venues across Tyne and Wear. The committee continued the previous year’s arrangement of scrutiny of issues in the ITA’s own forward plan. However, the reduction in meetings had the obvious effect of reducing the work programme of the committee. Regular review enabled the committee to take account of the balance of the work programme, new and emerging issues, changing scrutiny priorities and discussion at meetings.

Appointments to the Chair and Vice-Chair roles were made at the first meeting of the committee in July 2011 and a draft work programme was agreed. With the addition of the appointment of substitutes, attendance at the Scrutiny Committee was on average 65% across the four committee meetings.

Set out below is a summary of the work of the Scrutiny Committee in 2011/12. The Centre for Public Scrutiny’s four principles of good scrutiny have been used to guide this report as they are the key national benchmark. The principles are to:

- ...provide critical friend challenge to executive policy and decision-makers
- ...enable the voice and concerns of the public and its communities to be heard
- ...carry out scrutiny by ‘independent minded governors’ who lead and own the scrutiny process
- ...drive improvement in public services

Principle

To provide critical friend challenge to executive policy-makers and decision-makers

Evidence

- The committee continued to base agenda items on the ITA’s forward plan providing, wherever possible, pre-decision scrutiny
- New meeting dates were agreed to enable sufficient time to feed committee outcomes to the ITA
- The committee discussed the local employment opportunities afforded by major works across the ITA area
- The committee discussed the potential for a North East

Scrutiny Committee

- To enable the voice and concerns of the public and its communities to be heard
- The committee raised the issue of the provision of shuttle buses from the Tyne Pedestrian and Cycle Tunnels (both sides) to the local metro stations as part of an integrated travel system
 - The committee discussed the classification and determination of priority lanes. Comments made will be considered in a future review of priority lanes
- To carry out scrutiny by 'independent minded governors' who lead and own the scrutiny process
- The committee agreed meeting times and venues to make arrangements convenient for all members
 - The committee agreed to single item agendas to support more in-depth scrutiny of key issues
 - The committee visited the new Tyne Tunnel
- To drive improvement in public services
- A broad range of developing service areas were considered including:
 - the implementation of Urban Traffic Management Control
 - progress in implementing the North East Smart Ticketing Initiative (NESTI) and future plans for this
 - The committee considered the impact of metal cable theft on commuters and the actions taken to minimise disruption and further occurrences

Membership of the Scrutiny Committee 2011/12



David Tate (Chair)
Sunderland



Muriel Green
North Tyneside



Tom Graham
Gateshead



Richard Porterhouse
South Tyneside



George Pattison
Newcastle



Neville Padgett
(Vice Chair)
Sunderland



Les Birkenfied
North Tyneside



Malcolm Graham
Gateshead



Bob Watters
South Tyneside



Ian Preston
Newcastle

ITA Standards & Audit Committee - A Review of 2011/12



Two new members were appointed at the 2011 annual meeting, but the independent membership of the Committee was unchanged. Such little changeover in recent years has enabled the Members to become very familiar with the Committee's work programme.

The Committee's cycle of meetings was changed from 4 to 3 for 2011/12 as part of that year's budget reductions. The work programme was amended accordingly and the Committee's Annual Report needs to be considered in that light.

The Committee monitored the progress of the Localism Bill so far as its provisions relating to standards of conduct were concerned. The Bill received Royal Assent in November 2011. The Localism Act 2011 requires fundamental changes to the Authority's Standards regime and the Committee had an initial discussion on the potential new arrangements in February 2012 but, at that time, the Government had still to publish its Regulations under the Act. It is anticipated that a new standards system needs to be in place by 1 July 2012, and this will represent one of the Committee's main priorities over the coming months. The Committee will then ensure that the new provisions are closely monitored and any recommendations reported to the Authority at the appropriate time.

During the year the Committee monitored the work of Deloitte who had taken over from the Audit Commission as the Authority's external auditor from 2010/11. At their first meeting in the municipal year, the Committee considered Deloitte's proposed audit plan and at subsequent meetings considered the results of the annual audit, along with the Annual Audit and Inspection Letter, both of which had been positive and had not identified any significant concerns.

As in previous years, the Committee monitored the performance of the Internal Audit function and in particular, the outcome of individual audits as well as the annual report of the Head of Audit and Strategic Risk which had concluded that the Authority's control systems were satisfactory.

The Committee also considered the Authority's annual report and accounts. Members also discussed the Annual Governance Statement and Local Code of Corporate Governance, neither document having identified any significant weaknesses. In line with CIPFA Guidance, Members also considered the results of the annual self-assessment of the Committee's effectiveness and the outcome of the Authority's value for money self-assessment.

Other items considered during the year included the Authority's Strategic Risk Register and Treasury Management Strategy, along with the revenue budget report which gave Members an opportunity to monitor the Authority's financial performance on an ongoing basis.

Standards and Audit Committee Review

Membership of the Standards and Audit Committee 2011/12

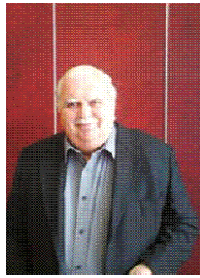
Independent Members



M. Scrimshaw
(Chair)



A. Atkinson



G. Clark



E. Green

ITA Members



J. Blackburn
(Sunderland)



J.S. Green
(Gateshead)



A. Hall
(Sunderland)

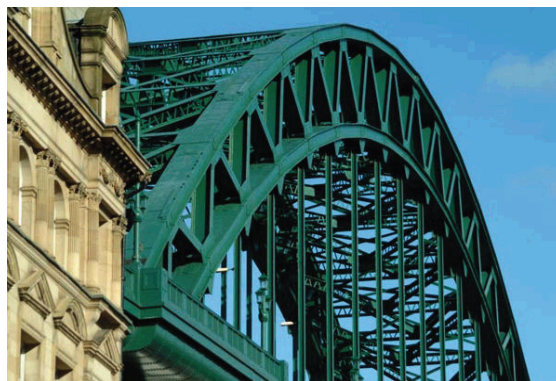


J. McElroy
(Gateshead)



P. Wood
(Sunderland)

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 & Deputy Clerk.
- To manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets.
- To approve the statement of accounts by 30 September 2012.

Signed

Councillor D. Wood, Chair of the ITA

Date: 27 September 2012

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

Treasurer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31 March 2012, required by the Accounts and Audit Regulations 2011 are set out in the following pages.

I further certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Signed
P. V. Woods, Treasurer
Date: 27 September 2012



Section 2

Tyne & Wear Integrated Transport Authority

Accounts for the year ended 31
March 2012

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce the levy) and 'unusable reserves' which can not be used in this way. The surplus or deficit on provision of services line shows the economic cost in accounting terms of providing the ITA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund	Earmarked Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	(43,372)	(12,438)	(288)	(56,098)	(60,329)	(116,427)
<u>Movement in Reserves During 2011/12</u>						
(Surplus) / Deficit on Provision of Services	(5,132)	-	-	(5,132)	-	(5,132)
Other Comprehensive Income and Expenditure		-	-	-	3,063	3,063
Total Comprehensive Income and Expenditure	(5,132)	-	-	(5,132)	3,063	(2,069)
Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 4)	2,308	-	288	2,596	(2,596)	-
Net (Increase) / Decrease before transfers to Earmarked Reserves	(2,824)	-	288	(2,536)	467	(2,069)
Transfers (to) / from Earmarked Reserves (Note 5)	1,919	(1,919)	-	-	-	-
(Increase) / Decrease in 2011/12	(905)	(1,919)	288	(2,536)	467	(2,069)
Balance at 31 March 2012 carried forward	(44,277)	(14,357)	-	(58,634)	(59,862)	(118,496)

Movement in Reserves Statement

Comparative Figures for 2010/11

	General Fund	Earmarked Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	(37,257)	(13,441)	-	(50,698)	(63,235)	(113,933)
<u>Movement in Reserves During 2010/11</u>						
(Surplus) / Deficit on Provision of Services	2,197	-	-	2,197	-	2,197
Other Comprehensive Income and Expenditure	-	-	-	-	(4,691)	(4,691)
Total Comprehensive Income and Expenditure	2,197	-	-	2,197	(4,691)	(2,494)
Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 4)	(7,309)	-	(288)	(7,597)	7,597	-
Net (Increase) / Decrease before transfers to Earmarked Reserves	(5,112)	-	(288)	(5,400)	2,906	(2,494)
Transfers (to) / from Earmarked Reserves (Note 5)	(1,003)	1,003	-	-	-	-
(Increase) / Decrease in 2010/11	(6,115)	1,003	(288)	(5,400)	2,906	(2,494)
Balance at 31 March 2011 carried forward	(43,372)	(12,438)	(288)	(56,098)	(60,329)	(116,427)

Comprehensive Income and Expenditure Statement

This statement shows the economic cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the levy. Integrated Transport Authorities raise a levy to cover expenditure in accordance with regulations; this may be different from the accounting cost. The levy position is shown in the Movement in Reserves Statement.

← 2010/11 →			← 2011/12 →			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
556	-	556	Corporate and Democratic Highways and Transport	453	-	453
19,673	(13,780)	5,893	- Tyne Tunnels *	13,328	(20,519)	(7,191)
74,413	(4,821)	69,592	- Other Highways and Transport Services	82,028	(11,454)	70,574
(5,510)	-	(5,510)	Non-Distributed Costs **	-	-	-
89,132	(18,601)	70,531	Cost of Services	95,809	(31,972)	63,837
6,592	(3,221)	3,371	Financing and Investment Income and Expenditure (note 6)	8,412	(3,588)	4,824
-	(71,706)	(71,706)	Taxation and Non-Specific Grant Income (note 7)	-	(73,792)	(73,792)
		2,197	(Surplus) / Deficit on Provision of Services			(5,132)
		(121)	Surplus / (Deficit) on Revaluation of Fixed Assets (Note 8)			(597)
		(4,570)	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities (note 29)			3,660
		(4,691)	Other Comprehensive Income and Expenditure			3,063
		(2,494)	Total Comprehensive Income and Expenditure			(2,069)

* Significant differences between financial years on the Tyne Tunnels can be explained as follows: The expenditure figure in 2010/11 included a large impairment in relation to the valuation of the new tunnel, which was not present in 2011/12. The Tyne Tunnels income figure in 2011/12 includes the release of deferred income to the CIES as the deferred credit balance held on the balance sheet for the New Tyne Crossing asset is amortised. The equivalent figure in 2010/11 was much lower due to the new tunnel having been open for only one month of the financial year.

** The credit on Non-Distributed Costs in 2010/11 related to an adjustment for pension liabilities arising as a result of the change of indexation on public sector pensions from RPI to CPI.

Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities of the Authority. The Net Assets (Assets less Liabilities) are matched by Reserves. Reserves are reported in two categories: Usable (i.e. those the Authority may use to provide services subject to any statutory limitations on their use) and Unusable (those the Authority may not use to provide services). This category includes reserve that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulation".

31 March 2011 £000	Notes	31 March 2012 £000
352,772 Property, Plant and Equipment	8	368,344
51,178 Long Term Debtors	9, 10	49,104
403,950 Long Term Assets		417,448
- Short Term Investments	9	23,000
6,692 Short Term Debtors	9, 11	11,842
45,832 Cash and Cash Equivalents	12	66,454
52,524 Current Assets		101,296
(36,426) Short Term Borrowing	9	(4,726)
(4,908) Short Term Creditors	9, 13	(35,030)
(51,980) New Tyne Crossing - Deferred Income	28	(5,501)
(203) Grants and Contributions Receipts in Advance	14	(8,637)
(93,517) Current Liabilities		(53,893)
(113,580) New Tyne Crossing - Deferred Income	28	(127,331)
(8,114) Grants and Contributions Receipts in Advance	14	(6,734)
(120,560) Long Term Borrowing	9	(205,560)
(4,277) Other Long Term Liabilities	9, 29	(6,730)
(246,531) Long Term Liabilities		(346,355)
116,427 Net Assets		118,496
(56,098) Usable Reserves	15	(58,633)
(60,328) Unusable Reserves	16	(59,863)
(116,427)		(118,496)

Treasurer's Certificate

I certify that the accounts set out on pages 31 to 84 present a true and fair view of the financial position of the Tyne and Wear Integrated Transport Authority as at 31 March 2012.

Signed

Treasurer

Date:

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows from operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of levy and grant income or from the recipients of services provided to the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2010/11 £000	Notes	2011/12 £000
2,197	Net (surplus) or deficit on the provision of services	(5,132)
(55,484)	Adjustments to net surplus or deficit on the provision of services for non cash movements	2,819
51,081	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,236
<u>(2,206)</u>	Net cash flows from Operating Activities	<u>8,923</u>
(14,764)	Investing activities	23,183
(10,000)	Financing activities	(52,728)
(26,970)	Net increase or decrease in cash and cash equivalents	(20,622)
(18,862)	Cash and cash equivalents at the beginning of the reporting period	(45,832)
<u>(45,832)</u>	Cash and cash equivalents at the end of the reporting period	<u>(66,454)</u>

Notes to the Accounts

Note 1: Accounting Standards Issued but Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a change in accounting policy in relation to the treatment of IFRS 7 Financial Instruments: Disclosures (Transfers of financial assets), which will need to be adopted fully by the Council in the 2012/13 financial statements.

The 2012/13 Code states that the change in practice around Financial Instruments does not require a restated (third) balance sheet for the start of the earliest comparable period in the 2012/13 Statement of Accounts.

Changes from the 2011/12 Code

The 2012/13 Code includes the amendments to IFRS 7 Financial Instruments: Disclosures (Transfers of Financial Assets). It replaces the previous requirements with detailed disclosures that are designed to assist users of the financial statements to evaluate the risk of exposures relating to transfers of financial assets. Such transfers are not common transactions for local authorities and the ITA has not entered into any transactions covered by the changes in the 2011/12 financial year.

Note 2: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these accounts, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Leases

Judgements have been made about whether leases are classified as operating or finance leases. This has an impact on the way they are accounted for: where a lease is classified as a finance lease, an asset and a finance lease liability must be recognised. Under an operating lease, payments are charged to the Comprehensive Income and Expenditure Statement and no liability is recognised. The Authority has a number of leases, which have all been reviewed by Property Surveyors against the criteria for determining their classification. All have been classified as operating leases.

Service Concession Arrangements

The Local Authority Accounting Code of Practice requires arrangements where private sector contractors provide a service for a period using a dedicated asset to be assessed under an application of the principles within IFRIC 12. There are two criteria used to determine whether arrangements fall under the scope of IFRIC 12:

Notes to the Accounts

Note 2 (Continued)

- The public sector entity controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price
- The public sector entity controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For arrangements falling under the scope of IFRIC 12, the public sector entity will recognise the cost of the Property, Plant and Equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing concession has been judged to meet both of the IFRIC 12 criteria and, accordingly, the cost of the new Tunnel and refurbishment of the existing Tunnel are recorded as additions to its Property, Plant and Equipment.

Note 3: Assumptions Made About the Future and Other Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2012 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if Actual Results Differ From Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability for funded LGPS benefits of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £1.2m. However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £0.84m as a result of estimates being corrected as a result of experience and increased by £1.38m attributable to updating of the assumptions.

Notes to the Accounts

Note 4: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12

	Usable Reserves		
	General Fund Balance	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000
Adjustments involving the Capital Adjustment Account:			
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Charges for depreciation and impairment of non current assets	(6,481)	-	6,481
Write down of New Tyne Crossing deferred income balance	5,628	-	(5,628)
Capital grants and contributions applied	11,175	-	(11,175)
Revenue expenditure funded from capital under statute	(13,119)	-	13,119
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Statutory provision for the financing of capital investment	2,061	-	(2,061)
Capital expenditure charged against the General Fund	1,776	-	(1,776)

Notes to the Accounts

Note 4 (Continued)

	Usable Reserves		
	General Fund Balance	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000
Adjustments involving the Capital Grants Unapplied			
Account:			
Application of grants to capital financing transferred to the Capital Adjustment Account		288	(288)
Adjustments involving the Financial Instruments			
Adjustment Account:			
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	61	-	(61)
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 29)	260	-	(260)
Employer's pensions contributions and direct payments to pensioners payable in the year	947	-	(947)
Total Adjustments	2,308	288	(2,596)

Comparative Figures for 2010/11

	Usable Reserves		
	General Fund Balance	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000
Adjustments involving the Capital Adjustment Account:			
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Charges for depreciation and impairment of non current assets	(3,552)	-	3,552
Revaluation losses on Property Plant and Equipment	(12,922)	-	12,922
Write down of New Tyne Crossing deferred income balance	603	-	(603)
Capital grants and contributions applied	4,533	-	(4,533)
Revenue expenditure funded from capital under statute	(5,806)	-	5,806
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Statutory provision for the financing of capital investment	1,732	-	(1,732)
Capital expenditure charged against the General Fund	1,273	-	(1,273)

Notes to the Accounts

Note 4 (Continued)

	General Fund Balance	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000
Adjustments involving Capital Grants Unapplied Account:			
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	288	(288)	-
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1)	-	1
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 29)	5,440	-	(5,440)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,103	-	(1,103)
Total Adjustments	(7,309)	(288)	7,597

Note 5: Transfers to / from Earmarked Reserves

This note sets out the balances in earmarked reserves set aside to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12, with comparative figures for 2010/11.

	Balance at 01/04/10 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31/03/11 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31/03/12 £000
Metro Reinvigoration Reserve	(13,441)	1,273	(270)	(12,438)	-	(1,919)	(14,357)
Total	(13,441)	1,273	(270)	(12,438)	-	(1,919)	(14,357)

Notes to the Accounts

Note 6: Financing and Investment Income and Expenditure

2010/11	2011/12
£000	£000
6,522 Interest payable and similar charges	8,412
70 Pensions interest cost and expected return on pensions assets	(260)
<u>(3,221) Interest receivable and similar income</u>	<u>(3,328)</u>
<u>3,371</u>	<u>4,824</u>

Note 7: Taxation and non-specific Grant Income

2010/11	2011/12
£000	£000
<u>(71,706) Levy on Tyne and Wear Authorities</u>	<u>(73,792)</u>
<u>(71,706)</u>	<u>(73,792)</u>

Note 8: Property, Plant and Equipment

	Land	Vehicles, Infrastructure Plant, Furniture & Equipment	Assets Under Construction / Work in Progress	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
<u>At 1 April 2011</u>	12,135	3,074	353,895	- 369,104
Additions	-	-	21,499	423 21,922
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	597	-	- 597
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	(2,627)	- (2,627)
Other movements in Cost or Valuation	-	(466)	-	- (466)
<u>At 31 March 2012</u>	<u>12,135</u>	<u>3,205</u>	<u>372,767</u>	<u>423</u> <u>388,530</u>
Accumulated Depreciation and Impairment				
<u>At 1 April 2011</u>	-	(450)	(15,882)	- (16,332)
Depreciation charge	-	(92)	(3,762)	- (3,854)
<u>At 31 March 2012</u>	<u>-</u>	<u>(542)</u>	<u>(19,644)</u>	<u>-</u> <u>(20,186)</u>
Net Book Value				
At 31 March 2012	12,135	2,663	353,123	423 368,344
At 31 March 2011	12,135	2,624	338,013	-

Notes to the Accounts

Note 8 (Continued)

Comparative Figures for 2010/11

	Land	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction / Work in Progress	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
<u>At 1 April 2010</u>	12,135	2,487	116,422	43,991	175,035
Additions	-	466	206,404	-	206,870
Donations	-	-	-	-	-
Transfer from Asset Under Construction			43,991	(43,991)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	121	-	-	121
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	(12,922)	-	(12,922)
<u>At 31 March 2011</u>	<u>12,135</u>	<u>3,074</u>	<u>353,895</u>	<u>-</u>	<u>369,104</u>
Accumulated Depreciation and Impairment					
<u>At 1 April 2010</u>	-	(370)	(12,410)	-	(12,780)
Depreciation charge	-	(80)	(3,472)	-	(3,552)
<u>At 31 March 2011</u>	<u>-</u>	<u>(450)</u>	<u>(15,882)</u>	<u>-</u>	<u>(16,332)</u>
Net Book Value					
At 31 March 2011	12,135	2,624	338,013	-	352,772
At 31 March 2010	12,135	2,117	104,012	43,991	162,255

Notes to the Accounts

Note 8 (Continued)

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Vehicles, Plant, Furniture and Equipment - 30 years. This class of assets relates to plant, machinery and other equipment and fittings that were transferred to TT2 Ltd at the commencement of the 30 year contract for the operation of the Tyne Tunnels. These assets are defined as “handback assets” in the Project Agreement, as they (or their equivalent replacements) must be returned to the ITA at the end of the contract
- Vehicle Tunnels (Infrastructure) - 120 years
- Pedestrian and Cycle Tunnels (Infrastructure) - 40-120 years
- Land - This category is not depreciated as it has no finite useful life

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by surveyors from the Lead Authority, Newcastle City Council. Valuations of land and buildings and Infrastructure were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of Vehicles, Plant and Equipment relate to assets transferred to the use of TT2 Ltd as described above. The valuations are based on records held by TT2 Ltd.

The significant assumptions applied in estimating the fair values are:

- That no high alumina cement, concrete or calcium chloride additive or other potentially deleterious material was used in the construction of the property and that none has been subsequently incorporated
- The property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good title can be shown
- The property and its value are unaffected by any matters which would be revealed by a local search or inspection of any register and the use and occupation are both lawful
- Inspection of those parts which have not been inspected would not cause the Appointed Valuer to alter the opinion of value
- The land and properties are not contaminated
- The land and buildings are fully equipped with fixed plant and equipment
- The Tyne and Wear Integrated Transport Authority continues to maintain and repair all buildings and structures in a proper manner

Notes to the Accounts

Note 9: Financial Instruments

The following categories of financial instrument are carried on the Balance Sheet:

31 March 2011		31 March 2012
£000		£000
	Short Term Investments:	
-	Bank deposits	23,000
	Long Term Debtors:	
51,178	Loans to Nexus	49,104
	Short Term Debtors:	
6,692	Short term debtors:	11,842
31 March 2011		31 March 2012
£000	Borrowings:	£000
(36,426)	Short term borrowing	(4,726)
(120,560)	Financial liabilities at amortised cost - long term borrowing	(205,560)
<u>(156,986)</u>		<u>(210,286)</u>
	Other Long Term Liabilities:	
(4,277)	Pensions Liability	(6,730)
	Short Term Creditors:	
(4,908)	Short Term Creditors	(35,030)

The short-term investment shown 31 March 2012 relates to investments placed on behalf of Nexus by the ITA. Prior to 2011/12, this service was provided by Newcastle City Council. The increase in short term debtors is largely due to a £5m debtor with Newcastle City Council for monies invested on behalf of Nexus at the balance sheet date. A corresponding creditor is shown under short-term creditors to recognise the fact that the total £28m must be repaid to Nexus on their request.

Income, Expense, Gains and Losses

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

- Public Works Loan Board (PWLB) interest rates for new fixed borrowing in the appropriate maturity bands as at 31 March 2012
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Estimated ranges of interest rates at 31 March 2012 of 0.62% to 10.125% for loans from the PWLB and 4.07% to 4.94% for other loans receivable and payable, based on new lending rates for equivalent loans at that date

Notes to the Accounts

Note 9 (Continued)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2010/11			2011/12		
Financial Liabilities (amortised cost) £000	Financial Assets: Loans and Receivables £000	Total £000	Financial Liabilities (amortised cost) £000	Financial Assets: Loans and Receivables £000	Total £000
6,522		6,522	8,412		8,412
					Interest expense
					Total expense in
					Surplus/Deficit on
6,522	-	6,522	8,412	-	8,412
					Provision of Services
-	(3,221)	(3,221)	-	(3,328)	(3,328)
					Interest income
					Total income in
					Surplus/Deficit on
-	(3,221)	(3,221)	-	(3,328)	(3,328)
					Provision of Services
6,522	(3,221)	3,301	8,412	(3,328)	5,084
					Net (gain)/loss for the
					year

Borrowings and investments disclosed in the Balance Sheet are shown at amortised cost. For most of the Authority's borrowings, this means that the amount presented is the outstanding principal repayable plus accrued interest.

The fair value of borrowings and investments disclosed below is assessed by calculating the net present value of the cash flows that take place over the remaining life of the instruments. The fair value is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates applicable to similar loans in the market at the Balance Sheet date. This commitment to pay interest above current market rate increases the amount that the Authority would have to pay (in terms of premiums etc.) if the lender requested or agreed to early repayment of the loans.

For financial instruments with a maturity of twelve months or less the fair value is taken to be the invoiced or billed amount.

For the long term debtor with Nexus, the fair value has been determined to be equal to the carrying value.

Notes to the Accounts

Note 9 (Continued)

Financial Liabilities

31 March 2011		31 March 2012	
Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Short Term Borrowing			
(35,417)	(35,417)	(3,700)	(3,700)
(1,009)	(1,009)	(1,026)	(1,026)
(36,426)	(36,426)	(4,726)	(4,726)
Long Term Borrowing			
(31,560)	(35,129)	(116,560)	(141,249)
(89,000)	(95,974)	(89,000)	(117,094)
(120,560)	(131,103)	(205,560)	(258,343)
(156,986)	(167,529)	(210,286)	(263,069)

Financial Assets

31 March 2011		31 March 2012	
Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
51,178	51,178	49,104	49,104
51,178	51,178	49,104	49,104

Note 10: Long Term Debtors

The long term debtor represents loans to Nexus made in previous years, to finance capital expenditure on works relating to Metro operations, special needs transport and bus stations.

31 March 2011 £000		31 March 2012 £000
51,178	Loans to Nexus	49,104
51,178	Closing Balance 31 March	49,104

Notes to the Accounts

Note 11: Short Term Debtors

31 March 2011		31 March 2012
£000		£000
464	Central Government Bodies	454
-	Other Local Authorities	5,289
6,228	Other entities and individuals	6,099
6,692	Total	11,842

Within 'Other entities and individuals', £6,174k relates to Nexus at 31/03/11 and £6,043k relates to Nexus at 31/03/12.

Note 12: Cash and Cash Equivalents

31 March 2011		31 March 2012
£000		£000
45,832	Bank current accounts	66,454
45,832	Total Cash and Cash Equivalents	66,454

ITA cash was held at the year end in the Newcastle City Council District Account.

Note 13: Short Term Creditors

31 March 2011		31 March 2012
£000		£000
(158)	Central government bodies	(50)
(367)	Other local authorities	(883)
(4,383)	Other bodies	(34,097)
(4,908)	Total	(35,030)

'Other bodies' can be broken down as follows:

(2,887)	Nexus	(30,573)
(560)	TT2 Ltd	(2,599)
(663)	Prepaid Tunnels Permits	(653)
(73)	Accrued payments to pension fund	(78)
(159)	New Tyne Crossing Professional Advisors	(137)
(42)	Other entities and individuals	(57)
(4,383)		(34,097)

The significant increase in short term creditors due to Nexus reflects the fact that the ITA is holding £23m of investments on Nexus' behalf, which are shown as short term investments, and an additional £5m debtor with Newcastle City Council for Nexus funds placed in their name. The creditor is shown to recognise that the total £28m must be repaid to Nexus on their request.

The majority of the increase in TT2 creditors is due to the February and March 2012 usage payments, which were not due to be paid until after 31 March 2012. These were significantly higher than in 2010/11 due to the increase in TT2's share of toll income following the opening of both Tunnels.

Notes to the Accounts

Note 14: Grants and Contributions Received in Advance

2010/11 £000		2011/12 £000
(8,317)	NESTI Contributions from Local Authorities	(8,114)
	- Local Sustainable Transport Fund (DfT)	(4,478)
	- Local Transport Plan (DfT)	(2,779)
(8,317)	Balance at 31 March	(15,371)
	(203) Shown as Short-Term Liability on Balance Sheet	(8,637)
(8,114)	Shown as Long-Term Liability on Balance Sheet	(6,734)
(8,317)		(15,371)

Grants and Contributions Received in Advance have been split between long term and short term liabilities based on the budget for 2012/13.

Note 15: Usable Reserves

Summary

31 March 2011 £000		31 March 2012 £000
	General Fund Reserves	
(2,600)	- ITA General Fund	(2,519)
(40,772)	- Tyne Tunnels General Fund	(41,757)
(43,372)	Total General Fund Reserves	(44,276)
(12,438)	Earmarked Metro Reinvigoration Reserve	(14,357)
(288)	Capital Grants and Contributions Unapplied	-
(56,098)	Total Usable Reserves	(58,633)

ITA General Fund

This represents the unearmarked balances of the ITA which can be used to support ITA expenditure or allow for a reduction in the levy on Tyne and Wear authorities.

2010/11 £000		2011/12 £000
(3,268)	Balance at 1 April	(2,600)
	668 Drawn down to support expenditure in year	81
(2,600)	Balance at 31 March	(2,519)

Tyne Tunnels General Fund

This reserve represents the balances of the ringfenced Tyne Tunnels trading account. It is shown separately from the ITA General Fund as it is used to support Tyne Tunnels activity only, and is separate from levy-funded activities undertaken by the ITA.

Notes to the Accounts

Note 15 (Continued)

2010/11 £000		2011/12 £000
(33,988)	Balance at 1 April	(40,772)
(6,836)	Surplus on Tyne Tunnels trading account	(2,871)
	52 NESTI expenditure funded by Tyne Tunnels reserves	1,886
(40,772)	Balance at 31 March	(41,757)

Earmarked Metro Reinvigoration Reserve

This is an earmarked reserve which holds amounts ringfenced for expenditure on Metro Reinvigoration.

2010/11 £000		2011/12 £000
(13,441)	Balance at 1 April	(12,438)
(270)	Interest on reserve	(199)
1,273	Draw down to support expenditure in year	-
-	Funds set aside to be used for future years	(1,720)
(12,438)	Balance at 31 March	(14,357)

Capital Grants and Contributions Unapplied Reserve

This reserve holds the balance of grants and contributions where the conditions have been met, but they have not yet been applied to capital financing.

2010/11 £000		2011/12 £000
-	Balance at 1 April	(288)
(288)	Grants and Contributions with conditions met but not yet applied to fund capital expenditure	-
-	Grants and Contributions applied to fund capital expenditure transferred to Capital Adjustment Account	288
(288)	Balance at 31 March	-

Note 16: Unusable Reserves

31 March 2011 £000		31 March 2012 £000
(10,570)	Revaluation Reserve	(11,167)
(54,340)	Capital Adjustment Account	(55,669)
304	Financial Instruments Adjustment Account	243
4,277	Pensions Reserve	6,730
(60,329)	Total Unusable Reserves	(59,863)

Notes to the Accounts

Note 16 (Continued)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11 £000		2011/12 £000
(10,449)	Balance at 1 April	(10,570)
(121)	Upward revaluation of assets	(597)
(10,570)	Balance at 31 March	(11,167)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Accounts

Note 16 (Continued)

2010/11 £000		2011/12 £000
(68,480)	Balance at 1 April	(54,340)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,552	Charges for depreciation and impairment of non current assets	6,481
12,922	Revaluation losses on Property, Plant and Equipment	-
(602)	Write down New Tyne Crossing deferred income balance	(5,628)
5,806	Revenue expenditure funded from capital under statute	13,119
-	- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(46,802)		(40,368)
	Capital financing applied in the year:	
(4,533)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11,175)
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	(288)
(1,732)	Statutory provision for the financing of capital investment charged against the General Fund	(2,062)
(1,273)	Capital expenditure charged against the General Fund	(1,776)
(54,340)	Balance at 31 March	(55,669)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. It provides a balancing mechanism between the different rates at which gains and losses (e.g. premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

Notes to the Accounts

Note 16 (Continued)

2010/11 £000	2011/12 £000
303 Balance at 1 April	304
56 Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
(55) Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(61)
304 Balance at 31 March	243

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £000	2011/12 £000
15,390 Balance at 1 April	4,277
(4,570) Actuarial (gains) or losses on pensions assets and liabilities	3,660
(5,440) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(260)
(1,103) Employer's pensions contributions and direct payments to pensioners payable in the year	(947)
4,277 Balance at 31 March	6,730

Notes to the Accounts

Note 17: Cash Flow Statement: Operating Activities

The cash flows for operating activities includes the following items relating to interest paid and received:

2010/11	2011/12
£000	£000
3,221 Interest received	3,328
(6,592) Interest paid	(8,412)

Note 18: Cash Flow Statement: Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash movements and items that are Investing or Financing Activities

2010/11	2011/12
£000	£000
2,197 Surplus or deficit on the provision of services	(5,132)
Adjustments to Surplus or Deficit on Provision of Services for Non-Cash Movements	
(3,552) Depreciation	(3,854)
(12,922) Impairment and Downward Valuations	(2,627)
3,609 Increase / Decrease in Creditors	(2,855)
(4,799) Increase / Decrease in Debtors	5,320
6,543 Movement in Pension Liability	1,207
(44,966) Carrying amount of long term and short term investments sold	-
603 Other non-cash items charged to the net surplus or deficit on the provision of services	5,628
(55,484)	2,819
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
6,092 Capital grants credited to surplus / deficit on provision of services	11,175
44,988 Proceeds from the sale of long term and short term investments	-
1 Other adjustments for items that are financing or investing activities	61
51,081	11,236
(2,206) Net cash flow from operating activities	8,923

Notes to the Accounts

Note 19: Cash Flow Statement: Investing Activities

2010/11		2011/12
£000		£000
39,463	Purchase of property, plant and equipment, investment property and intangible assets	48,555
-	Purchase of short-term and long-term investments	25,000
1,490	Other payments for investing activities	(18,192)
(44,988)	Proceeds from short-term and long-term investments	(30,106)
(10,729)	Other receipts from investing activities	(2,074)
(14,764)	Net cash flows from investing activities	23,183

Note 20: Cash Flows from Financing Activities

2010/11		2011/12
£000		£000
(20,000)	Cash receipts of short and long-term borrowing	(89,000)
10,000	Repayments of short and long-term borrowing	36,333
-	Other payments for financing activities	(61)
(10,000)	Net cash flows from financing activities	(52,728)

Note 21: Members' Allowances

The Authority paid the following amounts to members during the year:

2010/11		2011/12
£000		£000
83	Allowances	80
83	Total	80

Note 22: External Audit Costs

2010/11		2011/12
£000		£000
37	Fees payable with regard to external audit services carried out by the appointed auditor for the year	33
(2)	Rebate on audit fee received from Audit Commission	(3)
35	Total	30

Notes to the Accounts

Note 23: Amounts Reported for Resource Allocation

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across functions - i.e. split between costs relating to the ITA and costs relating to the Tyne Tunnels. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular, no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the Comprehensive Income and Expenditure Statement; and the cost of retirement benefits is based on cash flows (payment of Employers' pension contributions and deficit payments) rather than the current service cost of benefits accrued in the year.

	ITA	Tyne Tunnels	Total
	£000	£000	£000
2011/12			
Fees, charges & other service income	-	(14,890)	(14,890)
Interest	(83)	(775)	(858)
Levy income	(73,792)	-	(73,792)
Total Income	(73,875)	(15,665)	(89,540)
Employee expenses (including pensions)	432	533	965
Other service expenses	183	6,585	6,769
Support service recharges	284	146	430
Capital Payments	1,351	711	2,062
Interest Payments	1,382	4,819	6,201
Public Transport Revenue Grant to Nexus	70,323	-	70,323
NESTI Expenditure met from Tyne Tunnels reserves	-	1,886	1,886
Total Expenditure	73,956	14,680	88,636
Net Expenditure	81	(985)	(904)

Notes to the Accounts

Note 23 (Continued)

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure by function relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	2011/12
	£000
Net Expenditure in the Analysis reported to Management	(904)
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	1,078
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement Cost of Services	63,664
Cost of Services in Comprehensive Income and Expenditure Statement	63,837

	Analysis by function	Amounts not reported to management for decision making	Amounts not included in CIES Cost of Services	Cost of Services	Corporate Amounts	Total
2011/12	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(14,890)	-	-	(14,890)	-	(14,890)
New Tyne Crossing	-	(5,628)	-	(5,628)	-	(5,628)
Deferred Income Release						
Interest and investment income	(858)	-	858	-	(3,588)	(3,588)
Levy income	(73,792)	-	73,792	-	(73,792)	(73,792)
Government grants and contributions	-	(11,453)	-	(11,453)	-	(11,453)
Total Income	(89,540)	(17,081)	74,650	(31,971)	(77,380)	(109,351)
Employee expenses	965	-	(947)	18	-	18
Other service expenses	8,655	-	-	8,655	-	8,655
Support Service	430	-	-	430	-	430
Capital Payments	2,062	18,159	(3,838)	16,383	-	16,383
Interest Payments	6,201	-	(6,201)	-	8,412	8,412
Public Transport Revenue	70,323	-	-	70,323	-	70,323
Grant to Nexus						
Total expenditure	88,636	18,159	(10,986)	95,809	8,412	104,220
	(904)	1,078	63,664	63,837	(68,968)	(5,131)
Surplus or deficit on the provision of services						

Notes to the Accounts

Note 23 (Continued)

Comparative Figures for 2010/11

Income and Expenditure reported to Management

	ITA	Tyne Tunnels	Total
2010/11 comparative figures	£000	£000	£000
Fees, charges & other service income	-	(13,177)	(13,177)
Interest	(61)	(569)	(630)
Levy income	(71,706)	-	(71,706)
Total Income	(71,767)	(13,746)	(85,513)
Employee expenses (including pensions)	511	626	1,137
Other service expenses	188	3,054	3,243
Support service recharges	368	163	531
Capital Payments	1,407	325	1,732
Interest Payments	1,406	2,794	4,200
Public Transport Revenue Grant to Nexus	68,555	-	68,555
Total Expenditure	72,435	6,962	79,397
Net Expenditure	668	(6,784)	(6,116)

Reconciliation to Subjective Analysis

	2010/11
	£000
Net Expenditure in the Analysis reported to Management	(6,116)
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	11,346
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement Cost of Services	65,301
Cost of Services in Comprehensive Income and Expenditure Statement	70,531

Notes to the Accounts

Note 23 (Continued)

Comparative Figures for 2010/11

	Analysis by function	Amounts not reported to management for decision making	Amounts not included in CIES Cost of Services	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(13,177)	-	-	(13,177)	-	(13,177)
New Tyne Crossing	-	(603)	-	(603)	-	(603)
Deferred Income Release						
Interest and investment	(630)	-	630	-	(3,221)	(3,221)
Levy income	(71,706)	-	71,706	-	(71,706)	(71,706)
Government grants and contributions	-	(4,821)	-	(4,821)	-	(4,821)
Total Income	(85,513)	(5,424)	72,336	(18,601)	(74,927)	(93,528)
Employee expenses	1,137	(5,510)	(1,103)	(5,476)	-	(5,476)
Other service expenses	3,243	3,630	-	6,873	-	6,873
Support Service	531	-	-	531	-	531
Capital Payments	1,732	18,650	(1,732)	18,650	-	18,650
Interest Payments	4,200	-	(4,200)	-	6,592	6,592
Public Transport Revenue	68,555	-	-	68,555	-	68,555
Grant to Nexus						
Total expenditure	79,397	16,770	(7,035)	89,132	6,592	95,724
Surplus or deficit on the provision of services	(6,116)	11,346	65,301	70,531	(68,335)	2,197

Note 24: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

2010/11 £000		2011/12 £000
	Credited to Services	
(4,821)	Local Transport Plan	(10,774)
-	Local Sustainable Transport Fund	(426)
-	Supporting Community Transport Fund	(50)
-	NESTI	(202)
(4,821)		(11,453)

Notes to the Accounts

Note 25: Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Authorities contributing to the Levy). Grants received from government departments are set out in the subjective analysis in Note 23 on reporting for resource allocation decisions.

Members of the Authority have direct control over the Authority's financial and operating policies and are required to disclose all pecuniary and non-financial interests which could conflict with those of the Authority. No such disclosures were made in 2011/12.

Under the Officer's Code, officers must declare any potential contractual or financial interest in the work of the Authority. There were no such declarations during the year.

Other Public Bodies (subject to common control by central government)

The Authority has a direct relationship with the Passenger Transport Executive (Nexus). The ITA sets the policy, which is then delivered by Nexus.

The Clerk to the ITA, Treasurer & Deputy Clerk and the Director of Housing, Planning and Transportation are non-Executive Directors of Nexus and also officers of Newcastle City Council.

The table below sets out all expenditure paid to and income received from any related parties in 2011/12, including amounts accrued at the year end.

	2010/11 £000	2011/12 £000	£000
	Paid / Received in year	Paid / Received in year	Accrued at year end
Receipts			
<u>Levy on Tyne and Wear Councils</u>			
Gateshead Council	(12,500)	(12,726)	-
Newcastle City Council	(17,943)	(18,962)	-
North Tyneside Council	(12,939)	(13,152)	-
South Tyneside Council	(9,942)	(10,164)	-
Sunderland City Council	(18,382)	(18,788)	-
	<u>(71,706)</u>	<u>(73,792)</u>	-
<u>Newcastle City Council (NCC)</u>			
Interest on Revenue Balances	(805)	(931)	-
Investments held on behalf of Nexus by NCC	-	-	(5,000)

Notes to the Accounts

Note 25 (Continued)

	2010/11 £000	2011/12 £000	£000
	Paid / Received in year	Paid / Received in year	Accrued at year end
Receipts			
<u>Nexus</u>			
Loans from ITA - Principal	(2,159)	-	(2,138)
Loans from ITA - Interest	(1,875)	-	(1,817)
	<u>(4,034)</u>	<u>-</u>	<u>(3,955)</u>
Contributions to NESTI *			
Darlington Borough Council	(441)	-	(358)
Durham County Council	-	-	(1,215)
Gateshead Council	-	-	(624)
Hartlepool Borough Council	(304)	-	(247)
Middlesbrough Borough Council	(509)	-	(413)
Newcastle City Council	-	-	(750)
North Tyneside Council	(594)	-	(482)
Northumberland County Council	-	-	(734)
Redcar & Cleveland Borough Council	(399)	-	(324)
South Tyneside Council	-	-	(383)
Stockton-on-Tees Borough Council	(574)	-	(466)
Sunderland City Council	-	-	(753)
	<u>(2,822)</u>	<u>-</u>	<u>(6,749)</u>

* A pro-rata allocation according to original contributions has been used to split the total NESTI contributions held on the ITA's Balance Sheet at the year end. The list excludes £1.366m which relates to the ITA's own share of the contributions.

	2010/11 £000	2011/12 £000	£000
	Paid / Received in year	Paid / Received in year	Accrued at year end
Payments			
<u>Specific Grants</u>			
Gateshead Council	213	2,050	82
Newcastle City Council	584	2,727	-
North Tyneside Council	184	1,552	188
South Tyneside Council	102	1,235	82
Sunderland City Council	109	2,377	297
	<u>1,192</u>	<u>9,940</u>	<u>650</u>

Newcastle City Council

Provision of Support Services

774

874

-

Notes to the Accounts

Note 25 (Continued)

	2010/11	2011/12	
	£000	£000	£000
	Paid / Received in year	Paid / Received in year	Accrued at year end
<u>Nexus</u>			
Revenue Support Grant	68,555	70,323	-
Specific Grants	3,393	94	2,572
Grant for Metro Re-invigoration	1,273	-	-
Loan to fund Capital Expenditure	1,491	-	-
	74,712	70,417	2,572
<u>Tyne & Wear Superannuation Fund</u>			
Employers Contributions	1,103	940	-

Note 26: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11	2011/12
	£000	£000
132,181	Opening Capital Financing Requirement	170,150
	Capital investment:	
40,369	- Property, Plant and Equipment	48,555
5,806	- Revenue Expenditure Funded from Capital under Statute	13,119
1,491	- Loans to Other Public Bodies	-
	Sources of finance:	
(4,533)	- Government grants and other contributions	(11,463)
	Sums set aside from revenue:	
(1,273)	- Direct revenue contributions	(1,776)
(1,732)	- MRP/loans fund principal	(2,062)
(2,159)	- Nexus borrowing repayment	(2,137)
170,150	Closing Capital Financing Requirement	214,386
	Explanation of movements in year:	
37,969	- Increase in underlying need to borrow (unsupported by government financial assistance)	44,236
37,969	Increase/(decrease) in Capital Financing Requirement	44,236

Notes to the Accounts

Note 27: Leases

Operating Leases

The Authority has a number of operating leases of land and buildings for the New Tyne Crossing construction.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2011	31 March 2012
£000	£000
49 Not later than one year	25
- Later than one year and not later than five years	-
- Later than five years	-
49	25

The expenditure charged to the accounts during the year in relation to these leases was:

2010/11	2011/12
£000	£000
179 Minimum lease payments	120
179	120

Note 28: Private Finance Initiatives and Similar Contracts

In November 2007, the ITA entered into a 30 year contract with TT2 Ltd to construct a second vehicle tunnel, refurbish the existing tunnel and to operate both vehicle tunnels, alongside the pedestrian and cycle tunnel. The ITA receives the total toll income, and pays a proportion of this to TT2 Ltd as a monthly usage payment.

In 2011/12, the payment under the contract was £53.149m (£6.522m for usage payments and capital payments of £46.627m). In 2010/11 this was £40.714m. The payment under the contract in 2012/13 is estimated to be £14.031m, all related to usage payments.

The second tunnel was opened on 25 February 2011, and the refurbished original tunnel opened on 21 November 2011. Both are included on the ITA's balance sheet.

The contribution by TT2 is recognised as a deferred income balance (with a 2011/12 closing value of £132.832m) which will be written down over the remaining life of the contract, by crediting the Comprehensive Income and Expenditure Statement (CIES).

	31 March 2012
	£000
Shown as Short Term Liability on Balance Sheet	(5,501)
Shown as Long Term Liability on Balance Sheet	(127,331)
Total New Tyne Crossing Deferred Income Balance	(132,832)
Released to CIES in year	(5,628)

Notes to the Accounts

Note 28 (Continued)

	Estimated TT2 Payment of Toll Income £000	Deferred Income release £000
Payable in 2012/13	14,031	(5,501)
Payable within two to five years	78,659	(20,373)
Payable within six to ten years	129,756	(25,466)
Payable within eleven to fifteen years	164,084	(25,466)
Payable within sixteen to twenty years	197,174	(25,466)
Payable within twenty-one to twenty-five years	228,723	(25,466)
Payable within twenty-six to thirty years	28,343	(5,093)
Total	840,771	(132,832)

Note 29: Defined Benefit Pension Schemes

The Authority participates in two post employment schemes:

- The Tyne and Wear Pension Fund, administered locally by South Tyneside Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The table below summarises the net position on the pension liabilities shown on the Balance Sheet over the past five years:

Financial Year	2007/08	2008/09	2009/10	2010/11	2011/12
Total assets	18,270	15,440	21,690	22,650	22,800
Total liabilities	(28,740)	(29,280)	(37,080)	(26,920)	(29,530)
Net Pension Liability	(10,470)	(13,840)	(15,390)	(4,270)	(6,730)

The net pension liability has increased in 2011/12, and there are two main reasons for this:

- The first is the change in the discount rate used in the calculation of the present value of the future payments required, from 5.5% at 31 March 2011 to 4.6% at 31 March 2012. This discount rate is required for IAS 19 purposes to be based on the yield on high quality long term corporate bonds, which have fallen since 31 March 2011. A lower discount rate results in a higher present value being placed on the future cashflows, and the liability has therefore increased.
- The second factor is asset performance. Market conditions have meant that returns on assets at 31 March 2012 are lower than those assumed at 31 March 2011, resulting in an increase in the deficit.

Notes to the Accounts

Note 29 (Continued)

Transactions Relating to Post-Employment Benefits

The cost of retirement benefits must be recognised in the reported cost of services when they are earned, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against the levy is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	£000 2010/11	£000 2011/12	£000 2010/11	£000 2011/12
Comprehensive Income and Expenditure				
Cost of Services:				
- Past service costs	(5,510)	-	(110)	-
Financing and Investment Income and				
- Interest cost	1,720	1,410	40	40
- Expected return on scheme assets	(1,580)	(1,710)	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(5,370)	(300)	(70)	40
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure				
- Actuarial (gains) and losses	(5,630)	3,540	-	120
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure	(11,000)	3,240	(70)	160

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	£000 2010/11	£000 2011/12	£000 2010/11	£000 2011/12
Movement in Reserves Statement:				
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Actual amount charged against the General Fund Balance for pensions in the year:				
- Employers' contributions payable to scheme	1,051	890	-	-
- Retirement benefits payable to pensioners	-	-	52	50

Notes to the Accounts

Note 29 (Continued)

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Discretionary Benefits	
	£000 2010/11	£000 2011/12	£000 2010/11	£000 2011/12
Opening balance at 1 April	36,170	26,130	910	790
Interest cost	1,720	1,410	40	40
Actuarial (gains) and losses	(5,100)	2,220	-	120
Benefits paid	(1,150)	(1,130)	(50)	(50)
Past service costs	(5,510)	-	(110)	-
Closing balance at 31 March	26,130	28,630	790	900

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	£000 2010/11	£000 2011/12
Opening balance at 1 April	21,690	22,650
Expected return on assets	1,580	1,710
Actuarial gains and (losses)	(530)	(1,320)
Employer contributions	1,060	890
Contributions by scheme participants	-	-
Benefits paid	(1,150)	(1,130)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	22,650	22,800

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Notes to the Accounts

Note 29 (Continued)

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(27,970)	(28,520)	(36,170)	(26,130)	(28,630)
Discretionary Benefits	(770)	(760)	(910)	(790)	(900)
Fair value of assets in the LGPS	18,270	15,440	21,690	22,650	22,800
Surplus/(deficit) in the scheme:	(10,470)	(13,840)	(15,390)	(4,270)	(6,730)
Local Government Pension Scheme	(9,700)	(13,080)	(14,480)	(3,480)	(5,830)
Discretionary Benefits	(770)	(760)	(910)	(790)	(900)
Total	(10,470)	(13,840)	(15,390)	(4,270)	(6,730)

The liabilities show the underlying commitment that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £29.53m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in an overall net worth of £118.496m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contribution expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £0.93m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £0.05m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

Notes to the Accounts

Note 29 (Continued)

	Local Government Pension Scheme		Discretionary Benefits	
	2010/11	2011/12	2010/11	2010/11
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.5	21.6	21.5	21.6
Women	23.7	23.8	23.7	23.8
RPI Inflation	3.35%	3.15%	3.35%	3.15%
CPI Inflation	2.45%	2.15%	2.45%	2.15%
Rate of increase in salaries	3.85%	3.65%	n/a	n/a
Rate of increase in pensions	2.45%	2.15%	2.45%	2.15%
Rate for discounting scheme liabilities	5.50%	4.60%	5.50%	4.60%

The Discretionary Benefits arrangements have no assets to cover the liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011		31 March 2012	
	Long-term expected rate of return (%) p.a.)	Asset split (%)	Long-term expected rate of return (%) p.a.)	Asset split (%)
Equities	8.4	68.0	8.1	68.5
Property	7.9	8.1	7.6	9.2
Government Bonds	4.4	7.0	3.1	7.1
Corporate Bonds	5.1	11.7	3.7	11.6
Cash	1.5	1.2	1.8	1.9
Other	8.4	4.0	8.1	1.7
Total	7.6	100.0	7.1	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2008/09	2009/10	2010/11	2011/12
	%	%	%	%
Differences between the expected and actual return on asset	(30.1)	22.2	(2.3)	(5.8)
Experience gains and losses on liabilities	(0.8)	1.6	18.3	(2.9)

Notes to the Accounts

Note 30: Contingent Liabilities

The ITA has a contingent liability in relation to any gains or losses in the Local Government Pension Scheme transferred assets and liabilities that were transferred to TT2 Ltd on 1 February 2008 and relate to membership accrued before that date. The project agreement provides that should there be a shortfall in the TT2 Ltd fund at the actuarial valuation, which can be attributed to pre-2008 benefits, the ITA will be required to reimburse the shortfall. At the most recent valuation the TT2 Ltd fund was found to be in surplus, therefore no reimbursement is currently due. The next valuation will be in 2014.

Note 31: Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by Treasury Management officers under policies approved by the Authority in the Treasury Management Policy. The policy provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management policy also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Authority are detailed fully in the Annual Treasury Management Strategy Statement which is agreed by the ITA.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Authority. The Authority has a very low risk of default from its customers for goods and services, since these are predominantly other local authorities or other public bodies such as Nexus.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applied to all of the Authority's deposits, but there was no evidence at 31

Notes to the Accounts

Note 31 (Continued)

March 2012 that this was likely to crystallise.

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and 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. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that maturing loans may be replaced through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2011	31 March 2012
	£000	£000
Less than one year	(35,056)	(4,726)
Between one and two years	-	(7,260)
Between two and five years	(3,402)	(5,333)
More than five years	(118,528)	(192,967)
	(156,986)	(210,286)

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Authority is exposed to 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 Authority. For example, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates - the fair value of the liabilities will fall
- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services 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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

Notes to the Accounts

Note 31 (Continued)

The Authority has a number of strategies for managing interest rate risk. Policy is to ensure that the level of its borrowings in variable rate loans does not expose the portfolio to excessive movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

	<u>£000</u>
Increase in interest payable on variable rate borrowings	84
Increase in interest receivable on variable rate investments	(31)
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	<u>53</u>
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	<u>-</u>

According to this investment strategy, at 31 March 2012 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

A decrease in the fair value of fixed rate borrowings liabilities would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The impact of a 1% fall in interest rates would be as above, but with the movements being reversed.

Foreign Exchange Risk

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.

Notes to the Accounts

Note 32: Reconciliation between Explanatory Foreword and Comprehensive Income and Expenditure Statement

This note provides a reconciliation between the expenditure against budget for 2011/12 reported in the Explanatory Foreword and the Cost of Services and Surplus or Deficit on the Provision of Services reported in the Comprehensive Income and Expenditure Statement. The reconciliation is split between the amounts attributable to the ringfenced Tyne Tunnels General Fund reserves and the unearmarked ITA General Fund reserve.

	ITA	Tyne Tunnels	Total
	£000	£000	£000
Net Cost of Services	70,998	(7,163)	63,835
Financing and Investment Income & Expenditure	827	3,997	4,824
Taxation & Non-specific Grant Income	(73,792)	-	(73,792)
Surplus/Deficit on Provision of Services	(1,967)	(3,165)	(5,132)
Depreciation and Impairment	-	(6,481)	(6,481)
Write down of New Tyne Crossing Deferred Income	-	5,628	5,628
Capital Grants applied to finance Capital Expenditure	11,175	-	11,175
Revenue Expenditure Funded from Capital Under Statute	(13,119)	-	(13,119)
Reversal of items relating to retirement benefits in CIES	260	-	260
Employers' pension contributions and direct payments to pensioners payable in year	448	499	947
Statutory provision for financing of capital investment	1,351	711	2,062
Capital expenditure charged against the General Fund	-	1,776	1,776
Transfer to/from Earmarked reserves	1,919	-	1,919
Financial Instruments Adjustment	14	47	61
Movement in Reserves / Explanatory Foreword basis	81	(985)	(904)

Notes to the Accounts

Note 33: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Service Reporting Code of Practice for Local Authorities 2011/12, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

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. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. Exceptional Items

Where items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting

Notes to the Accounts - Accounting Policies

opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise the levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Costs

Following the transfer of the Tyne Tunnels to the Concessionaire in 2008, the ITA only has one employee. The full cost of the employee, including holidays, is charged to the accounts of the period within which the employee worked.

Employee costs in the Comprehensive Income and Expenditure Statement include the direct salaries and employers' contributions for National Insurance and contributions to the Local Government Pension Scheme in respect of that member of staff. Officers of the Authority and other professional and technical support staff are primarily employed by the Lead Authority, Newcastle City Council. Their costs are charged to the ITA, together with a proportion of overhead costs, on the basis of estimated time spent on ITA business by the staff involved.

Under the Code, an accrual is required for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. Since the ITA only has one employee, this amount is not material and so an accrual will not be made.

8. Pensions

The ITA participates in the Local Government Pension Scheme, which provides members with defined benefits relating to pay and service. Its pension obligations relate primarily to former employees.

The relevant fund is the Tyne and Wear Pension Fund administered by South Tyneside

Notes to the Accounts - Accounting Policies

Metropolitan Borough Council, from whom a copy of the annual report may be obtained. The Fund website may be visited at www.twpf.info.

The liabilities of the pension fund attributable to the ITA 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 at current bid price
- Unquoted securities based on professional estimate
- Unitised securities at current bid price
- Property at market value

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

- Current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Expected return on assets** - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Gains or 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 Pensions Reserve; and
- Contributions paid to the pension fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 pensioners and any such amounts

Notes to the Accounts - Accounting Policies

payable by unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are provided in Note 27.

9. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread

Notes to the Accounts - Accounting Policies

over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

Notes to the Accounts - Accounting Policies

- Instruments with quoted market prices - the market price;
- Other instruments with fixed and determinable payments - discounted cash flow analysis; and
- Equity shares with no quoted market prices - independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

11. Government Grants and Contributions

The provisions relating to Grants and Contributions apply to both revenue and capital grants and contributions. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation

Notes to the Accounts - Accounting Policies

and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

All ITA leases have been reviewed and are classified as operating leases.

(a) The Authority as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

(b) The Authority as Lessor

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Notes to the Accounts - Accounting Policies

13. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

The purchase price;

Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

Infrastructure, community assets and assets under construction – depreciated historical cost;

All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Notes to the Accounts - Accounting Policies

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum 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 completed during 2011/12. These revaluations are detailed within the Notes to the Core Financial Statements.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

De Minimis Levels

The use of a de-minimis level for capital expenditure means that in the above categories assets below the de-minimis level are charged to the revenue account and are not classified as capital expenditure, i.e. the asset is not included in the balance sheet unless they are part of an overall project costing more than the established de-minimis level. For all capital expenditure the de minimis level is £10,000

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Notes to the Accounts - Accounting Policies

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets is calculated by taking the asset value at 31 March 2012, divided by remaining life expectancy. Depreciation is therefore charged in the year of acquisition, but not the year of disposal.

Depreciation on vehicles and plant is based on a thirty year useful economic life, since this class of asset relates to assets which were transferred to the concessionaire, TT2 Ltd at the commencement of the thirty year contract. These assets (or their equivalent replacements) are to be returned to the ITA at the end of the contract.

The Tyne Vehicle Tunnels are depreciated over a 120 year useful life and the Tyne Pedestrian and Cycle Tunnels over a 40-120 year.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In the most recent valuations of the Tyne Tunnels, it was assessed that although Mechanical and Electrical Service and the Toll Plaza have an economic life of 20 years, these formed less than 20% of the overall valuation and have not therefore been classed as significant components.

Disposals

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

14. Public Private Partnership (PPP) Contracts

Public Private Partnerships are agreements to receive services and provide capital jointly with the private sector. The New Tyne Crossing Partnership is judged to be such an arrangement.

The Code requires these arrangements to be assessed under an application of the principles within International Financial Reporting Interpretation Committee 12 (IFRIC 12) 'Service Concessions'.

Notes to the Accounts - Accounting Policies

Arrangements fall in the scope of the Application where both of the following 'IFRIC 12' criteria are met:

- The public sector entity ('grantor') controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For any service concession within the scope of the Application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria, and the ITA therefore recognises the costs of the new tunnel on its Balance Sheet.

In most arrangements within the scope of the Application, the grantor will account for the arrangement's financing by recording and measuring a long term liability in accordance with IAS17. This treatment reflects an obligation to pay the operator for the full value of the asset along with the operator's cost of finance. However in the New Tyne Crossing Project, TT2 Ltd. (the Operator) receives a defined proportion of the total toll revenue and uses this to meet its cost of constructing and operating the new tunnel and the existing tunnel. The ITA may therefore have no long term obligation to transfer economic resources to TT2 Ltd. and hence should not recognise a liability.

The provisions within the Payment Mechanism for payment of toll revenue to the operator are as follows:

- In each month the ITA pays a Shadow Toll to the Operator; this being a fixed amount per vehicle adjusted for changes in RPI;
- Throughout the Term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle type Shadow Tolls;
- The Formula Tolls are the initially-defined sequence of tolls to be charged to users and collected by the ITA. If the ITA varies a Real Toll from its corresponding Formula Toll, the Operator is compensated for the effect of this adjustment on demand.

The ITA therefore has no exposure to any risk and reward associated with the Operator revenue, but only an executory contract to transfer the Operator's share of total revenues to the operator as it is collected.

It therefore follows from this conclusion that the ITA has no long-term obligation to transfer economic resources to the Operator, since the Operator revenue is in substance transferred directly to it. The ITA therefore should not recognise a long term liability to finance the project assets.

In relation to such an arrangement, the Code and the accompanying guidance do not provide clear guidance. However, the guidance notes accompanying the Code suggest that the credit that matches the asset should be a deferred income balance. The ITA has therefore recognised a deferred credit balance, added to as each of Phase 1 and Phase 2 are completed, and equal to the fair value of the asset addition under each Phase. This balance is then released to the Comprehensive Income and Expenditure Statement over the life of the contract.

15. Provisions

Notes to the Accounts - Accounting Policies

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

16. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

17. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

18. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset as been charged as expenditure to the

Notes to the Accounts - Accounting Policies

relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reversed out the amounts charged so that there is no impact on the levy.

19. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

20. Overheads

The costs of central support services e.g. Finance and Legal Services have been allocated to the ITA on the basis of Service Level Agreements in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA). A percentage is allocated to the ITA, Tyne Tunnels and the New Tyne Crossing project in accordance with estimated work done on each area.

21. Tyne Tunnel Income

The majority of the income from tolls is received on a cash basis and so no accruals are necessary. However, prepayments on permit accounts are also received. The balance outstanding on the permit account has been accrued.

22. Group Accounts

The ITA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 to produce Group Accounts to include services provided to Council Tax payers in Tyne and Wear by organisations other than the Authority itself in which the Authority has an interest.

Although there has been no definitive ruling by CIPFA or central 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 on the basis of a full consolidation of the financial transactions and balances of the ITA 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 2011/12 accounts, the ITA has fully complied with the requirements of the Code, providing Group figures for the 2011/12 accounts and comparators for 2010/11. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.



Section 3

Tyne & Wear Integrated Transport Authority

Group Accounts for the year ended 31
March 2012

M Chillingham Road

M Chillingham Road

Information boards at the station platform, including a map and contact details.

Trains to Newcastle
Platform 2

Welcome to Metro
If for the safety and comfort of all passengers please follow these rules.

- No smoking
- CCTV
- Mobility scooters

Group Movement in Reserves Statement

	ITA Usable Reserves £000	ITA Unusable Reserves £000	Total ITA Reserves £000	Authority Share of Nexus £000	Total Group Reserves £000
Balance at 1 April 2011	(56,098)	(60,329)	(116,427)	(353,211)	(469,638)
<u>Movement in reserves during 2011/12</u>					
Surplus or (deficit) on provision of services	(5,132)	-	(5,132)	(36,825)	(41,957)
Other Comprehensive Income and Expenditure	-	3,063	3,063	23,648	26,711
Total Comprehensive Income and Expenditure	(5,132)	3,063	(2,069)	(13,177)	(15,246)
Adjustments between accounting basis and funding basis under regulations	2,596	(2,596)	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,536)	467	(2,069)	(13,177)	(15,246)
Transfer to/from Earmarked Reserves	-	-	-	-	-
Increase/Decrease in 2011/12	(2,536)	467	(2,069)	(13,177)	(15,246)
Balance at 31 March 2012 carried forward	(58,634)	(59,862)	(118,496)	(366,388)	(484,884)

Analysis of Usable and Unusable Reserves

	Balance at 31 March 2012 carried forward		
	Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
ITA	(58,634)	(59,862)	(118,496)
Nexus	(35,497)	(330,891)	(366,388)
Total	(94,131)	(390,753)	(484,884)

Group Movement in Reserves Statement

Comparative Figures for 2010/11

	ITA Usable Reserves £000	ITA Unusable Reserves £000	Total ITA Reserves £000	Authority Share of Nexus £000	Total Group Reserves £000
Balance at 1 April 2010	(50,698)	(63,235)	(113,933)	(274,304)	(388,237)
<u>Movement in reserves during 2010/11</u>					
Surplus or (deficit) on provision of services	2,197	-	2,197	(77,007)	(74,810)
Other Comprehensive Income and Expenditure	-	(4,691)	(4,691)	(1,900)	(6,591)
Total Comprehensive Income and Expenditure	2,197	(4,691)	(2,494)	(78,907)	(81,401)
Adjustments between accounting basis and funding basis under regulations	(7,597)	7,597	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(5,400)	2,906	(2,494)	(78,907)	(81,401)
Transfer to/from Earmarked Reserves	-	-	-	-	-
Increase/Decrease in 2010/11	(5,400)	2,906	(2,494)	(78,907)	(81,401)
Balance at 31 March 2011 carried forward	(56,098)	(60,329)	(116,427)	(353,211)	(469,638)

Analysis of Usable and Unusable Reserves

	Balance at 31 March 2011 carried forward		
	Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
ITA	(56,098)	(60,329)	(116,427)
Nexus	(31,113)	(322,098)	(353,211)
Total	(87,211)	(382,427)	(469,638)

Group Comprehensive Income and Expenditure Statement

← 2010/11 (restated) →				← 2011/12 →		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,631	-	2,631	Corporate and Democratic Core	2,442	-	2,442
			Highways and Transport			-
19,673	(13,780)	5,893	- Tyne Tunnels	13,328	(20,519)	(7,191)
159,642	(93,892)	65,750	- Other Highways and Transport Services	165,607	(94,394)	71,214
(5,375)	-	(5,375)	Non-Distributed Costs	147	-	147
(34,070)	-	(34,070)	Pensions - Exceptional Item	-	-	-
142,501	(107,672)	34,829	Cost of Services	181,524	(114,913)	66,612
9,144	(3,516)	5,628	Financing and Investment Income and Expenditure (Note 3)	8,830	(3,061)	5,769
		(116,480)	Non-Specific Grant Income (Note 5)			(114,338)
		(76,022)	(Surplus) / Deficit on Provision of Services			(41,957)
		1,212	Taxation Charge for the Year			608
		(121)	Surplus / (Deficit) on Revaluation of Fixed Assets (Note 6)			(597)
		(6,470)	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities (Note 14)			26,700
		(5,379)	Other Comprehensive Income and Expenditure			26,711
		(81,401)	Total Comprehensive Income and Expenditure			(15,246)

The 2010/11 figures have been restated as a result of a prior period adjustment made to the Nexus single entity accounts. Further details are provided in Group Accounts Note 22 on p. 107.

Group Balance Sheet

31 March 2011 £000	Notes	31 March 2012 £000	
752,582	Property, Plant and Equipment	6	790,800
1,272	Intangible Assets	7	2,190
82	Assets held for Sale		-
1	Long Term Investments	8	1
753,937	Long Term Assets		792,991
-	Short Term Investments	8	23,000
1,353	Inventories		1,432
24,049	Short Term Debtors	9	26,664
101,636	Cash and Cash Equivalents	10	95,772
127,038	Current Assets		146,868
(36,426)	Short Term Borrowing	8	(4,726)
(31,762)	Short Term Creditors	11	(27,608)
(51,980)	New Tyne Crossing - Deferred Income		(5,501)
(203)	Grants and Contributions Receipts in Advance	12	(8,637)
(120,371)	Current Liabilities		(46,472)
(113,579)	New Tyne Crossing - Deferred Income		(127,331)
(1,320)	Provisions	13	(845)
(9,051)	Grants and Contributions Receipts in Advance	12	(7,670)
(120,560)	Long Term Borrowing	8	(205,560)
(41,887)	Other Long Term Liabilities	14	(61,920)
(4,569)	Deferred Tax Liability	15	(5,177)
(290,966)	Long Term Liabilities		(408,503)
469,638	Net Assets		484,884
(87,211)	Usable Reserves	16	(94,131)
(382,427)	Unusable Reserves	17	(390,753)
(469,638)			(484,884)

Treasurer's Certificate

I certify that the accounts set out on pages 87 to 107 present a true and fair view of the financial position of the Tyne and Wear Integrated Transport Authority as at 31 March 2012

Signed

Treasurer

Date:

Group Cash Flow Statement

2010/11 £000	Notes	2011/12 £000
(76,022)	Net (surplus) or deficit on the provision of services	(41,957)
(33,671)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(1,688)
95,141	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50,017
<u>(14,552)</u>	Net cash flows from Operating Activities	<u>6,373</u>
(15,131)	Investing activities	50,252
<u>(5,577)</u>	Financing activities	<u>(50,760)</u>
(35,260)	Net increase or decrease in cash and cash equivalents	5,864
(66,376)	Cash and cash equivalents at the beginning of the reporting period	(101,636)
<u>(101,636)</u>	Cash and cash equivalents at the end of the reporting period	<u>(95,772)</u>

Group Notes to the Accounts

Group Note 1: Group Accounts

Under the Code of Practice for Local Authority Accounting 2011/12, authorities with interests in subsidiaries, associates and / or joint ventures (jointly controlled entities) shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered not material.

Nexus is the only subsidiary for the Tyne and Wear Integrated Transport Authority, and the group accounts have been prepared on a consolidation basis. From 2010/11, Passenger Transport Executives (including Nexus) have a legal requirement under the Accounting and Audit Regulations 2011 to produce their single entity accounts on an IFRS basis in accordance with the Code of Practice. The accounting policies adopted by Nexus are now largely aligned with those of the ITA, with the following minor differences:

Deferred Tax

The ITA does not require a policy on Deferred Tax. Deferred taxation (which arises from the differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated by Nexus on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

Property, Plant and Equipment and Intangible Assets

Nexus uses the following estimated useful lives for each class of assets:

Freehold buildings	40 years
Short leasehold buildings	over the lease term
Infrastructure assets	20 to 50 years
Plant and Equipment	5 to 30 years
Vehicles	5 to 10 years
Marine Vessels	30 years
Intangibles	5 to 10 years

Useful lives used by the ITA can be found on p. 43 of the single entity accounts.

Nexus' policy is to commence depreciation on assets with effect from the month following capitalisation, whereas the ITA charges a full year of depreciation in the year of acquisition.

Nexus carries out annual reviews of the estimated remaining life and current carrying amount of assets, ensuring that significant assets with a life greater than five years are reviewed annually. The ITA has a rolling five year programme of revaluations, as set out on p. 43.

Where Group Accounts are required, authorities must produce the main financial statements and the disclosure notes which add value to the understanding of the accounts. Disclosure notes have been produced to add more detail where the Group Accounts are materially different from the single entity accounts.

Copies of the single entity accounts for Nexus are available from www.nexus.org.uk

Group Notes to the Accounts

Group Note 2: Integrated Transport Authority Lead Officers

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

Responsibility	Title	Officer
Policy / Legal / Administration	Clerk (to 31 August 2012*)	Barry Rowland
Financial Advice	Treasurer & Deputy Clerk	Paul Woods
Engineering	Director of Housing, Planning and Transportation	Harvey Emms

* Following the departure of Barry Rowland from the lead authority, Paul Woods is deputising as Clerk until such time as a formal Acting Clerk or new permanent Clerk to the Authority is appointed.

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

Director General	Bernard Garner
Director of Finance and Resources	John Fenwick
Director of Rail and Infrastructure	Ken Mackay
Director of Customer Services	Tobyn Hughes

Group Note 3: Financing and Investment Income and Expenditure

2010/11		2011/12
£000		£000
6,483	Interest payable and similar charges	8,830
2,661	Pensions interest cost and expected return on pensions assets	(1,080)
(3,516)	Interest receivable and similar income	(1,981)
5,628		5,769

Group Note 4: Grant Income Credited to Services

The following grants and contributions were credited to the Surplus or Deficit on the Provision of Services:

2010/11		2011/12
£000		£000
-	Local Sustainable Transport Fund	(426)
(4,821)	Local Transport Plan	(10,774)
-	North East Smart Ticketing Initiative	(202)
(25,300)	Metro Rail Grant	(24,746)
(5,672)	Concessionary Travel Grant	-
(4,364)	Heavy Rail Grant	(4,637)
(557)	Other Grants	(70)
(40,714)	Total	(40,855)

Group Notes to the Accounts

Group Note 5: Non-Specific Grant Income

The following amounts are included within the CIES line 'Non-Specific Grant Income':

2010/11 £000		2011/12 £000
(71,706)	Levy on Tyne and Wear Authorities	(73,792)
(44,774)	Nexus Capital Grants	(40,546)
(116,480)		(114,338)

Group Note 6: Property, Plant and Equipment

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
<u>At 1 April 2011</u>	16,965	32,455	865,822	40,083	955,325
Additions	-	-	21,499	42,188	63,687
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	597	-	-	597
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	(2,627)	-	(2,627)
Disposals	-	(147)	(58)	-	(205)
Derecognition - Other	(222)	(1,968)	(10)	-	(2,200)
Transfers from assets under construction	-	901	24,166	(25,067)	-
Assets reclassified	(3,772)	(3,108)	6,258	(722)	(1,344)
Other movements in cost or valuation	-	(466)	-	-	(466)
<u>At 31 March 2012</u>	<u>12,971</u>	<u>28,264</u>	<u>915,050</u>	<u>56,482</u>	<u>1,012,767</u>

Accumulated Depreciation and Impairment

<u>At 1 April 2011</u>	(2,556)	(22,415)	(177,772)	-	(202,743)
Depreciation charge	(140)	(1,241)	(20,349)	-	(21,730)
Derecognition - disposals	-	100	35	-	135
Derecognition - other	222	1,968	10	-	2,200
Assets reclassified	2,043	1,306	(3,179)	-	170
<u>At 31 March 2012</u>	<u>(431)</u>	<u>(20,282)</u>	<u>(201,255)</u>	<u>-</u>	<u>(221,968)</u>

Net Book Value

At 31 March 2012	12,540	7,982	713,795	56,482	790,800
At 31 March 2011	14,409	10,040	688,050	40,083	752,582

Group Notes to the Accounts

Group Note 6 (Continued)

Comparative Figures for 2010/11

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
<u>At 1 April 2010</u>	16,965	31,444	604,442	60,655	713,506
Additions	-	466	206,404	48,629	255,499
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	121	-	-	121
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	(12,922)	-	(12,922)
Disposals	-	(252)	-	-	(252)
Transfers to assets held for sale	-	(390)	(237)	-	(627)
Transfers from assets under construction	-	1,066	68,135	(69,201)	-
<u>At 31 March 2011</u>	16,965	32,455	865,822	40,083	955,325
Accumulated Depreciation and Impairment					
<u>At 1 April 2010</u>	(2,397)	(21,163)	(159,470)	-	(183,030)
Depreciation charge	(159)	(1,831)	(18,507)	-	(20,497)
Transfer to assets held for sale	-	340	205	-	545
Disposals	-	239	-	-	239
<u>At 31 March 2011</u>	(2,556)	(22,415)	(177,772)	-	(202,743)
Net Book Value					
<u>At 31 March 2011</u>	14,409	10,040	688,050	40,083	752,582
<u>At 31 March 2010</u>	14,568	10,281	444,972	60,655	530,476

Group Notes to the Accounts

Group Note 7: Intangible Assets

2010/11 £000		2011/12 £000
	Cost or Valuation	
1,954	At 1 April	1,954
	Additions:	
-	Transfers from assets under construction	722
-	Assets reclassified	622
-	Derecognition - other	(283)
1,954	At 31 March	3,015
	Depreciation and Impairment	
408	Accumulated at 1 April	682
274	Depreciation provided during the period	256
-	Assets reclassified	170
-	Derecognition - other	(283)
682	Accumulated at 31 March	825
	Net Book Value	
1,546	At 31 March 2011	1,272
1,272	At 31 March 2012	2,190

Group Note 8: Financial Instruments

31 March 2011 £000		31 March 2012 £000
	Long Term Investments:	
1	Unquoted Equity Investment at cost	1
	Short Term Investments:	
-	Bank deposits	23,000
	Short Term Debtors:	
24,049	Short Term Debtors	26,664
	Borrowing:	
(36,426)	Short term borrowing	(4,726)
(120,560)	Financial liabilities at amortised cost - long term borrowing	(205,560)
(156,986)		(210,286)
	Other Long Term Liabilities:	
(41,887)	Pensions Liability	(61,920)
	Short Term Creditors:	
(31,762)	Short Term Creditors	(27,608)

Group Notes to the Accounts

Group Note 9: Short Term Debtors

31 March 2011		31 March 2012
£000		£000
19,541	Central government bodies	20,058
371	Other local authorities	5,829
26	NHS bodies	-
120	Public corporations and trading funds	73
3,991	Other entities and individuals	704
24,049	Total	26,664

Group Note 10: Cash and Cash Equivalents

31 March 2011		31 March 2012
£000		£000
46,336	Cash at bank and in hand	67,312
55,300	Short-term deposits with building societies	28,460
101,636	Total Cash and Cash Equivalents	95,772

Group Note 11: Short Term Creditors

31 March 2011		31 March 2012
£000		£000
(1,029)	Central government bodies	(1,076)
(367)	Other local authorities	(4,115)
(1)	NHS Bodies	(3)
(239)	Public Corporations	(7)
(30,127)	Other entities and individuals	(22,407)
(31,763)	Total	(27,608)

Group Note 12: Grants and Contributions Receipts in Advance

The Authority has received a number of grants and contributions that have yet to be recognised as income in the Comprehensive Income and Expenditure Statement as they have conditions attached to them that will require the monies to be returned to the giver if they are not fulfilled.

31 March 2011		31 March 2012
£000		£000
-	Local Transport Plan	(2,779)
-	Local Sustainable Transport Fund	(4,478)
(8,317)	North East Smart Ticketing Initiative	(8,114)
(936)	Other	(936)
(9,253)	Total	(16,307)
(203)	Shown as Short Term Liability on Balance Sheet	(8,637)
(9,050)	Shown as Long Term Liability on Balance Sheet	(7,670)
(9,253)		(16,307)

Group Notes to the Accounts

Group Note 13: Provisions

Provisions in the Group Accounts relate wholly to Nexus.

Provisions are established to meet liabilities or losses that are likely or certain to be incurred, but where the amounts or timings are uncertain. Provisions during the year can be analysed as follows:

	Insurance Excess (1)	Employment Related (2)	Capital Expenditure (3)	Total
	£000	£000	£000	£000
At 31 March 2011	(365)	(388)	(568)	(1,321)
Additional Provisions Made	(91)	(27)	(250)	(368)
Utilised during the year	192	415	91	698
Unused amounts reversed	-	-	146	146
At 31 March 2012	(264)	-	(581)	(845)

- (1) Public liability claims for minor accidents to the public, and Employer's liability claims for work related illnesses received for incidents prior to the year end.
 - (2) Costs for certain employment related obligations and benefits.
 - (3) Claims for additional costs associated with the Nexus capital programme.
-

Group Note 14: Defined Benefit Pension Scheme

Participation in the Pension Scheme

The ITA and Nexus both participate in the Tyne and Wear Pension Fund (the Fund) administered locally by South Tyneside Council, which is part of the Local Government Pension Scheme (LGPS). This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, there are arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

In 2011/12, the pension deficits for both the ITA and Nexus have increased as a result of a change in the discount rate used by the actuaries in the calculation of the present value of the future payments required, from 5.5% at 31 March 2011 to 4.6% at 31 March 2012. A lower discount rate results in a higher present value being placed on the future cashflows, and the liability has therefore increased. A further factor in the increase in the overall liability shown on the balance sheet is asset performance. Market conditions have meant that returns on assets at 31 March 2012 are lower than those assumed at 31 March 2011, resulting in an increase in the net deficit.

Group Notes to the Accounts

Group Note 14 (Continued)

Principal Mortality and Financial Assumptions

The principal assumptions used by the actuary are:

	Local Government Pension Scheme				Discretionary Benefits			
	2010/11		2011/12		2010/11		2011/12	
	ITA Nexus		ITA Nexus		ITA Nexus		ITA Nexus	
Mortality assumptions:								
Longevity at 65 for current pensioners:								
Men (years)	21.5	21.5	21.6	21.6	21.5	21.5	21.6	21.6
Women (years)	23.7	23.7	23.8	23.8	23.7	23.7	23.8	23.8
Financial assumptions:								
RPI Inflation	3.4%	3.7%	3.2%	3.5%	3.4%	3.6%	3.2%	3.4%
CPI Inflation	2.5%	2.8%	2.2%	2.5%	2.5%	2.7%	2.2%	2.4%
Rate of increase in salaries	3.9%	5.2%	3.7%	5.0%	n/a	n/a	n/a	n/a
Rate of increase in pensions	3.6%	2.8%	2.2%	2.5%	2.5%	2.7%	2.2%	2.4%
Rate for discounting scheme liabilities	5.5%	5.5%	4.6%	4.7%	5.5%	5.5%	4.6%	4.6%

Funded Benefits

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 IAS 19.

	31 March 2011		31 March 2012	
	Long-term expected rate of return (% p.a.)	Asset split (%)	Long-term expected rate of return (% p.a.)	Asset split (%)
Equities	8.4	68.0	8.1	68.5
Property	7.9	8.1	7.6	9.2
Government Bonds	4.4	7.0	3.1	7.1
Corporate Bonds	5.1	11.7	3.7	11.6
Cash	1.5	1.2	1.8	1.9
Other	8.4	4.0	8.1	1.7
Total	7.6	100.0	7.1	100.0

Group Notes to the Accounts

Group Note 14 (Continued)

Summary of Funded and Unfunded Liabilities

	31 March 2012			31 March 2011		
	ITA £000	Nexus £000	Group £000	ITA £000	Nexus £000	Group £000
Funded Benefits	(5,830)	(49,960)	(55,790)	(3,480)	(32,340)	(35,820)
Unfunded Benefits	(900)	(5,230)	(6,130)	(790)	(5,270)	(6,060)
Net pension liability	(6,730)	(55,190)	(61,920)	(4,270)	(37,610)	(41,880)

Reconciliation of Funded Status to Balance Sheet

31 March 2011				31 March 2012		
ITA £000	Nexus £000	Group £000		ITA £000	Nexus £000	Group £000
22,650	132,800	155,450	Fair value of assets	22,800	136,240	159,040
(26,130)	(165,140)	(191,270)	Present value of funded defined benefit obligation	(28,630)	(186,200)	(214,830)
(3,480)	(32,340)	(35,820)	Pension liability recognised on Balance Sheet	(5,830)	(49,960)	(55,790)

Changes to the present value of defined benefit obligation during accounting period

2010/11				2011/12		
ITA £000	Nexus £000	Group £000		ITA £000	Nexus £000	Group £000
(36,170)	(239,220)	(275,390)	Opening defined benefit obligation	(26,130)	(165,140)	(191,270)
-	(3,580)	(3,580)	Current service cost	-	(2,980)	(2,980)
(1,720)	(9,130)	(10,850)	Interest cost	(1,410)	(9,000)	(10,410)
-	(1,140)	(1,140)	Contribution by participants	-	(1,040)	(1,040)
5,100	4,670	9,770	Actuarial (gains) / losses on liabilities	(2,220)	(15,040)	(17,260)
1,150	7,590	8,740	Net benefits paid out	1,130	7,110	8,240
5,510	16,350	21,860	Past service cost	-	(110)	(110)
-	59,320	59,320	Settlements	-	-	-
(26,130)	(165,140)	(191,270)	Closing defined benefit obligation	(28,630)	(186,200)	(214,830)

Group Notes to the Accounts

Group Note 14 (Continued)

Charges to the Surplus or Deficit on the Provision of Services

2010/11			2011/12		
ITA	Nexus	Group	ITA	Nexus	Group
£000	£000	£000	£000	£000	£000
-	3,580	3,580	-	2,980	2,980
(5,510)	(16,350)	(21,860)	-	110.00	110
1,720	9,130	10,850	1,410	9,000	10,410
(1,580)	(9,150)	(10,730)	(1,710)	(10,100)	(11,810)
-	(17,350)	(17,350)	-	-	-
(5,370)	(30,140)	(35,510)	(300)	1,990	1,690

Analysis of Amounts Recognised in Other Comprehensive Income and Expenditure

2010/11			2011/12		
ITA	Nexus	Group	ITA	Nexus	Group
£000	£000	£000	£000	£000	£000
4,570	1,980	6,550	(3,540)	(22,880)	(26,420)
-	-	-	-	-	-
4,570	1,980	6,550	(3,540)	(22,880)	(26,420)

Changes to the fair value of assets during the accounting period

2010/11			2011/12		
ITA	Nexus	Group	ITA	Nexus	Group
£000	£000	£000	£000	£000	£000
21,690	166,440	188,130	22,650	132,800	155,450
1,580	9,150	10,730	1,710	10,100	11,810
(530)	(2,690)	(3,220)	(1,320)	(7,840)	(9,160)
1,060	8,320	9,380	890	7,250	8,140
-	1,140	1,140	-	1,040	1,040
(1,150)	(7,590)	(8,740)	(1,130)	(7,110)	(8,240)
-	(41,970)	(41,970)	-	-	-
22,650	132,800	155,450	22,800	136,240	159,040

Group Notes to the Accounts

Group Note 14 (Continued)

Actual return on assets

2010/11			2011/12		
ITA	Nexus	Group	ITA	Nexus	Group
£000	£000	£000	£000	£000	£000
1,580	9,150	10,730	1,710	10,100	11,810
(530)	(2,690)	(3,220)	(1,320)	(7,840)	(9,160)
<u>1,050</u>	<u>6,460</u>	<u>7,510</u>	<u>390</u>	<u>2,260</u>	<u>2,650</u>

History of asset values, present value of defined benefit obligation and surplus/deficit

	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
	Group	Group	Group	Group	Group
	£000	£000	£000	£000	£000
Fair value of assets	159,040	155,450	188,130	132,700	157,220
Present value of liabilities	<u>(214,830)</u>	<u>(191,270)</u>	<u>(275,390)</u>	<u>(201,800)</u>	<u>(192,700)</u>
Deficit	<u>(55,790)</u>	<u>(35,820)</u>	<u>(87,260)</u>	<u>(69,100)</u>	<u>(35,480)</u>

Unfunded Benefits

Reconciliation of Balance Sheet

31 March 2011			31 March 2012		
ITA	Nexus	Group	ITA	Nexus	Group
£000	£000	£000	£000	£000	£000
(790)	(5,270)	(6,060)	(900)	(5,230)	(6,130)
<u>(790)</u>	<u>(5,270)</u>	<u>(6,060)</u>	<u>(900)</u>	<u>(5,230)</u>	<u>(6,130)</u>

Group Notes to the Accounts

Group Note 14 (Continued) - Unfunded Benefits

Charges to the Surplus or Deficit on the Provision of Services

2010/11			2011/12		
ITA £000	Nexus £000	Group £000	ITA £000	Nexus £000	Group £000
(110)	(370)	(480)	-	-	-
40	290	330	40	280	320
(70)	(80)	(150)	40	280	320
		Past service cost			
		Interest cost			
		Expense recognised			

Analysis of amounts recognised in Other Comprehensive Income and Expenditure

2010/11			2011/12		
ITA £000	Nexus £000	Group £000	ITA £000	Nexus £000	Group £000
-	(80)	(80)	(120)	(160)	(280)
-	(80)	(80)	(120)	(160)	(280)
		Total actuarial gains / (losses)			
		Total gains / (losses)			

Changes to the present value of unfunded defined benefit obligation during the accounting period

2010/11			2011/12		
ITA £000	Nexus £000	Group £000	ITA £000	Nexus £000	Group £000
(910)	(5,770)	(6,680)	(790)	(5,270)	(6,060)
(40)	(290)	(330)	(40)	(280)	(320)
-	(80)	(80)	(120)	(160)	(280)
50	500	550	50	480	530
110	370	480	-	-	-
(790)	(5,270)	(6,060)	(900)	(5,230)	(6,130)
		Opening defined benefit obligation			
		Interest cost			
		Actuarial (gains) / losses on liabilities			
		Net benefits paid out			
		Past service cost			
		Closing defined benefit obligation			

History of present value of liabilities and deficit

	31 March 2012 Group £000	31 March 2011 Group £000	31 March 2010 Group £000	31 March 2009 Group £000	31 March 2008 Group £000
Present value of liabilities	(6,130)	(6,060)	(6,680)	(7,770)	(7,740)
Deficit	(6,130)	(6,060)	(6,680)	(7,770)	(7,740)

Group Notes to the Accounts

Group Note 15: Deferred Tax Liability

Deferred Taxation in the Group Accounts relates wholly to Nexus.

The Balance Sheet figure comprises:

31 March 2011		31 March 2012
£000		£000
(4,764)	Excess of Capital Allowances over depreciation	(5,312)
(1,687)	Roll over relief on capital gains	(1,557)
187	Other timing differences	127
1,695	Tax effect of losses	1,565
<u>(4,569)</u>		<u>(5,177)</u>

Group Note 16: Usable Reserves

31 March 2011		31 March 2012
£000		£000
(2,600)	ITA General Fund	(2,519)
(40,772)	Tyne Tunnels General Fund	(41,757)
(12,438)	Metro Reinvigoration Reserve	(14,357)
(288)	Capital Grants and Contributions Unapplied	-
(15,417)	Nexus Revenue Reserves	(17,737)
(15,696)	Nexus Capital Reserves	(17,760)
<u>(87,211)</u>	Total Usable Reserves	<u>(94,131)</u>

Group Note 17: Unusable Reserves

31 March 2011		31 March 2012
£000		£000
(10,570)	Revaluation Reserve	(11,167)
(54,340)	Capital Adjustment Account	(55,669)
304	Financial Instruments Adjustment Account	243
41,887	Pensions Reserve	61,920
(314,638)	Nexus Grant Deferred Account	(343,075)
(45,070)	Nexus Unusable Capital Reserve	(43,006)
<u>(382,427)</u>	Total Unusable Reserves	<u>(390,754)</u>

Details of movements on the Revaluation Reserve, Capital Adjustment Account and Financial Instruments Adjustment Account are shown on p.49 of the ITA single entity accounts. These reserves relate to the ITA only.

Group Notes to the Accounts

Group Note 17 (Continued)

Pensions Reserve

2010/11 £000		2011/12 £000
93,940	Balance at 1 April	41,887
(6,470)	Actuarial (gains) or losses on pensions assets and liabilities	26,700
(51,620)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,080)
6,037	Employer's pensions contributions and direct payments to pensioners payable in the year	(5,587)
41,887	Balance at 31 March	61,920

Nexus Grant Deferred Reserve

This reserve reflects the unamortised value of grants received to fund capital expenditure

2010/11 £000		2011/12 £000
(279,739)	Balance at 1 April	(314,638)
11,148	Capital Grants Released	12,829
(46,047)	Capital Grants Applied	(41,266)
(314,638)	Balance at 31 March	(343,075)

Nexus Unusable Capital Reserve

This reserve reflects reserves utilised to fund capital expenditure

2010/11 £000		2011/12 £000
(47,028)	Balance at 1 April	(45,070)
(210)	Adjustment	40
(1,361)	Additions	(1,053)
3,529	Depreciation	3,117
(45,070)	Balance at 31 March	(42,966)

Group Notes to the Accounts

Group Note 18: Cash Flow Statement - Operating Activities

The cash flows for operating activities includes the following items relating to interest paid and received:

2010/11	2011/12
£000	£000
1,195 Interest received	1,981
(6,483) Interest paid	(8,830)

Group Note 19: Cash Flow Statement - Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash movements and items that are investing and financing activities

2010/11	2011/12
£000	£000
(76,022) Surplus or deficit on the provision of services	(41,957)
Adjustments to Surplus or Deficit on Provision of Services for Non-Cash Movements	
(19,566) Depreciation	(21,986)
(12,922) Impairment and Downward Valuations	(2,626)
52 Gain on disposal of non-current assets	5
7,064 Increase / Decrease in Creditors	4,300
(6,222) Increase / Decrease in Debtors	6,328
(2,091) Increase / Decrease in Inventories	(3)
45,583 Movement in Pension Liability	6,667
(44,966) Carrying amount of long term and short term investments sold	-
(603) Other non-cash items charged to the net surplus or deficit on the provision of services	5,628
(33,671)	(1,688)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
52,140 Capital grants credited to surplus / deficit on provision of services	51,721
44,988 Proceeds from the sale of long term and short term investments	-
(1,987) Other adjustments for items that are financing or investing activities	(1,704)
95,141	50,017
(14,552) Net cash flow from operating activities	6,373

Group Notes to the Accounts

Group Note 20: Cash Flow Statement - Cash Flows from Investing Activities

2010/11 £000		2011/12 £000
79,097	Purchase of property, plant and equipment, investment property and intangible assets	88,152
-	Purchase of short-term and long-term investments	53,000
1,490	Other payments for investing activities	101
(65)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
(44,988)	Proceeds from short-term and long-term investments	(30,106)
(50,665)	Other receipts from investing activities	(60,895)
(15,131)	Net cash flows from investing activities	50,252

Group Note 21: Cash Flow Statement - Cash Flows from Financing Activities

2010/11 £000		2011/12 £000
(20,301)	Cash receipts of short and long-term borrowing	(89,000)
-	Other receipts from financing activities	(2,277)
12,250	Repayments of short and long-term borrowing	36,418
2,474	Other payments for financing activities	4,099
(5,577)	Net cash flows from financing activities	(50,760)

Group Note 22: Restatement of the Group Comprehensive Income and Expenditure Statement for 2010/11

The Group Comprehensive Income and Expenditure Statement for 2010/11 has been restated to take account of the following adjustments made to Nexus' accounts:

- (i) Revenue grants totalling £35.89m which are deemed to be specific to services provided, previously included as Non-Specific Grant Income, have been reclassified as income relating to Highways and Transport Services.
- (ii) £5.24m previously included in the statement as "Pensions—Exceptional Item" has been reallocated as follows:

	£000
Exceptional item as originally stated	39,310
Reallocated to:	
Highways and Transport Services	254
Corporate Costs	6
Non-Distributed Costs	(5,500)
	<u>(5,240)</u>
	<u>34,070</u>

Glossary of Terms

Abbreviations	The symbol “k” following a figure represents £ thousand. The symbol “m” following a figure represents £ million.
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Actuarial gains or losses (pensions)	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions themselves have changed.
Amortise	To write off gradually and systematically a given amount of money within a specific number of time periods.
Assets	Items of worth which are measurable in terms of money.
Assets Held for Sale	Those assets, primarily long-term assets, that the Authority wishes to dispose of through sale to others.
Balances	The total level of surplus funds the Authority has accumulated over the years.
Budgets	A statement of the Authority’s forecast expenditure, that is, net revenue expenditure for the year.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
Capital Adjustment Account	The account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded from capital under statute). The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Receipts	Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Authority.
Code of Practice on Local Authority Accounting in the UK	The Code specifies the principles and practices of accounting to give a “true and fair” view of the financial position and transactions of a local authority
Comprehensive Income and Expenditure Account	This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the financial year.

Glossary of Terms

Consistency	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingent Asset	A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.
Contingent Liability	A contingent liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
Contingent Rent	The portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time, e.g. future price indices, future market rates of interest.
Corporate and Democratic Core	The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities.
Creditors	An amount owed by the Authority for work done, goods received or services rendered, but for which payment has not been made.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailement (Pensions)	For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples include termination of employee's service through redundancy or amendment of the terms affecting future benefits.
Debtors	Monies owed to the Authority but not received at the balance sheet date.
Defined Benefit Scheme (Pensions)	A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Earmarked Reserve	The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.
Emoluments	Payments received in cash and benefits for employment.

Glossary of Terms

Events after the Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.
Expected Rate of Return on Pension Assets	This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.
Fees and Charges	Income arising from the provision of services.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.
Financial Instrument	Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
Financial Instruments Adjustment Account	The reserve records the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.
General Fund	The total services of the Authority, the net cost of which is met by the levy, Government Grants and toll income.
Going Concern	The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
Impairment	A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.
Intangible Assets	An asset that is not physical in nature, e.g. software licenses.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investment Properties	Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.
Liabilities	Any amounts owed to individuals or organisations which will have to be paid at some time in the future.

Glossary of Terms

Liquid Resources	Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.
Materiality	An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.
Minimum Revenue Provision (MRP)	An amount charged by the Authority to the Comprehensive Income and Expenditure Account, for debt redemption or for the discharge of other credit liabilities.
Movement in Reserves Statement	The statement shows the movement in the year on the different reserves held by the Authority.
Net Book Value	The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.
Net Debt	The Authority's borrowings less cash and liquid resources.
Operating Leases	Leases other than a finance lease.
Property, Plant and Equipment (PPE)	Assets that yield benefits to the Authority and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.
Provisions	These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.
Public Works Loan Board	This is a Government agency which provides loans to local authorities at favourable rates.
Related Party Transactions	A related party transaction is the transfer of assets or liabilities or the performance of service by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.
Reserves	These are sums set aside to meet future possible liabilities where there is no certainty about whether or not these liabilities will be incurred.
Residual Value	The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Glossary of Terms

Revaluation Reserve	The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors.
Revenue Expenditure	Expenditure on providing day-to-day services, for example employee cost and premises costs.
Revenue Expenditure Funded from Capital Under Statute	Expenditure which may be properly incurred, but which does not result in an asset owned by the Authority.
Unusable Reserves	The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulation”.
Usable Reserves	Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
Useful Life	The period over which the Authority will derive benefits from the use of a fixed asset.



Section 4

Tyne & Wear Integrated Transport Authority

Annual Governance Statement for the Year ended 31 March 2012

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. The ITA also has a general power of promoting well-being within its area that was introduced by the Local Transport Act 2008.

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.twita.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 addition to the Local Code, the authority’s financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to Delivering Good Governance in Local Government: A Framework.

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.

Annual Governance Statement

The governance framework has been in place at the ITA for the year ended 31 March 2012 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 RESIDENTS

Identifying and communicating the ITA’s vision of its purpose and intended outcomes for residents and service users

The ITA’s priorities were set out in the Passenger Transport Policy Statement, published every three years. With the ITA having overall responsibility for the Tyne and Wear Local Transport Plan 2011-2021, we have sought to include our vision and policies within our LTP. The LTP sets out the ITA’s policies, priorities and implementation plan for action in the coming years. We consulted with our Members, residents and businesses during 2010 on the vision and objectives which helped inform our adopted vision and objectives.

There is a policy work programme enabling us to secure effective and forward looking decision making while also being flexible enough to be able to react to emerging changes. This is strengthened by the existence of bi-monthly policy seminars for Members.

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.

We have been working with colleagues in Nexus and across Tyne and Wear to implement the opportunities presented by the Local Transport Act 2008 and the transition to the Integrated Transport Authority. We have 3 ITA Member Working Groups to help the ITA discharge its broader remit. These are the LTP Working Group, the Equality and Diversity Working Group and the Bus Strategy Working Group. In addition Members have established a Metro Sub Committee, these have been embedded now.

The ITA was closely involved in the review of transport governance across the Tyne and Wear City Region. This strengthened the role of the ITA in developing transport strategy and policy at the City Region level. More recently, the ITA has been working closely with the newly established North East Local Enterprise Partnership on transport-related issues—including on the establishment of Local Transport Bodies to establish the Devolution of future Local Major Transport Schemes from 2015 onwards.

The role of Standards and Audit Committee has been further embedded over the last year. The Scrutiny Committee has an agreed annual work programme which has been implemented. The

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Scrutiny Committee moved from themed meetings around national policy goals to more timely scrutiny of issues in the ITA's own forward plan. Regular review enabled the committee to take account of the balance of the work programme, new and emerging issues, changing scrutiny priorities and discussion at meetings.

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.

In previous years, the ITA completed an annual Value for Money (VFM) self-assessment that was submitted to our external auditors. This assessed how well we manage and use our financial resources in broad theme areas, considering Key Lines of Enquiry (KLOE) as specified by the Audit Commission.

From 2011/12 onwards, the Audit Commission has revised the approach to the auditor's local VFM work at certain types of body including integrated transport authorities. Auditors will now apply a lighter-touch approach to their local VFM work and will meet their VFM duty by:

- reviewing the annual governance statement;
- reviewing the results of the work of other relevant regulatory bodies or inspectorates;
- undertaking other local risk-based work as appropriate.

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

Service level agreements with the Lead Authority (Newcastle City Council) are in place and are regularly monitored to ensure value for money is being achieved. These are reviewed and updated annually.

Nexus provide a Business Intelligence report to ITA Members regarding information, which highlights issues such as number of people using public transport, type of ticket purchased etc.

The main non-financial performance reporting undertaken by the ITA relates to LTP3, which is the main strategy document of the ITA, covering all forms of transport in Tyne and Wear, and is underpinned by the first in a series of three year delivery plans (2011-14) setting out how the strategy will be put into effect at a local level.

The LTP3 Delivery Plan Chapter 5 (Monitoring) sets out the Performance Management Framework, based on monitoring the 12 main policies identified in the LTP3 strategy. Updated baseline measurements and targets were reported to the ITA in May 2012, and will be reviewed and monitored on a regular basis, with performance reported to the ITA and the ITA LTP Working Group.

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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.

Membership of the ITA Scrutiny Committee is reviewed to ensure it provided effective measures to hold the ITA to account.

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.

Officers undertook the annual review of the ITA's corporate governance arrangements, to ensure that the relevant documents remain up to date, and reported to the ITA in May 2012.

Policy and decision making is undertaken by the ITA and its advisory groups. Officers from the ITA, the districts and Nexus have developed transport policies for the Local Transport Plan (2011-2021).

The ITA has developed and maintains an effective scrutiny function which encourages constructive challenge and enhances overall performance. The Scrutiny Committee consists of members who are not ITA Members, so are able to provide independent scrutiny. Scrutiny

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Scrutiny Advisory Committee membership is made up of two Councillors from each of the Tyne & Wear Districts, for equality of representation.

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 procedure for receiving and investigating complaints from the public

The ITA has an agreed whistle-blowing policy which is kept up to date and reviewed by Standards and Audit Committee. The policy is available via the ITA website.

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. An ITA away day took place in June, which included

Annual Governance Statement

presentations on a number of different areas of ITA work—to provide an introductory overview for all members. The intention is to repeat this every six months, with members asked to suggest topics which they would like to examine in more depth.

ITA Members also undertake site visits, where they are able to see progress in action at first hand. For example, site visits have taken place in recent years to the Tyne Tunnel, Haymarket Metro development, Sunderland Station development, the fitting of the new Metro cars as part of the reinvigoration programme, and London Docklands Light Railway—to examine future generation light rail trains.

ITA Members undertake an annual visit to examine relevant transport developments. The October 2011 visit was to view transport developments promoted by Transport for London and Docklands Light Railway. Schemes and policies considered included tendering for bus route networks, rolling out smartcard technology and future smartcard developments and technology developments in light rail operations. These issues are all very relevant to the ITA in respect of future transport policy, including the planning of next generation Metro, the implementation and roll out of Ticketing & Gating and the NESTI regional smartcard project and the delivery of better buses.

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, and all Committee papers are available on the ITA's website. The ITA has reviewed and refreshed its website during 2011/12 to ensure it is easier to use and with more up to date information. A feedback mechanism has been incorporated into the website, to encourage users to get in touch on any subject.

The consultation and involvement strategy sets out how Nexus on behalf of the ITA are engaging with their partners and stakeholders. The Nexus website encourages people to submit questions and offer feedback.

LTP3 was subject to a period of public consultation with feedback received through a myriad of channels including the website, social media, face-to-face interviews and letters. Comments received were used to finalise the document.

A round of informal preliminary stakeholder engagement took place on the Bus Strategy Delivery Project in January and February 2012. In summary, 234 people attended councillor and stakeholder meetings and 111 written responses were received. Feedback from this process will be used to inform the development of the refreshed Bus Strategy, which will include formal consultation once proposals have been developed.

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

Annual Governance Statement

The ITA takes a lead on the development of the LTP, in partnership with the other districts and Nexus.

The ITA is now working closely with the newly-established North East Local Enterprise Partnership on transport issues. A Local Transport Body has been established, made up of the seven Leaders and Elected Mayor of the local authorities in the North East. The Chair of the ITA is invited to this meeting as an observer. The officer group that provides support to the Local Transport Body is Chaired by the Clerk of the ITA, in his role as the lead Chief Executive for transport in the north east.

Partnership arrangements are in place for the Local Sustainable Transport Fund Schools Go Smarter programme, which includes a Programme Board made up of representatives of each of the Tyne and Wear Districts, Nexus, the ITA, and other delivery partners. A task-and-finish group has been established for delivery of the Better Bus Areas programme, made up of officers from the ITA, Districts, Nexus and the major bus operators.

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 Tyne Tunnels.

The NESTI partnership is made up from all local authorities across the North East in order to provide a smart ticketing transport infrastructure across the region. A collaboration agreement between the ITA and other authorities was entered into in October 2010 and runs for a five year period; the ITA leads on the development of this initiative. The ITA Policy lead chairs the NESTI Board meetings.

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, reported to Standards and Audit Committee through regular progress reports and through the Annual Audit and Inspection Letter, Annual Governance Report and through meetings with officers.

Annual Governance Statement

- 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 ITA's Strategic Risk Register, which captures the most significant risks associated with delivery of the ITA's objectives
- h) The Lead Authority's own annual review of its Governance Framework
- i) The views of members through the ongoing work of the Standards and Audit Committee and the ITA
- j) 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 review did not highlight any issues as significant weaknesses in governance or internal control during 2011/12.

SECTION 6: SIGNIFICANT IMPROVEMENTS NEEDED TO GOVERNANCE AND INTERNAL CONTROL

The review also identifies issues that may need significant improvement but which do not constitute "significant weaknesses" in our governance and internal control arrangements.

The review did not highlight any governance or internal control issues as requiring significant improvement during 2011/12.

SECTION 7: CONCLUSION

We consider the governance and internal control environment operating during 2011/12 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.

Systems are in place to continually review and improve the governance and internal control environment.

The annual review has shown that 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.

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REPORT FOR DECISION

DATE: 27 September 2012
SUBJECT: Annual Governance Statement 2011/12
REPORT OF: ITA Officer Working Group

Not confidential

PURPOSE OF REPORT

The ITA is required to conduct an annual review of its governance and internal control arrangements and to produce an Annual Governance Statement to be published as part of the ITA's accounts.

Appendix A to this report presents the Annual Governance Statement 2011/12 ("AGS")

RECOMMENDATIONS

The ITA is recommended to approve the Annual Governance Statement provided in Appendix A as part of the Annual Report and Accounts 2011/12

BACKGROUND DOCUMENTS

Local Code of Corporate Governance

CONTACT OFFICERS

<i>name</i>	<i>email</i>	<i>phone</i>
Richard Elliott	richard.elliott@newcastle.gov.uk	0191 277 7669
Graham Grant	graham.grant@newcastle.gov.uk	0191 211 6011

IMPACT ON OBJECTIVES

To support economic development and regeneration	Neutral
To address climate change	Neutral
To support safe and sustainable communities	Neutral

1	Executive Summary
1.1	The ITA is required to conduct an annual review of its governance and internal control arrangements and to produce an Annual Governance Statement to be published as part of the ITA's accounts.
1.2	Officers from the ITA Officer Working Group ("Officer Group") carried out this review in May 2012, reported its finding to Audit Committee on 20 July 2012 and updated assurances in August 2012. Audit Committee approved the final report on 14 September 2012.
1.3	Appendix A to this report presents the Annual Governance Statement for 2011/12 for the Authority's approval.
2	Introduction and Background
2.1	The ITA is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
2.2	The ITA also has a duty ¹ to make arrangements to secure continuous improvement in the way in which it exercises its functions, having regard to a combination of economy, efficiency and effectiveness.
2.3	To discharge this responsibility, the ITA is responsible for putting in place proper arrangements (a Governance Framework) to: <ul style="list-style-type: none"> a) Govern its affairs; in relation to this, we have adopted a Local Code. This is a public document which sets out the main elements of our governance framework, evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA²; and b) Facilitate the effective exercise of our functions, including arrangements for managing risk: in relation to this, we have a system of internal control designed to manage risk to a reasonable level.
2.4	The ITA has a statutory duty to do the following on an annual basis: <ul style="list-style-type: none"> a) Review and update the Local Code and demonstrate how we have complied with it in practice; b) Conduct a review of the effectiveness of our governance framework,

¹ Local Government Act 1999

² CIPFA/SOLACE Framework Delivering Good Governance in Local Government



	<p>including the system of internal control;</p> <p>c) Identify significant weaknesses and the actions that have taken place (or will take place) to address them;</p> <p>d) Report these to the public in the AGS which is part of the Accounts.</p>
3	Review Process
3.1	<p>The Officer Group met on 2 May 2012 to draw together their knowledge of the ITA's activities during the 2011/12 financial year. Where available, the Officer Group drew upon the information sources highlighted in Section 4 of the AGS. These information sources were further reviewed where relevant in August 2012 to ensure that the AGS is up to date at the point of final approval. No revisions to the draft AGS approved by Audit Committee on 20 July 2012 were required, and the final AGS was approved by Audit Committee on 16 September 2012/</p>
3.2	<p>The main parts of the review were:</p> <p>a) Assurances provided by Internal Audit during the year: all key officers and the Officer Group of informed of the outcomes of all audits completed during the year and any impact upon the ITA's operations. Key officers also receive a copy of all final reports. A summary of all Internal Audit work completed in the year is provided in the Internal Audit Annual Report and Opinion of the Head of Audit and Strategic Risk which is included on this agenda. As part of this report the effectiveness of Internal Audit and its compliance with CIPFA Code for Internal Audit is considered.</p> <p>b) Assurances provided by External Audit (Deloitte) during the year: officers attend regular meetings with the external auditors which enables continuing feedback. The "Value for Money" conclusion reached as part of the audit of the accounts has also been taken into account as part of the review.</p> <p>c) Local Transport Plan Partnership: a review of the main governance and internal control arrangements through an assurance statement.</p> <p>d) TT2 Ltd: there is a governance structure in place which provides management, contract monitoring and assurance in relation to the operation of the project agreement. The New Tyne Crossing Project Director has considered TT2 Ltd's annual report and is satisfied that this provides the necessary assurances.</p> <p>e) Nexus: consideration of their Annual Governance Statement. The Officer Group has satisfied itself that the Nexus Annual Governance Statement, overseen by Nexus' Audit Committee, provides the ITA with an appropriate level of</p>



assurance since:

- a. There is external auditing of Nexus' accounts; and
 - b. There are senior ITA officers who are members of the Nexus Executive Board.
- f) **Newcastle City Council's Annual Governance Statement:** the ITA uses and relies upon the governance and internal control arrangements of the lead authority and therefore, if there are material issues within this framework, it is relevant for the ITA to take these into account.
- g) **ITA Strategic Risk Register:** officers considered risk set out in the Strategic Risk register. The Risk Register was also shared, for comment, with the ITA Scrutiny Committee Chair and Vice-Chair.
- h) **Views of the Officer Group:** the group is represented by policy and management, finance, legal, internal audit, risk management, project management and democratic services officers. The group is made up of the following officers (it is important to note that these officers do not work full time on behalf of the ITA, but provide expertise in particular areas as required, in line with the SLA paid by the Authority):
- Director of Finance and Resources
 - Director of Housing, Planning and Transport
 - Head of Corporate Law
 - Head of Strategy, Planning and Performance
 - Policy and Information Officer (with scrutiny responsibility)
 - Project Director, New Tyne Crossing
 - Senior Communication Advisor
 - Principal Auditor, Internal Audit
 - Senior Transportation Practitioner, ITA LTP City Region
 - Senior Accountant, Finance
 - Solicitor, Corporate Team
 - Democratic Services Officer

4 Conclusions of the Review

4.1 The annual review must consider whether any of the following concerns have been identified and should be included in the AGS:



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	<p>a) <u>Significant weaknesses (Section 5 of the AGS)</u>: where there are or have been significant gaps, where we have experienced a serious incident from a failure in our arrangements or where there was a systemic weaknesses in our arrangements during the majority of the year under review.</p> <p>b) <u>Significant improvements needed (Section 6 of the AGS)</u>: where there are essential parts of our arrangements which, whilst not “weaknesses”, need significant improvement and/or have not been working as they should during the year under review.</p>
4.2	<p>There are criteria provided by CIPFA which guide us on what to include as a “significant weakness”. These are provided in Appendix B for information. The “significant improvement” section is not mandatory – we do this to ensure transparency, focus and continuous improvement in our arrangements, even though they fall below the materiality thresholds recommended by CIPFA.</p>
4.3	<p><u>Significant weaknesses:</u></p> <p>There are no areas of significant weakness that have been identified in the review in 2011/12.</p>
4.4	<p><u>Significant improvements needed:</u></p> <p>There are no areas requiring significant improvement that have been identified in the review in 2011/12.</p>
5	Next Steps
5.1	<p>The AGS will be signed by the Chair of the ITA and the Deputy Clerk and Treasurer (Section 151 Officer) before being published with the Final Accounts.</p>
6	Potential impact on objectives
6.1	<p>There is no impact on ITA objectives as a result of the recommendations in this report.</p>



REPORT FOR DECISION
APPENDIX A – ANNUAL GOVERNANCE STATEMENT

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. The ITA also has a general power of promoting well-being within its area that was introduced by the Local Transport Act 2008.

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.twita.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 addition to the Local Code, the authority’s financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to *Delivering Good Governance in Local Government: A Framework*.

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 2012 and up to the date of approval of the Annual Report and Accounts.

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

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There is a policy work programme enabling us to secure effective and forward looking decision making while also being flexible enough to be able to react to emerging changes. This is strengthened by the existence of bi-monthly policy seminars for Members.

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.

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Nexus provide a Business Intelligence report to ITA Members regarding information, which highlights issues such as number of people using public transport, type of ticket purchased etc.

The main non-financial performance reporting undertaken by the ITA relates to LTP3, which is the main strategy document of the ITA, covering all forms of transport in Tyne and Wear, and is underpinned by the first in a series of three year delivery plans (2011-14) setting out how the strategy will be put into effect at a local level.

The LTP3 Delivery Plan Chapter 5 (Monitoring) sets out the Performance Management Framework, based on monitoring the 12 main policies identified in the LTP3 strategy. Updated baseline measurements and targets were reported to the ITA in May 2012, and will be reviewed and monitored on a regular basis, with performance reported to the ITA and the ITA LTP Working Group.

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.

Membership of the ITA Scrutiny Committee is reviewed to ensure it provided effective measures to hold the ITA to account.

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.

Officers undertook the annual review of the ITA's corporate governance arrangements, to ensure that the relevant documents remain up to date, and reported to the ITA in May 2012.

Policy and decision making is undertaken by the ITA and its advisory groups. Officers from the ITA, the districts and Nexus have developed transport policies for the Local Transport Plan (2011-2021).

The ITA has developed and maintains an effective scrutiny function which encourages constructive challenge and enhances overall performance. The Scrutiny Committee consists of members who are not ITA Members, so are able to provide independent scrutiny.

Scrutiny Advisory Committee membership is made up of two Councillors from each of the Tyne & Wear Districts, for equality of representation.

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.



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

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

The ITA has an agreed whistle-blowing policy which is kept up to date and reviewed by Standards and Audit Committee. The policy is available via the ITA website.

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. An ITA away day took place in June, which included presentations on a number of different areas of ITA work – to provide an introductory overview for all members. The intention is to repeat this every six months, with members asked to suggest topics which they would like to examine in more depth.

ITA Members also undertake site visits, where they are able to see progress in action at first hand. For example, site visits have taken place in recent years to the Tyne Tunnel, Haymarket Metro development, Sunderland Station development, the fitting of new Metro cars as part of the reinvigoration programme, and London Docklands Light Railway – to examine future generation light rail trains.

ITA Members undertake an annual visit to examine relevant transport developments. The October 2011 visit was to view transport developments promoted by Transport for London and Docklands Light Railway. Schemes and policies considered included tendering for bus route networks, rolling out smartcard technology and future smartcard developments and technology developments in light rail operations. These issues are all very relevant to the ITA in respect of future transport policy, including the planning of next generation Metro, the implementation and roll out of Ticketing & Gating and the NESTI regional smartcard project and the delivery of better buses.

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, and all Committee papers are available on the ITA's website. The ITA has reviewed and refreshed its website during 2011/12 to ensure it is easier to use



REPORT FOR DECISION

and with more up to date information. A feedback mechanism has been incorporated into the website, to encourage users to get in touch on any subject.

The consultation and involvement strategy sets out how Nexus on behalf of the ITA are engaging with their partners and stakeholders. The Nexus website also encourages people to submit questions and offer feedback.

LTP3 was subject to a period of public consultation with feedback received through a myriad of channels including the website, social media, face-to-face interviews and letters. Comments received were used to finalise the document.

A round of informal preliminary stakeholder engagement took place on the Bus Strategy Delivery Project in January and February 2012. In summary, 234 people attended councillor and stakeholder meetings and 111 written responses were received. Feedback from this process will be used to inform the development of the refreshed Bus Strategy, which will include formal consultation once proposals have been developed.

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 takes the lead on the development and implementation of the LTP, in partnership with the other districts and Nexus.

The ITA is now working closely with the newly-established North East Local Enterprise Partnership on transport issues. A Local Transport Body has been established, made up of the seven Leaders and Elected Mayor of the local authorities in the North East. The Chair of the ITA is invited to this meeting as an observer. The officer group that provides support to the Local Transport Body is Chaired by the Clerk of the ITA, in his role as the lead Chief Executive for transport in the north east.

Partnership arrangements are in place for the Local Sustainable Transport Fund Schools Go Smarter programme, which includes a Programme Board made up of representatives of each of the Tyne and Wear Districts, Nexus, the ITA, and other delivery partners. A task-and-finish group has been established for delivery of the Better Bus Areas programme, made up of officers from the ITA, Districts, Nexus and the major bus operators.

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

Nexus establishes and monitors its objectives and performance through performance plans and accounts.

The ITA has a partnership with TT2 Ltd to operate the Tyne Tunnels.



The NESTI partnership is made up from all local authorities across the North East and Tees Valley in order to provide a smart ticketing transport infrastructure across the region. A collaboration agreement between the ITA and other authorities was entered into in October 2010 and runs for a five year period; the ITA leads on the development of this initiative with Nexus delivering it on behalf of partners. The ITA Policy lead chairs the NESTI Board meetings.

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 Working 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, reported to Standards and Audit Committee through regular progress reports and through the Annual Audit and Inspection Letter, Annual Governance Report and through 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 ITA's Strategic Risk Register, which captures the most significant risks associated with delivery of the ITA's objectives
- (h) The Lead Authority's own annual review of its Governance Framework
- (i) The views of members through the ongoing work of the Standards and Audit Committee and the ITA



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- (j) 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 review did not highlight any issues as significant weaknesses in governance or internal control during 2011/12.

SECTION 6: SIGNIFICANT IMPROVEMENTS NEEDED TO GOVERNANCE AND INTERNAL CONTROL

The purpose of the review is also to identify issues that may need significant improvement but which do not constitute "significant weaknesses" in our governance and internal control arrangements.

The review did not highlight any governance or internal control issues as requiring significant improvement during 2011/12.



SECTION 7: CONCLUSION

We consider the governance and internal control environment operating during 2011/12 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.

Systems are in place to continually review and improve the governance and internal control environment.

The annual review has shown that the arrangements are in place and operating as planned.

We have been advised on the implications of the review by the ITA Officer Working Group.

Councillor David Wood
Chair of the ITA
Date:

Paul Woods
Treasurer and Deputy Clerk
Date:



APPENDIX B – CIPFA CRITERIA FOR SIGNIFICANT INTERNAL CONTROL ISSUES

A single definition of a significant internal control issue is not possible. Authorities will need to exercise judgement in deciding whether or not a particular issue should be regarded as falling into this category.

Factors which may be helpful in exercising that judgement include:

1. The issue has seriously prejudiced or prevented achievement of a principal objective;
2. The issue has resulted in a need to seek additional funding to allow it to be resolved, or
3. has resulted in a significant diversion of resources from another aspect of the business;
4. The issue has led to a material impact on the accounts;
5. The audit committee, or equivalent, has advised that it should be significant for this purpose;
6. The Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
7. The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
8. The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.



DATE: 27 September 2012
SUBJECT: Local Transport Plan Targets – update report
REPORT OF: Chair of the Joint Transport Steering Group

PURPOSE OF REPORT

To update Members on the progress towards setting appropriate targets to monitor the effectiveness of delivery of LTP3.

RECOMMENDATIONS

Members are recommended to agree the proposed targets identified in Appendix A, and to note progress in identifying the basis for setting targets for those areas outstanding.

BACKGROUND DOCUMENTS

ITA LTP Working Group papers, 12th April 2012
Report to ITA, 31st May 2012

CONTACT OFFICERS

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IMPACT ON OBJECTIVES

To support economic development and regeneration	Positive
To address climate change	Positive
To support safe and sustainable communities	Positive

1	Executive Summary
1.1	The report sets out progress in developing appropriate targets to provide a basis for monitoring the overall effectiveness of the Local Transport Plan (LTP). Initial proposals were set out in the LTP3 Delivery Plan, with further consideration being given to this matter at the ITA LTP Working Group meeting of 12 April. A report to the ITA on 31 May agreed targets relating to public transport.
1.2	It has now been possible to identify appropriate targets in two more areas, relating to carbon emissions and mode share of travel to school. Appendix A sets out the full set of LTP related targets, including those agreed on 31st May. Development of the remaining targets is continuing to be progressed with a view to finalising these by the end of this financial year.
1.3	The ITA is recommended to confirm the additional targets, and note progress in developing those which remain.
2	Introduction and Background
21.	Chapter 5 of the LTP3 Delivery Plan published in March 2011 set out proposals for monitoring progress in implementing the Plan. This included the identification of overall performance indicators across a range of matters.
2.2	<p>No targets were set within LTP3, although the intention to set them for a number of areas was indicated. These include:</p> <p>Public Transport</p> <ul style="list-style-type: none"> - Patronage - Punctuality and reliability - Accessibility - Information - Satisfaction <p>Sustainable Journeys</p> <ul style="list-style-type: none"> - Mode of journey to school - Mode share of short trips - Cycling



Environment

- Air quality
- Climate change

Maintenance

Safety and security

3 Current Progress

3.1 Targets for public transport were agreed at the ITA meeting on 31st May. It has now been possible to identify appropriate targets in two more areas, relating to carbon emissions and mode share of travel to school. Appendix A sets out the full set of LTP related targets, including those agreed on 31st May. Targets are set to the end of the LTP 3 period (2021/22), unless otherwise indicated. Interim progress will be measured against these on a pro rata basis.

3.2 The target for carbon emissions reflects the national commitment to a 20% reduction in carbon emissions by 2020 from 2005 levels. That for school travel is the previous LTP target to which little progress was made during LTP2. As such it remains a challenging target, albeit that it may ultimately need to be reviewed in the light of outcomes from monitoring of the LSTF travel to school project.

3.3 There are a number of targets for which information is still awaited. In addition further work is needed to define targets for the following:

- mode share for short trips. It is suggested that use of this indicator is reconsidered due to the cost of data collection;
- cycling. Work is underway on developing suitable target(s) related to this indicator. Its definition has been delayed by the difficulties in establishing an indicator which is consistent over time and which also takes into account the expanding network of cycle routes; and
- safety and security. Work is underway to identify the most appropriate targets relating to road safety for the next 10 years. These will probably need to be set against a baseline of 2005-2009 levels.

3.4 At the ITA meeting on 31st May a number of comments about the public transport targets were made, particularly in relation to whether the patronage targets were sufficiently challenging. The precise level of targets is, to some extent, inevitably a



matter of judgement taking into account trends, anticipated future resources and background factors. Similarly judgement of success or failure needs to consider not only the original target, but circumstances affecting their achievement.

- 3.5 As such there will always be scope for arguments about whether targets are sufficiently (or possibly excessively) challenging. However, especially in the context of the previous long term decline in public transport use, the current targets are considered appropriate. Should future performance exceed expectations the option exists to review targets with a view to increasing them.

4 Next Steps

- 4.1 Work will continue to define targets for those areas currently not covered with a view to finalising these by the end of this financial year. A report detailing these, and assessing progress against agreed targets and indicators together with implications for future action, will be prepared for the end of the 2012/13 financial year.

5 Potential impact on objectives

- 5.1 The setting of targets will assist in the delivery of all the ITA's objectives.

Appendix A - proposed LTP3 targets

Type	Measure	Baseline (2011/12)	2021/22 target	Comment
<i>Public transport</i>				
Patronage	Bus patronage	139 million	149 million	
	Metro patronage	37 million	41 million	
	Ferry patronage	0.5 million	0.5 million	
	Heavy rail patronage	1.5 million	1.5 million	
Punctuality and reliability	Punctuality of non-frequent services	89%	95%	National target set by Traffic Commissioner
	Excess waiting time for frequent services	0.81 mins	1.25 mins	National target set by Traffic Commissioner
	Reliability of bus services	99.0%	99.5%	National target set by Traffic Commissioner
	Metro punctuality	88%	88%	Target to 2012/13
	Metro reliability	99.3%	99.5%	
Accessibility	Ferry punctuality	99%	99%	
	Ferry reliability	99%	99%	
	Access to main centres (daytime)	57%	57%	Maintains current levels
	Access to main centres (evening)	52%	52%	Maintains current levels
	Access to local centres (daytime)	98%	98%	Maintains current levels
	Access to local centres (evening)	96%	96%	Maintains current levels
	Access to key employment (daytime)	62%	62%	Maintains current levels
	Access to key employment (evening)	41%	41%	Maintains current levels
	Access to general	68%	68%	Maintains current levels



Type	Measure	Baseline (2011/12)	2021/22 target	Comment
	hospital (daytime)			
	Access to general hospital (evening)	58%	58%	Maintains current levels
	Access to 10 min service (daytime)	57%	57%	Maintains current levels
	Access to 10 min service (evening)	0.2%	0.2%	Maintains current levels
	Access to 15 min service (daytime)	77%	77%	Maintains current levels
	Access to 15 min service (evening)	18%	18%	Maintains current levels
Information	Satisfaction with information provision	92%	97%	Target to 2016/17
Satisfaction	Overall satisfaction with services (bus)	80%	85%	
	Overall satisfaction with services (Metro)	83%	85%	Target to 2012/13
	Satisfaction with fares (bus)	58%	68%	
	Satisfaction with range of tickets (bus)	76%	85%	
	Satisfaction with fares (Metro)	45%	50%	Target to 2012/13
	Satisfaction with range of tickets (Metro)	75%	78%	Target to 2012/13



Type	Measure	Baseline (2011/12)	2021/22 target	Comment
<i>Sustainable journeys</i>				
Mode of journey to school	% pupils travelling to school by car	23%	22%	2010/11 baseline. Excludes car share. Further review may be needed based on results of LSTF monitoring
Mode share of short trips	See s3.2 of main report	n/a	n/a	Unlikely to be cost effective – consider alternatives
Cycling	Index of cycle trips	n/a	n/a	See s3.2 of main report

Environment

Air quality	Exceedences within AQMAS	n/a	n/a	Information to be collated from districts
Climate	CO ₂ emissions per capita (road transport)	Gateshead 2.5 (2.3) Newcastle 1.8 (1.5) N Tyneside 1.8 (1.6) S Tyneside 1.4 (1.2) Sunderland 1.7 (1.6)	Gateshead 2.00 Newcastle 1.44 N Tyneside 1.44 S Tyneside 1.12 Sunderland 1.36	2005 baseline. Based on targets for 2020 to meet 20% reduction from 2005, in line with Covenant of Mayors. 2009 figures (latest available) also shown in brackets to demonstrate trend

Maintenance

Road condition	Principal road condition	Gateshead 3 Newcastle 3 N Tyneside 4 S Tyneside 3 Sunderland 2	n/a	% road where maintenance should be considered. 2009/10 baseline. Further information to be collated from districts prior to setting of targets.
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Type	Measure	Baseline (2011/12)	2021/22 target	Comment
	Non-principal road condition	Gateshead 4 Newcastle 3 N Tyneside 5 S Tyneside 6 Sunderland 2	n/a	% road where maintenance should be considered. 2009/10 baseline. Further information to be collated from districts prior to setting of targets.

Safety and security

Road accident casualties	See s3.2 of main report	n/a	n/a	
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REPORT FOR DECISION

DATE: 27 SEPTEMBER 2012

SUBJECT: MODIFICATION TO TOLLS AT THE TYNE TUNNEL

REPORT OF: NEW TYNE CROSSING PROJECT DIRECTOR & TREASURER TO TYNE AND WEAR INTEGRATED TRANSPORT AUTHORITY

PURPOSE OF REPORT

This report proposes to increase the tolls at the Tyne Tunnel from 1 January 2013 in line with the toll Strategy agreed on 27 September 2007 (in accordance with the River Tyne (Tunnels) Order 2005– the ‘Order’ and as amended by the River Tyne (Tunnels) (Modification) Order 2011 which came into force on 9th January 2012 – the ‘Modified Order’).

RECOMMENDATIONS

The Authority is recommended to:

- Approve the increase in tolls for cars (class 2 vehicles) from £1.40 to £1.60 and for HGVs (class 3 vehicles) from £2.00 to £2.50 to take effect from 1 January 2013 as set out in paragraph 3.
- Authorise the Project Director to publish the relevant notices and submit the necessary documentation to the Secretary of State, as prescribed in the River Tyne (Tunnels) Order 2005 (Schedule 14, Part 1) as amended on 9th January 2012 and as described in paragraph 4 of this report.

BACKGROUND DOCUMENTS

- (i) River Tyne (Tunnels) Order 2005
- (ii) River Tyne (Tunnels) (Modification) Order 2011

CONTACT OFFICER

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IMPACT ON OBJECTIVES

To support economic development and regeneration

Positive



REPORT FOR DECISION

To address climate change

Positive

To support safe and sustainable communities

Positive

1	Executive Summary
1.1	This report proposes to increase the tolls at the Tyne Tunnel from 1 January 2013 in line with the Toll Strategy agreed on 27 September 2007 (in accordance with the River Tyne (Tunnels) Order 2005– the ‘Order’ and as amended on 09 January 2012 – the ‘Modified Order’).
2	Introduction and Background
2.1	In September 2007, the Authority received and approved a report on the New Tyne Crossing which addressed the tolling strategy that would be required to move the Project’s contract negotiations to Financial Close. The tolling strategy envisaged a final use of the Transitional Toll powers to apply a toll increase of £0.20 for cars and £0.50 for HGVs on the 1 st January, 2013.
2.2	The toll structure set out in the September 2007 report reflected the then current interpretation of the Order. On 25 August 2011 the Authority agreed to submit an application to the Secretary of State to modify the Order to delay having to set the Concession Toll by 12 months. The application was submitted, approved by the Secretary of State and the Modified Order came into force on 9 th January 2012.
3	Suggested Transitional Toll Increase for Cars and HGVs
3.1	At the Public Inquiry in to the New Tyne Crossing in 2003, the Authority put forward evidence that the toll to be charged for cars would need to be in the range £1.35 - £1.85 at 1999 prices. This equates to approximately £2.00 - £2.70 at today’s prices.
3.2	Traffic modelling indicated that there could be a significant migration of traffic away from the Tyne Tunnel to other cross Tyne routes if the increase between the toll charged in 2003 and the anticipated Concessional Toll was applied in a single increase. Such a migration could exacerbate the congested conditions on the conurbation’s other major transport corridors. Experience has shown that modest increases have a minor and short term impact on traffic using the Tyne Tunnel. In 2001, for example, the toll for cars was increased from £0.80 to £1.00 (a 25% increase) and this produced a traffic volume reduction of approximately 4% which was restored within 3 months. Consequently, the impact on the central bridges in Newcastle and the A1, Blaydon Bridge was very small. Prior to 2001, the previous tolls increase from £0.75 to £0.80 (7%) in 1999 had a negligible impact on traffic volumes at the Tyne Tunnel or elsewhere in the network. Therefore, to ameliorate



the greater impact of a single toll change to the Concession Toll, transitional tolling powers were incorporated into the Order.

3.3 Transitional toll increases were implemented on 1st January 2006 and 1st January 2007 to establish a pre-construction toll regime of £0.20 Class 1 (motorcycles), £1.20 Class 2 (cars) and £1.50 Class 3 (HGVs) – all subject to a 10% discount for permit account holders. Following the commissioning of the New Tyne Crossing on 21 November 2011 the tolls were increased to £1.40 for cars and £2.00 for HGV’s – motorcycles were made toll free on 1 September 2011.

In compliance with the approved toll strategy, it is suggested that the toll for cars be increased by £0.20 (or 14.3%) to £1.60. It is also suggested that the toll for HGVs be increased by £0.50 (or 25%) to £2.50. It should be noted that the Order requires the Concession Toll to comply with EU Directive 199/62/EC which necessitates that the multiplier cars to HGVs equitably reflects their relative impact on the infrastructure. The pre-construction multiplier was 1.25, the current multiplier is 1.43 and this transitional toll increase would increase it to 1.56. The 2007 toll strategy once fully implemented will bring the Concession Toll multiplier to 2.

3.4 The 10% discount for permit holders will remain.

3.5 It is recommended that, in line with the report approved by the Authority in September 2007, this toll increase be implemented on 1st January, 2013.

3.6 It is worth noting that the 1967 opening toll for cars and HGVs of 12.5p (2s 6d) and 20p (4s) respectively at today’s prices equate to approximately £1.90 - £3.10. Further, the recommended toll for the Tyne Tunnel compares favourably with other tolled crossings in the country as shown below:

Crossing/Class	Cars	HGV – 2 axle	HGV – 3 axle	HGV – 4 axle
Tyne	£1.60 (£1.44)	£2.50 (£2.25)	£2.50 (£2.25)	£2.50 (£2.25)
Dartford - now	£1.50 (£1.00)	£2.00 (£1.75)	£3.70 (£3.20)	£3.70 (£3.20)
Dartford – from 7/10/12	£2.00 (£1.44)	£2.50 (£2.14)	£5.00 (£4.33)	£5.00 (£4.33)
Mersey	£1.50 (£1.30)	£3.00 (£2.60)	£4.50 (£3.90)	£6.00 (£5.20)
Severn – west only	£6.00	£12.10 – below 3500k	£18.10 – above 3500k	£18.10 – above 3500k
Humber	£1.50 (£1.35)	£4.00 (£3.60)	£4.00 (£3.60)	£12.00 (£10.80)
Tamar	£1.50 (£0.75)	£3.70 (£1.85)	£6.00 (£3.00)	£8.20 (£4.10)



Information derived from the various crossings' web-sites. Note – Dartford is toll free between the hours of 2200 and 0600.

4 Next Steps

4.1 The Order prescribes the process to effect an increase in the toll at the Tyne Tunnel. Following a decision to increase the tolls using the transitional tolling powers, the Authority is required to publish, in at least one local newspaper circulating in the area, a notice substantially in the form set out in the Order. Following publication of the notice, the Authority is required to submit to the Secretary of State:-

- (a) Details of the decision taken to increase the toll – report and minutes; and
- (b) Evidence that the public has been informed of the decision by notice in the local press.

4.2 Upon receipt of this information, the Secretary of State has 21 days to make an order revising the tolls, subject to being satisfied that the Authority has correctly adhered to the provisions of the Order. The toll revision order will come into force 28 days thereafter. The process will therefore take nearly 3 months to complete and by initiating it in September 2012 it will be possible for the increase to be applied on 1st January, 2013.

4.3 Having made an order revising the toll, the Order precludes the making of another such tolls revision order within 12 months.

5 Potential impact on objectives

5.1 The need to increase the toll at the Tyne Tunnel is essential to meet the financial commitments of the TWITA in relation to the delivery of the New Tyne Crossing. As such the impact of the toll increase on all three of the core policy objectives are considered to be positive. The NTC improves accessibility and the competitiveness of for businesses on the A19 corridor and beyond, it improves local air quality and improves efficiency of vehicles using the A19 corridor by removing congestion and it removes traffic from local communities/ residential areas in its locale.

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REPORT FOR INFORMATION

DATE: 27 September 2012

SUBJECT: Passenger Focus Report: Bus Service Reductions – the impact on passengers

REPORT OF: Director General, Nexus

PURPOSE OF REPORT

To inform the ITA of the contents of a paper recently published by Passenger Focus detailing the impact of bus service reductions on passengers.

RECOMMENDATIONS

That the report be noted.

BACKGROUND DOCUMENTS

Bus Service Reductions –the impact on passengers. Passenger Focus, July 2012.

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IMPACT ON OBJECTIVES

To support economic development and regeneration	Neutral
To address climate change	Neutral
To support safe and sustainable communities	Neutral

1	Executive Summary
1.1	Passenger Focus has commissioned a report into the impacts of bus service changes on passengers. Headline findings suggest that people can suffer financial hardship, a lack of travel opportunities and decreased spontaneity in everyday life as a result of such changes, which are often inadequately consulted upon and communicated.
2	Introduction and Background
2.1	Passenger Focus, in its role as the statutory guardian of bus passengers' interests, commissioned research to deepen its understanding of the impacts of bus service reductions and alterations. Their report is included as an Appendix to this report.
2.2	The conclusions of the research indicate that the majority of impacts are 'subtle, diffuse and often not directly financial', but that most result in a reduction in quality of life for those affected. Passenger Focus suggests that such impacts could be lessened if transport authorities considered changes in supported bus services within the context of local transport options as a whole, and play a part in developing alternative options. It also recommends that local transport authorities recognise the impacts of changes to services and attempt to actively minimise negative consequences.
2.3	The details of the findings are contained within the report attached as the appendix. The surveys took place in four English non-metropolitan counties, however the general trends will be applicable to affected passengers' experiences across Tyne and Wear and particularly in the more rural areas.
2.4	Four key themes emerged from the research findings: <ul style="list-style-type: none"> • Passengers could not travel like they used to • Dependency on others increased • Sometimes the passenger paid instead • Lack of spontaneity resulting from fewer travel choices
2.5	Common themes emerging from individual interviews were that a reduced level of services resulted in buses no longer being appropriate to the needs of people who were unable to adjust to reduced or withdrawn links. Personal independence can be compromised, with an increased dependency on friends and neighbours to provide lifts. Allied to this was the increased financial commitment to paying for taxis or running a car which particularly affects those entitled to free concessionary



REPORT FOR INFORMATION

	<p>travel, but who effectively find themselves unable to take up their rights because of a lack of bus services. Finally, reduced spontaneity was cited in the report as a constraining factor to many lifestyles because of the need to plan or book ahead to be able to use infrequent bus links.</p>
2.6	<p>In terms of how service changes are communicated to customers, respondents widely reported that they often heard about them on the bus or by word of mouth, and felt unable to influence decisions which they felt had already been taken.</p>
2.7	<p>The report notes that those most affected by changes in the availability of bus links are older people, less affluent households, those with health issues, or households containing teenagers.</p>
3	Discussion
3.1	<p>The Passenger Focus report provides powerful evidence of the impact of changes to bus services on individuals' lives. The nature and scale of those impacts varies according to circumstances, from minor inconvenience to complete severance from everyday facilities. It makes the point that in isolation, the changes imposed on affected passengers may not always be major, but that in combination the social and financial consequences may have cumulative impacts adversely affecting quality of life. The report calls for stable, securely-funded local bus services which meet people's needs as far as possible, and that when changes are required, they are carried out in full consultation with service users, adjusted in the light of passenger feedback, and communicated extensively prior to their introduction.</p>
3.2	<p>The themes of the Passenger Focus work chime with the objectives of the ITA Bus Strategy, which recognises the need to consult widely on potential network changes and to take cognisance of feedback received. The Bus Strategy also highlights the need for network stability and the attainment of levels of accessibility to key services which will mitigate the impacts upon passengers described in the report.</p>
4	Next Steps
4.1	<p>The findings of the report will be incorporated where applicable into the final version of the Bus Strategy.</p>



5 | **Potential impact on objectives**

- 5.1 | Failure to achieve a stable and accessible bus network across Tyne and Wear will increase the incidence of individual impacts such as those described in the Passenger Focus report, adversely affecting the achievement of key ITA objectives.



Bus service reductions

– the impact on passengers

July 2012

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Foreword

Bus service reductions – the impact on passengers

The Comprehensive Spending Review reduced the budgets available for local councils and as a consequence also for local transport authorities. To meet the budgetary challenges, publicly-supported bus services (i.e. those not operated on a full commercial basis) were removed, reduced, or the network altered.

It is not the role of Passenger Focus to take a position between changes/reductions in publicly-supported bus services as opposed to any other publicly-supported service, and recognise that such decisions are not easily taken. Passenger Focus is looking to ensure the best outcome is achieved for passengers as a result of such decisions. Passenger Focus commissioned this research to gain a deeper and more nuanced understanding of the passenger impacts from services that were withdrawn, reduced, or altered.

The research shows the majority of passenger impacts were 'below the water line' rather than headline making, but nonetheless cumulatively they became substantive. The impacts are subtle, diffuse in nature, and often not directly financial; but common to most is a reduction in the quality of life.

The research indicates that impacts could be ameliorated if any change in supported bus service provision is considered

within the context of local transport options as a whole, and the role the transport-planning authority can play in developing, or facilitating those options. For example: encouraging/incentivising the community transport sector; using the authority's central role/leverage to bring private services to passengers more cheaply e.g. discounted taxi services; or, supporting the infrastructure for car share schemes, etc.

Passenger Focus has also developed a Consultation Toolkit as requested by the Transport Select Committee (August 2011) that local transport authorities can choose to use if they have made the decision to change/reduce publicly-supported bus services.

We urge local transport authorities to embrace the Consultation Toolkit, recognise the passenger impacts detailed in this report, and to actively minimise the passenger impacts from any publicly-supported bus service changes.



Management summary

Passenger Focus wants to ensure the best outcome is achieved for passengers following such decisions. We commissioned this research to provide an evidence base of the impacts passengers experienced from changes/ reductions to publicly-supported bus services they used. The objectives were to:

- I Evaluate the passenger impact to loss of services e.g. changes to lifestyle, requirement to use other people's time/services, cost impact; and
- II Passengers' views on how well they were consulted about service changes.

SPA Future Thinking Ltd (the supporting market research agency) conducted 'semi-depth' interviews with around 350 passengers from within four local transport authority areas (Derbyshire, Suffolk, Somerset, and West Sussex County Councils). These areas were chosen because they were geographically spread, and had made reasonably substantial changes/reductions to services. The research found there were four main types of impact:

1 Passengers could not travel like they used to: passengers made less discretionary trips e.g. not going out for an evening meal, or to a theatre, or simply for a drink, because now they cannot get home (late return service cut); fewer trips to visit family because Sunday bus services have been cut, which is often when family members were most available; not being able to take children out for the day; passengers who still made trips found they were now inconvenient – the window either too long or too short at destinations, restrictions on organising health appointments, or travel patterns/routines established for many years were changed – bringing consternation and uncertainty. Some passengers who had been driving less as they got older find they now had to drive more again, which they did not always feel comfortable doing.

2 Dependency on others increased: first, passengers having to overcome the awkwardness to ask for lifts; and second their plans are now being contingent on others plans. Most passengers did ask, but felt a level of discomfort that was not there before; it may feel acceptable to ask for a lift to a medical appointment or to go shopping, but for a leisure trip this often felt difficult. Teenagers were becoming more reliant on parents for lifts.

3 Sometimes the passenger paid instead: passengers bore some of the costs by using taxis or other paid means of transport. Generally they travelled less, but accepted that every now and again they would suffer a financial impact. This compared to free travel enjoyed before, as many travelled on concessionary passes. For a good number this cost was significant. Passengers also found they increasingly had to shop at local, smaller retailers which often were more expensive.

4 Lack of spontaneity: fewer services on fewer days reduced the opportunity to decide on the day to go out (if the weather was nice for example). Journeys had to be planned further in advance.

In regard to consultation, most passengers felt they were not consulted with, and that they had little or no ability to impact the decisions. Some felt the decisions were driven by passenger numbers and revenues on individual services; some questioned how much free bus passes played a role in deciding the services that were removed, as those used predominantly by senior citizens did not generate revenues.

Another finding was that many passengers feared there would be further changes/reductions and this would exacerbate the effects already felt from the wave of service changes already undertaken.

The research shows the majority of passengers' impacts were 'below the water line' rather than headline making, but nonetheless cumulatively they became substantive. The impacts are more subtle, diffuse in nature, and often not directly financial; but common to most is a reduction in the quality of life.

Introduction to SPA Future Thi

Research objectives

There were two main objectives to this research:

- 1 Impact on passengers' lives from changes/reductions in publicly-supported bus services; and
- 2 How passengers considered they were consulted on the changes to those services.

It was important when looking at the impact of the changes to fully understand who this was affecting and how (including what, if any, alternatives were available). Therefore, there was also the requirement to put the impacts into context by type of bus user, e.g. age/gender; frequency of use; ownership of car/ access to being driven; level of dependency on affected bus services for specific journeys; etc. The more detailed objectives included an examination of the following aspects:

A On impact the service changes have had:

- Usage of bus services before and after changes
- Lifestyle changes that have been made as a direct result
- How need to call on other people's time/ services has changed
- How need to call on other Council services has changed
- Whether there have been financial impacts.

B On consultation

- Amount of notice provided
- The information provided concerning the change
- Whether role usage/ need levels were a part of the consultation
- How open Local Authorities appeared (did they 'want' to hear)
- How well Local Authorities communicated with users
- How the Local Authority responded to any ideas/objections raised
- Rating of the final justification for making changes

Methodology

The target audience for this research was passengers directly affected by the removal of the supported bus services. These people are difficult to find as there are no user lists or databases to consult and the catchment area for potential bus users is substantial.

A good number of local transport authorities have made service reductions/changes to varying degrees. However, in terms of logistics it would not have been feasible to plan a research study that covered every authority, given the methodology required. It was therefore decided to conduct research within four reasonably spread local transport authority areas and target 100 passengers per local transport authority.

This approach was considered sufficient to gain the vast majority of views on how the service changes/reductions had affected people's lives. By using four areas, the report would

Thinking's detailed findings

not be dominated by any particular issue in one area, nor by seeking around 400 views, risk limiting the range of experiences covered. The local transport authority areas chosen were West Sussex; Suffolk; Derbyshire; and Somerset County Councils.

A pilot study was conducted in Suffolk February 2012 to examine three potential methodologies to locate and contact people affected by the service changes:

1 A central location event was conducted in Ipswich, with recruiters looking to find bus users who had been affected at Ipswich Market. Those affected were invited into a 'hall' where two executives from SPA Future Thinking conducted the depth interviews there and then.

2 Parish Councils were contacted in areas where it was known that there had been service removals. These Councils were asked to publicise that an 'interviewer' would be present in the village at a set location on a specified date for at least 1 hour (this was done via a poster on the local notice board and also word of mouth publicity). Names and contact telephone numbers of those willing to participate were collected, to be called later for telephone depth interviews.

3 Experienced research recruiters were sent to specific villages which were identified to be on routes where services had been changed. They knocked on doors to try and find people affected. After a short recruitment discussion, individuals who were willing to participate had their details noted down to be telephoned later for their depth interview.

In addition, once a person who was impacted by the service changes was found, they were asked if they knew of any others passengers impacted; the recruiter then went on to visit them to see if they would be willing to participate. This method was a mix of 'free-find' and 'snowballing' recruitment.

All three methodologies did generate participants, but it was clear that option 3 was the most efficient method to achieve the required number of depth interviews for this study.

In total 554 individuals consented at the first stage to participate. These individuals were then phoned to try and complete the second stage: the depth discussion. In total, 344 telephone interviews were completed; the numbers achieved for each area were: West Sussex 102; Suffolk 101; Derbyshire 62; and Somerset 79.

Passenger Focus asked SPA Future Thinking to use a 'thematic approach' to reporting the impacts experienced, with an emphasis on using passengers' own words to evidence the experiences. This approach was agreed as the best way of communicating the subject matter.

SPA Future Thinking has significant experience conducting research on public transport services (including Bus passengers) and also of resident consultation research for Local Authorities. SPA Future Thinking is an MRS Company Partner and ISO20252 registered. SPA Future Thinking conducts research in accordance with the Market Research Society Code of Conduct.

Introduction to the themes

The analysis of interviews identified four main types of impact, or 'themes'. It is important to note that individuals can, and often do, experience more than one type of impact.

The research also examined the passengers' views on the way they have been consulted. This is reported after covering the types of impact experienced.

The majority of service alterations experienced by respondents we interviewed were service reductions in either frequency, evening cancellations or truncated/withdrawn weekend services.

SPA Future Thinking's detailed

Theme 1

I cannot go out like I did before

In the majority of cases passengers are still able to access at least some bus services; their concerns are over the need to change aspects of their behaviour. Whilst not losing their independence or self reliance, they do have to make changes about how they access the bus services (walking further to get to the bus etc.) or now have to travel to different destinations.

This is not, however, to underestimate the negative feelings caused by being 'forced' to change behaviour, particularly amongst some of the older respondents who had long established habitual travel patterns that are now being disrupted.

The change in bus timings also meant that people find that they have either more or less time at their destination than they did in the past. This either leads to them finding it difficult to have the time to do everything they used to do or having to wait around longer to get their bus home. In some cases there is negativity caused by route changes which have led to a longer time spent on the bus.

Instances where sacrifices had to be made to day trips and outings, socialising or evenings out etc. were recorded, and a few reports of people being unable to leave home at all.

It takes more effort to get somewhere and timings are inconvenient

Changes in routes and timing of services has impacted on bus users' ability to visit certain destinations. A number of people commented that they could no longer shop in the same stores as before (mostly this is just a reduction in choice although, as mentioned in Theme 3, for some there are financial implications where they now have to shop in more expensive stores etc.). Additionally, many rural villages do not have a Post Office, a bank, or sufficient shops and residents relied on a bus service to reach these amenities.

"Instead of shopping in Thetford, I've got to go to Bury"

"We now have to come home early on Saturday because the Sunday has been cut. We went for leisure activities and to see a friend. Visits have reduced by half. And I can't go shopping with the children on Sunday now in Glastonbury. Now the children are bored and we can't go anywhere. We don't do things anymore. We can't save the money I used to now because I have to shop in more expensive areas"

"They've got a Post Office in Bramford but we haven't got one here, so I'd pop off [prior to service changes] and go to the post office or the Co-Op and then come back for dinnertime"

"My argument is that years ago, these villages were self-contained, before we had public transport, these villages had every shop possible. Now we have no shop in our village I've got to get to Badwell Ash or Hounslow to get to a shop"

Changes to bus timings also impact on the amount of time people have at their destination. For some, the amount of time has been reduced, meaning they cannot do everything they used to do or have to rush. Often this is older respondents looking to do their shopping or use other services. However, it does also impact on less routine reasons for travel. Conversely, others said that they now had 'too long' at their destination. Parents mentioned restrictions on being able to take their children for a day out, specifically in needing to get back to catch the last bus which is now early evening, meaning they have less time at their destination (seaside etc.).

"It is longer in Stowmarket at the moment. It is two and a half hours which is a long time. You cannot really spend two hours walking around Stowmarket. When I get home I'm tired. It is a long time to hang around"

"I haven't used the bus the last 2 or 3 months. It goes in at quarter to 10 and it doesn't bring you back until half 2. There's nothing to do. It's too long a gap. That's why a lot of people don't use it. There's nothing to do in town for three and a half hours"

ed findings

“It has made it a bit of a nuisance. You don’t want to be somewhere 3 hours before you come back. You’re just killing time”

“I don’t use the bus anymore. I’d have to get the 9.45am and do whatever I have to do fairly quickly in time for the bus back. I’d have to get the bus at lunchtime or wait until teatime, which is no good”

“Could go to the dentist’s on the bus, but wouldn’t get one back, may be waiting an hour or more”

“When I go in [to Bakewell] on the 11:50am, the time to catch the 12:35pm is too short for me to do anything useful. The time to the 2:35pm is too long. I have to hang around a lot. If I miss it, I can’t get home that afternoon”

“Instead of catching it at 10.00am or 11.00am, I get the bus 09.00am. It’s amazing how much it affects you. If you want to be somewhere for half an hour, you now can’t. It’s now an hour or 2 hour journey by the time you’ve got there and waited and come back. It takes up a lot more of your time unnecessarily”

Changes to routes (or the combining of services into new routes) has led to some passengers having to spend more time on the bus itself and thus seeing an increase in the overall length of time it takes for them to get ‘into town’.

“The bus I catch takes about 60 minutes to get into Bury because it goes around the villages, whereas it used to take 30 minutes. I wish it did that now, it’s very inconvenient for me when I use it to go to the doctor’s”

“I get there at half-past one and the next one I can catch is four o’clock, but, I’ve got to go all round the villages, which takes another hour. If I leave at four I’m not getting home until gone five”

“There used to be two buses, the 218 and the 65. The 218 was more direct, but they got rid of that. The 65 is less direct. It is now a longer journey and more expensive.... With some buses I have had to stand for an hour and forty five minutes”

Concerns were also raised about buses now becoming overcrowded with the same number of passengers trying to use fewer services (some mentioned that restrictions on the use of bus passes before 9.30 has led to empty early buses and everyone being forced to travel on the later morning services).

“Another point is on that bus, it is so crowded so it is impossible to take a shopping trolley and at my age you can’t carry heavy bags.”

Simply having to walk further, either to access different bus routes or in order to reach their eventual destination, was a further consideration mentioned as a consequence for some.

“It’s not changed how often I use it, but just have further to walk on a Saturday. I still get it same time of day”

“It’s a big nuisance. Not only because I’m 83 now, I’m walking with a stick. I’m determined to do it, but this has had an impact since they rerouted the 293 that went for years and years the same route. I have 15 minutes to walk when I get off the bus in Sheffield. This isn’t on. It’s uphill too”

“It was stressful for me. It was further to walk and I have walking difficulties. For my husband, the same, because he had a knee operation.”

The changes have disrupted my leisure, family and social life

The survey also heard from people who were saddened at having to curtail certain activities because of service restrictions.

“I used to get out 7 days a week. I miss the Sunday bus most as they took it off. I used the bus for leisure activities or hospital visits”

“We can’t go out for Sunday meals. Because my grandson works in Taunton, I can’t see him. We can’t go anywhere on a Sunday. We’re stuck here”

“The only one I miss is the Sunday one, especially when the weather’s nice. It’s nice to go over to the other side of town. I can’t walk very far anymore because I got knocked off my bike and hurt my back. That’s why I catch the bus more now than I did when I was working”

“It might sound silly, but my little boy has learning difficulties and if he wants to go somewhere nice at the weekend it upsets him that he can’t on a Sunday.”

“I am unable to make the journeys as before the cuts. From here to Bakewell, I used to go in more often. I’m inhibited by the times now. [I am] more confined to the house than I used to be. If I forget something on my Wednesday shopping, I can’t pop in the next day, it’s too awkward”

“We used to like going every week and as I said we don’t go much now. We don’t always like to drive so the bus would be useful. Now we have to just not go anywhere or drive”

Visiting friends or relatives has also become more difficult, impacting on family relationships.

“I have one daughter who is disabled. They have cut her bus on a Sunday and in the evenings, so I can’t go and see her on a Sunday now”

“Can’t see elderly parents in the evening and care for them as much when they probably need it the most. Can’t afford a taxi because not working at the moment and relied on the bus”

“I can’t see dad [in a nursing home] on a Sunday because there is no bus”

“Other people still want to get into hospital, but this one goes in a huge circular route, it is heavily used by people getting off with crutches and flowers to visit the hospital. They’re penalising the people in hospital as well because people can’t get in to visit them”

“When my son goes to see his girlfriend, he struggles more, he goes on his bike instead of taking the bus now”

“I used to look forward to going out and about and meeting people. Far better off as pensioners going out on the buses than sitting in your doctor’s surgery! It keeps people on the move, keeps people fit”.

[Interviewer: How has your lifestyle changed?]

“I feel restricted”

“I’ve got a daughter who lives in Dorset. I can’t get down to see her on a Sunday if I want to and she can’t get here to see me”

The loss of evening services demonstrates how changes to a bus service can affect all age groups. There has been an impact on teenagers’ ability to socialise or adults ability to go for an evening out which is a cause of some disappointment.

“There isn’t an evening bus service. If my children want to go to the cinema with friends in the evening they can’t, because they have to get a 6.30pm bus”

“Nearly every Saturday night we used to go over [to Chichester]. We can’t do that now because we can’t get back. We’d go out to eat or have a drink. It would allow both of us to go out for a meal and have a drink without having to use a car, or park the car”

“Now if I go out, I have to find a place to stay in Chi [Chichester] or find a lift back. I can’t catch the late bus back anymore. I’d be going out at 7pm and then I’d catch the late bus at 11.30pm. Now I can’t do that anymore”

“They do cut off very early. You can find yourself stranded. You have to cut your leisure evenings very quick. If you’re going to see a film or to the theatre, you might have to leave early or not see that film”

“It was a bit sad when that one at teatime came off, because it means we can’t go for a meal”

“We don’t go out anymore at the weekends because it means we have to drive and can’t have a drink. It costs more in parking and petrol and everything. We don’t have as much of a social life”

“Yes, especially in the evenings when you have to double check you can get home and bother other people for lifts or to get a taxi.”

Although many have been inconvenienced by the changes, there are occasional instances where people are completely unable to get to places they used to which in turn affects their quality of life.

“I don’t go anywhere. I can’t. I can’t think, ‘I’ll go into town today,’ because I can’t. There are no buses. I’m stuck here”

“You feel imprisoned in your local area. You can’t get out for the day”

“My wife doesn’t drive. It’s made us prisoners of the home. If I can’t drive, neither can my wife, we can’t get out”

“Most weekends if my daughters are busy, I’m here. I just can’t get out.”

“Every Saturday I’m marooned”

“At the minute our car is not going. We can’t get down to Stowmarket now”.

[Interviewer: how has that made you feel?]

“Terrible”.

“I have to go and take the car down a few extra mornings, now the weather’s alright we’re okay, but during the winter we were stuck because I didn’t dare use the roads. Sometimes you maybe have to get a lift with someone else, but it’s not always convenient”

For some of the older passengers, the bus journey itself was a social occasion, a chance to meet friends and catch up on local gossip!

“I was quite new to the village, I got to meet people on that bus. I wouldn’t have got to know anybody otherwise. They all know each other from the other villages as well. They chat on the bus. It’s a very important part of their life”

It isn’t great now but is it going to get worse?

There are concerns raised throughout that the current changes/reductions are just the start and, whilst it is possible to adapt to restrictions in bus use, the fear is that future changes/reductions will remove more/all travel options for them.

“I intend to get to the adult education centre in Fairfield but it is always difficult to get the bus because they keep cutting back....They keep telling us to travel on the bus but keep cutting the buses back”

“You feel like you’re going back in time. It should be improving, not getting worse!”

“Just please don’t cut any more. Living out in Derbyshire, we do rely on the buses”

Others fear that the current restrictions will have a greater affect on them over time, e.g. whilst they can walk into town or to another bus stop now, as they get older this will get more difficult.

“You can’t go out, you can’t shop without difficulty and asking someone. I am 75, I’m lucky that at the moment I have my faculties, but I dread to think that if I live into my 80s, how I am going to cope.”

Conclusion

Although disrupted, most people are still able to go about their daily and personal business. However, there is a sense that people are having to make greater efforts to travel or sacrifice certain activities altogether.

Alterations to a bus service impacts on people’s time and curtailments of social and leisure activities elicit a certain dismay at not having suitable transport when and where needed. This affects all ages from teenagers to the elderly.

Theme 2

I am now dependent on others

An impact that clearly came through was an increased reliance of some individuals on others to assist them in getting to/ from places. This has practical and emotional implications. In particular the reliance on other people to assist them can make individuals consider that they are imposing on others, reducing the frequency of travel and leading to a feeling that they have lost their independence. Whilst individuals could choose before when and where to travel, now in some instances they need to fit in with the plans of others.

These 'lifts' can come from individuals within their own household (particularly for teenagers, but also for one driver households), or from others within the local community, or family members who live some distance away. There are also a few mentions of community groups or charitable/ religious organisations assisting with travel.

[Interviewer: What it is you feel that you've actually lost?] **"My independence!"**

"I was a soldier and I was partially paralysed. Buses are essential to people like me. I have to get someone to give me a lift, or get a taxi, which is very expensive. I don't use buses at all now. I can't drive. I've lost social contact with a society that is predicated on everyone having a car. That's a wrong assumption."

"If I didn't have anybody I could ask, I wouldn't be able to get about"

The need to accept lifts and a loss of freedom is evident across a number of groups, whether it is teenagers relying on their parents...

"We've had to say 'no' [to the kids] more often because of the petrol going up. We can't run them around."

"I use them [buses] less. I can go somewhere but I have to use my parents to come back."

[Interviewer: What alternatives are there to using later buses?]

"Normally bribing my parents. They've made things a bit more awkward. My freedom has gone a bit."

"There aren't as many now. If my daughters go out at night they can't get back, we have to pick them up, and take them as well because the bus service isn't good enough to use, really"

....or older people relying on their children....

"I have to rely on my daughter and her husband who live on the other side of town. If we were going to go anywhere they have to come all the way over to me.... The impact is on the family, because they spend more to pick me up"

"I only go into town now once. My daughter takes me shopping once every 3 weeks. A neighbour takes me in now and again, that's all. I didn't go into town last week at all and I haven't been into town this week so far"

or non-drivers relying on others in the community/ household.

"If I need to get to the Dentist, I have to wait until my husband is on holiday to get there"

"I get lifts from the neighbours. People are very kind. It's more of an irritation than anything"

"I used to get the Sunday bus to go shopping and I got someone to look after the kids. I can no longer do this. I have to get lifts from the kids' grandparents"

"I used to catch the bus every Wednesday. To go to my mother-in-law and do some cleaning for her. I can't get there, so she can't get her shopping. I've gone to her every Wednesday for the last three or four years."

"It's not fair. If you've got a car, it's alright, if you haven't, you're left stranded. Especially older people in the village. Probably asking for a lift once a fortnight"

Whilst many respondents have found people willing to help them out this does still represent a major change for some. Particularly amongst older residents, who are used to being independent, but now find themselves relying on the generosity of others and are worried about being a burden.

“Got to rely on people to go shopping, that’s a lifestyle change to rely on other people”

“I won’t be able to go shopping at all. I’ll have to rely on my sister.”

[Interviewer: how does that make you feel?]

“Very angry and upset.”

Some of the respondents were the people actually being called upon to provide the ‘lifts’ for non-drivers. Whilst most didn’t complain about this, some did note that it impacted on their activities. For parents, there was some evidence that they felt almost obliged to provide lifts to their children and this impacted on other aspects of their lives.

“I have to give [my son] lifts. This affects my work and stress levels and time”

“I’ve been affected quite a lot. I have to rely on my husband to take me in the car, and he doesn’t like driving a lot. He’s the same age as me....He has an allotment and whatnot, and he poodles about. I’ve got to stop him doing what he wants to do, to take me out every time.”

“It is the picking her up at lunchtime where I have to present myself at the bus stop 2.5 miles away to meet the bus. She can’t get the community bus to bring her down. If I have to go out or I am doing something, then it is an inconvenience.”

Some are reliant on relatives travelling substantial distances in order to help them out.

“My mum comes down to take me to the doctor or the dentist, she comes down from an hour’s drive away to pick me up, take me to my appointment, then go home”

Whilst some are comfortable asking for/receiving help for important appointments or even main shopping trips, they are

less likely to do this for what could be seen as more frivolous/ social events.

“Have asked a friend if I need to go to hospital, but it’s not fair to scrounge a lift for pleasure”

A few of the older respondents still drove their own car. However, although they did not provide explicit reasons as to why they would give up their car in future, some were clearly thinking ahead to a time when driving was no longer an option for them.

“Once we’re unable to drive, if the routes aren’t there then we’ll be more or less housebound”

“At the moment, we haven’t used it, [the bus] we’ve used the car. I’m 75, there’ll be a limit for me”

“At the moment, I drive to Stowmarket, but days are numbered now for that”

Conclusion

Although people are often still able to get around, the consequences of a removed/ reduced bus service can have a knock-on effect that encroaches on an individual’s family or social circle. A loss of personal independence means having to rely on other people to assist them. In cases where the changes to the bus service have been more severe, the research found some individuals who felt they would be stranded at home were it not for the compassion of others willing to help and provide transport.

The research reveals instances of people feeling that they are inconveniencing others and discomfort when needing to ask for help. Elsewhere, restrictions of having to fit in with someone else’s schedule means missing out on social activities or arranging appointments.

Theme 3

I'm paying instead!

Some passengers are forced to look at alternatives that lead them needing to spend more money as a result. For pensioners, prior to the changes to the bus service they were travelling on the buses for free, therefore any modal change for this group has often led to an increase in the costs of their travel.

For others, there is a need to pay for more expensive alternative modes of transport (taxis mainly) or, in some extreme cases, buying some form of transport for them to use themselves. Those who have to make more journeys to provide lifts to others (and in particular parents) or those who would prefer not to drive on particular journeys but feel they are forced into doing so by a lack of alternatives also noted the increase costs incurred in fuel etc.

Some have had to change where or how they shop and this can be felt (where they have needed to shop in more local outlets) to have led to an increase in the cost of their shopping.

There were also a few instances of people who have seen a financial impact due to changes they have had to make in their behaviour (changes in their ability to work or access childcare etc.).

"My neighbours, they agree. Some of them are on unemployment benefits. It's costing a fortune to get to the Jobcentre and interviews, spending their living allowance on travelling instead of living"

For some the financial increase comes through needing to use the car more frequently.

"I'm driving, I drive everywhere and the cost of petrol makes you wonder if it's cheaper to go by bus"

"It costs me more money because I use my car. Financially it does impact on me"

"I had to buy a second hand car to go to work five days a week"

"I had to buy a car a couple of months ago. I managed to go to work in Chesterfield, but I couldn't come back because the last bus comes from Chesterfield at 5.30 and sometimes

I had to work until 6pm, so I couldn't manage...."

Others are having to pay more money to travel on trains or, more commonly, using taxis.

"I had to have a taxi to get to my husband when he had a heart attack, and it cost me £10 from Lancing to Worthing hospital. One way. People who are trying to visit their relatives in hospital and don't drive on a weekend, they've had it. They can't get there at all on a Sunday."

"I don't go out so much and when I do it costs me a fortune in taxis. The bus service has been removed completely"

"I wasn't aware [of changes]. I ended up having to get a taxi home on the Sunday and that cost me £42"

"It's cost me a lot more money in taxis, about £7 each way, £14 for the whole fare. It's a big difference from £2.70 or £3. I have a disability so I have a bus pass anyway"

"The best thing about the bus was that it was a lot cheaper. Trains are three times as much"

"I don't go out so much and when I do it costs me a fortune in taxis. The bus service has been removed completely"

In addition to paying more to use their cars, some individuals commented that car usage was at odds with government messages they were being given about using the car less.

"If we're looking at trying to reduce car use in society... I think it's ludicrous that people in rural areas have limited access to public transport. It's counterproductive"

"They're trying to get cars off the road"

"The government are telling us to use more public transport, yet they're taking away the services....We've had to have two cars because I need to go to work and the bus services aren't reliable enough for me to use them. They say one thing and take away with the other"

There were a number of individuals who noted that the impact of the changes to bus timings was magnified by a more rigid

enforcement of when free bus passes could be used, and in particular, on not allowing their usage before 9.30am. This had two main consequences: the reductions in daytime (free pass applicable) services had diminished so they suffered increased costs by being forced to travel before 9.30am and pay for bus journeys; or, that with reduced daytime services, off-peak buses were, in some instances, becoming more crowded (whilst the earlier 'peak' buses were not as busy).

"It's restrictive. Two things came into effect. The first thing is that they started the charge before 9.30am, and now we have to pay, when we go on the 521, for instance, to Halesworth, because the only way I can get there is the 9am [caused by timetable change]"

"I've got an appointment at the hospital at 9:00am for my eyes. I can't get the bus, otherwise I pay £2.20. I'd have to get another bus from Bury, but I can't do that because I've got to pay. That little trip would cost £4. I don't know what time I'll leave the hospital. If I miss the 12:30pm back then the next one is 4:30pm. I'm 75 for crying out loud"

Some people have found that it impacts on their ability to work, either needing to change hours, the method they get to work or how they organise their childcare.

"My daughter uses it to get to work. Since the cuts, she has to lose 30 minutes of work each day to catch the 5:40pm bus, because she has a 30 minute walk, or she has to wait until 6:45pm for the next bus"

"I couldn't get to work. I had to give up that job. It took me an hour and a half to walk there"

"My daughter's a single parent, if she works then I can't look after the boys. It costs her more money"
[Interviewer: how has that affected your lifestyle?]
"It's affected my daughter's. She does different shifts. If she works a teatime shift, I can't go and look after the boys"

"I don't take jobs in Hyde anymore. It's just too difficult to get there. It's prevented me from taking work on"

Passengers suspected that the role of free bus passes and their relationship to the reduction in bus services is often a key one.

For some, they see the free passes as a direct casual factor in services being removed. The fact that there were users on these buses, but that they were not paying (and there was a feeling that the companies were not fully refunded for these journeys) led to them being unprofitable. Some respondents even commented that they would have been happy to pay a small surcharge over and above the free bus pass if it had meant that the bus services had not needed to change.

"The problem is that, with a bus pass, it's not paying its way"

"[There was a] rumour that not enough people were using them, or too many elderly people with bus passes, so they weren't getting enough paying"

"Lots of people complaining about pensioners on those bus passes....that's all you hear, but people have worked for those bus passes"

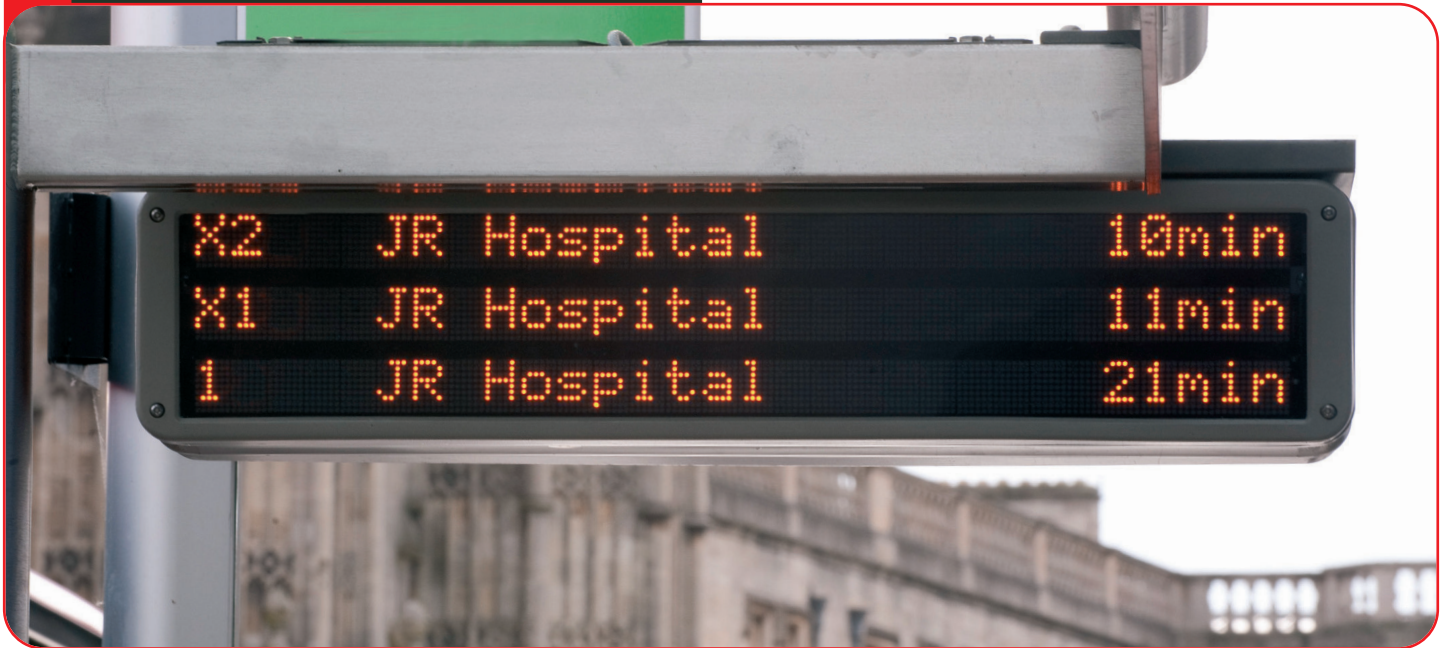
"Rather than lose the buses, I'd willingly pay half fare"

"[The buses] They didn't pay. It was subsidised by the Council. It left Hadleigh about 9.00am, so it only had retired people on it using bus passes"

Conclusion

There is clearly a greater financial burden on people who have been forced to become less reliant on a bus service. Dependence on a car has impacted people's budgets especially with increased fuel prices. In some instances, people have had to purchase a vehicle to enable them to get to and from work. Other modes of transport are discarded as being prohibitively expensive to be regularly relied upon. Taxis, but occasionally trains, are mooted as being the only other alternatives, but remain out of reach for people's regular budgets.

Stricter enforcement of when free bus passes are valid coinciding with bus service changes magnifies the sense of constriction. There is some suspicion that numbers of passengers travelling on free bus passes has been a contributing factor in the removal of some services.



Theme 4

I have to decide yesterday what I will do today

Where frequency of service is reduced, passengers have needed more often to plan when they are going to travel. This not only increases their need to plan ahead to ensure they travel when buses are running, but it also means that they need to plan ahead when making appointments to ensure that these also fit in with bus times. This can cause particular problems when hospital or doctors appointments are required at short notice.

In some areas, dial-a-ride style services have replaced the timetabled buses. This also needs more planning to ring up in advance in order to book the service. Whilst not an issue examined in detail by this research, there was some suggestion that people pre-booking dial-a-ride in advance on a consistent basis had led to it almost running to a timetable and not providing the flexibility for other users to arrange to use it when appropriate for them.

As previously mentioned, there is also a lack of spontaneity where individuals need to arrange lifts with other people and fit in around their plans and availability.

“You can’t just go and catch a bus, you have to think about it. If my daughter goes out we have to think about how she will get home, she can’t get on a bus”

“I have to plan more carefully. I can’t decide to go out at the last minute”

“We need to think more ahead. Thank God for internet shopping. If we’re going out, to the doctors for example, you’ve got to be designer ill”

“The times of the bus service buses are not necessarily times that meet up with your appointment. If I wanted to go to the dentist or optician, I have to say I can’t go at that time because the bus won’t get me there”

“I’ve been catching the 17 for about 3 and a half years. I’ve had to adjust to the system. It is quite difficult. You’re limited to the time you need to get to the bus stop. If you miss it, you’re screwed. You can’t do anything else. There are no other buses running through”

“They don’t go to Saxmundham when we’ve got a doctor’s appointment. If you have a doctor’s or hospital appointment, the buses don’t run when you need them to”

The change in the frequency of services, and in particular the decrease in regularity of the service, has led some users to be confused about when buses are actually running.

“The 6a has been removed and the 6 has been reduced to nearly every hour and a quarter, which is very hard to remember because it’s not regular. It’s roughly an hour and a quarter service”

“I don’t know when the times are. It is so bad that we never use it. The young ones have to get a taxi home because the last bus is about 17:00”

The reduced number of services also magnifies the impact of ‘missing a bus’.

“If they were more frequent I would use them more often. I am always watching the clock...I pick my granddaughter up from school. I’m always on edge on a day when I’m picking her up that I’ve got to get that bus or I won’t be there in time to pick her up. It’s a nuisance. It’s a poor service for the 21st Century”

In some instances dial-a-ride style services have been put in place of regularly timetabled buses. Whilst these services

are appreciated, they do increase the amount of planning ahead that is required in order to ensure that they are able to have access to the service when they need it.

A dial-a-ride service is seen as very convenient for some, in particular those with the greatest mobility issues who appreciate the door-to-door service, and the drivers on these buses received praise for their attitude and helpfulness. However, there were concerns over them being ‘all booked up’ in advance and also, to a lesser extent, over what to do if your plans change/ you are ill and you have booked the service. Where dial-a-ride services take you to connect to another bus service (rather than to the actual required destination) there was some concern over connection times and also the provision of adequate waiting facilities to make this connection.

“You have to work things out and book in advance. I asked the driver if they have been busy and he said they are solidly booked, too busy to take bookings”

“It’s not very satisfactory. One thing is, you can’t suddenly think on Friday, ‘It would be nice if I went to Bury tomorrow.’ It’s probably too late then to book your place.It’s not terribly convenient. It does also mean people have to wait, sometimes in the cold, 15 minutes or something for the connection”

Conclusion

A reduced bus service lessens spontaneity as individuals are forced into more advanced planning of their activities. A reservation request a day or two in advance still might not provide a guarantee of a place on a dial-a-ride service.

There is increased pressure for some people to make their one bus home, or the reduced frequency of services means that a seemingly sporadic bus service is always in the back of their mind when trying to get home or honour a pre-arranged engagement.

Appointments (e.g. with a doctor or dentist) must be made cautiously to ensure that they fit with a bus schedule.

Communication and consultation

Only a few respondents had any direct awareness of the relevant Councils conducting consultation prior to the changes. There were a number of people who signed petitions organised by others and a few instances where people were aware of some consultation via their Parish Councils rather than the County Council being seen to be making an effort to consult directly with bus users.

People found out about the changes in a number of ways, predominantly:

- On the buses themselves (posters or being told by the driver)
- In the local media
- Word of mouth from someone they know

Those who didn't find out until they actually tried to access the services risked spending time waiting for services that weren't going to come or, and this was raised in one instance, almost missing the last bus home and being stranded at their destination.

"I was waiting one day and the bus never turned up"

"This is the unfortunate thing. If I were a daily traveller on the buses I suppose it would have been brought to my attention, but the time of the 43 changed without my knowledge, and it was only by chance I'd gone early to the bus stop. I realised there'd been a change, and ended up catching the 43 back from town, and somebody said, 'the 293 doesn't run anymore.'"

"Word gets around. I do a voluntary thing in Midhurst, making tea and coffee, and word gets around there. I think we got a leaflet"

On the whole passengers felt they would have little or no ability to impact on the decisions. They thought these were simply driven by passenger numbers and revenues on individual services. There were a few instances where people had complained after the changes had been announced. Whilst most received some response, this was usually just to provide an apology or justification for the changes as the decisions had already been made.

"I am spearheading a campaign because villages have been cut off. Residents are reliant on health services let alone their shopping"



[Interviewer: were you aware of any consultations prior to the changes?] “I don’t think there were any. I seem to remember reading something about how more pensioners with bus passes were using it than paying passengers, and this had an impact on the Council because they had to pay the bus company, and they’re not too happy about that!”

“We did sign a petition. I don’t know who the person was, but she was up at Memorial Hall, where we catch the buses. We did sign her petition, and I do believe she collected quite a few names.”

“I filled out the petition, because there was talk about the bus into Chichester going, but we saved that.”

“I did sign a petition beforehand. There might have been a meeting, I don’t know.”

“We weren’t even asked. Locally, here, we all have an opinion on how it could have been rectified, but we were never given the opportunity”

“I certainly wasn’t consulted, no. We just get told that the bus services are changing, and no one takes notice of the general public”

As previously mentioned, there was some feeling that free bus passes lay behind the need to remove services and that

those services used predominantly by senior citizens were most at risk as they didn’t generate revenues.

“I know my brother complained about it in March. He did get a reply, more or less saying that the money wasn’t there to fund the buses and so therefore they felt they had to do something.”

There was also concern expressed that the service changes which had taken place to date were only the start and that more extensive and impactful changes were likely over the next few years.

“I think it’s a similar case across lots of public services. They let it run to rack and ruin until no one uses it, and then they’ve got an excuse to get rid of it.”

“We used to pay half fare, then it went free. The government made it free all the time, but now we’ve got a bus pass to go free travelling, but we can’t use it because there’s no buses. It’s ridiculous. I wouldn’t mind paying half fare”.

There was no clear indication from the research that any form of consultation had worked particularly well. Whilst it was clear that those who found out at least two weeks before the changes happened were more able to adapt to the changes.

There is no clear preferred communication method. Frequent users were happy to find out on the buses themselves, but less frequent users had to rely on media or word of mouth.

Overall conclusions

Overall, the research has highlighted the variety of ways in which individuals have been impacted by the changes/reductions to their local bus services.

This report has categorised impacts into four main themes. However, it is important to note that individuals can, and often do, fall into more than one category.

The level of detriment experienced by an individual is based on a number of factors and individuals using the same service can be affected by its removal in very different ways. Those who are more mobile, have a larger support network around them, or are better off financially, are less likely to suffer the levels of detriment experienced by those with health issues, limited finances or fewer people to call on within the local area.

However, it is not even clear that the impact can be understood simply by looking at hard 'facts' such as these. Attitudinally, some respondents seem to have a more emotional reaction to service removal than others. Either this is an indication of more ingrained habitual behaviour or a stronger belief that society 'owes' them a bus service. The attitude and personality of individual respondents can lead to different perceptions of a change that on the surface impacts two individuals in the same way.

Equally, whilst individuals may be making similar journeys in terms of their origin and destination, the 'reasons' for these journeys can lead to very different levels of detriment if

removed. Visiting friends and relatives tends to elicit a stronger emotional response, particularly if these visits are to hospitals/ care homes etc. Parents who feel they are restricted on taking their children out for the day (either by not being able to go at all or by having to return earlier than they would like and, therefore, limiting what they are able to do) also have a strong emotional reaction.

Looking at the individual themes, the most commonly mentioned issues were no longer being able to travel for leisure purposes in the evening or at weekends, reflecting the nature of the changes made. Having to rely on lifts from other people for some or all journeys was also frequently mentioned.

Not being able to travel at all was only very rarely mentioned but did have the highest level of detriment where it was applicable. There was also significant levels of concern expressed amongst people that the current reductions/changes were only the start of a process which would have much greater impact on them in the future.

A number of groups were impacted by the reductions/ changes, and those more impacted can be summarised as older people, less affluent households, those with health related issues, or households containing teenagers.

Appendix – Discussion guide

Introduction

Introductions and reassurance...

- Welcome and thank for agreeing to take part in the research
- Introduction to SPA Future Thinking – Member of the MRS and adhere to the ethical code of conduct
- There are no right or wrong answers
- This discussion will remain confidential and you will not be named in any output resulting from this study
- This is your chance to share your opinions on the recent bus cuts and how it has impacted on you and your family
- The discussion will be recorded so that I can listen back later – difficult for me to have a conversation with you whilst writing what you say

Warm up

Firstly, I would like to find out a bit about you: name; family composition; car ownership.

Usage of bus service

- I would now like to find out about how you and your family used the local bus service before the recent changes were implemented:
 - How frequently did you use the local bus service prior to the recent timetable changes?
 - Which routes did you use and at what times of the day?
 - What was the purpose(s) of the journey(s)? For example, work/ study, leisure activities, visiting friends/ family, hospital/ dentist appointments etc.
 - PROBE ABOUT SELF & FAMILY MEMBERS

Awareness of changes

- Now thinking about the changes to the bus service....
 - How and when did you first become aware of the changes?
 - What changes have been implemented?
 - Do you know why these changes were made?

Impact of changes (key priority)

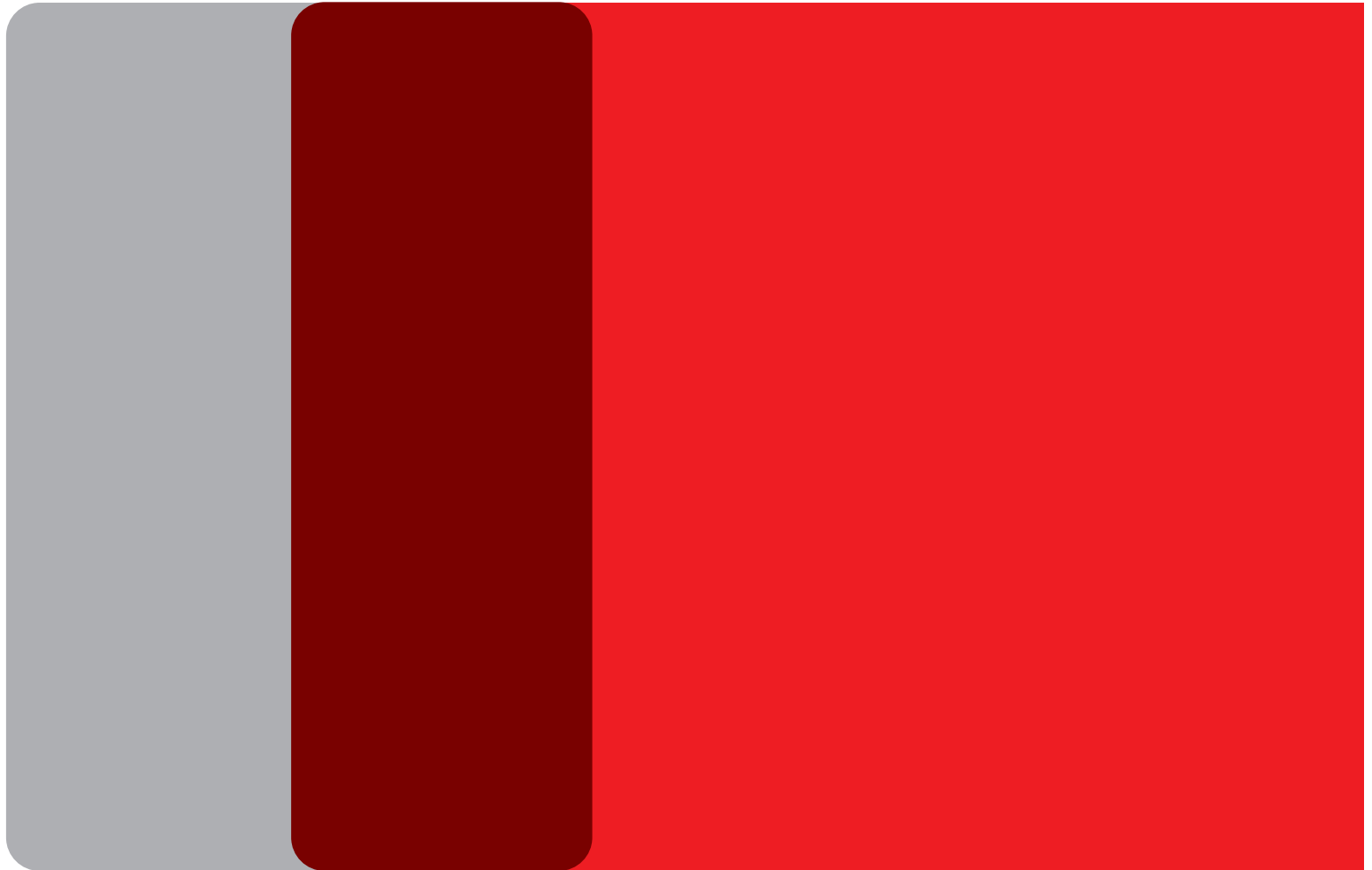
- How do you/ does your family use the bus service now that the changes have been implemented? PROBE FULLY:
 - Frequency?
 - Routes/ times of the day?
 - Purpose of the journey(s)?
 - Alternatives now used? – What?
- Have the changes impacted on your life in anyway?
- IF YES – In what ways? PROBE FULLY:
 - Have there been any lifestyle changes?
 - Has it changed the need to call upon other people's time/ other Council services etc.?
 - EXPLORE/ DISCUSS THE FULL RANGE OF IMPACTS (DIRECT & IN-DIRECT)
 - Have you contacted the Council regarding the changes and the impact it has had on you and your family?
 - If YES : How did you do this? How was the contact dealt with?

Consultation

- Were you aware of any consultation being conducted prior to the changes? If yes:
 - Did you participate in the consultation?
 - Why?/ Why not?
 - How did you participate?
 - What did it involve?
 - What do you think about how the consultation was conducted?
 - Why do you say that?

Final comments

- Any other thoughts on what we have discussed today?
- Thanks and close.



Contact us

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name of the Passengers' Council



REPORT FOR INFORMATION

DATE: 27 September 2012
SUBJECT: Weetslade Petition
REPORT OF: Director General, Nexus

PURPOSE OF REPORT

To acknowledge receipt of a petition from the residents of the Weetslade area of North Tyneside following changes to commercial bus operations in this area.

RECOMMENDATIONS

Members of the Authority are recommended to note the contents of this report.

BACKGROUND DOCUMENTS

- A copy of the petition is held by Nexus, available on request.
- Seaton Burn Petition, ITA Report, February 2012.

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IMPACT ON OBJECTIVES

To support economic development and regeneration	N/A
To address climate change	N/A
To support safe and sustainable communities	N/A

1	Executive Summary
1.1	A petition from residents of the Weetslade area of North Tyneside has been submitted to the ITA/Nexus expressing concerns about changes to local bus services in their area. All of the issues arise from changes to the commercial bus network made by Arriva North East, either directly or indirectly – changes over which Nexus and the ITA have no control despite attempts to influence subsequent network reviews. Dialogue is continuing with regard to some of the key issues.
2	Introduction and Background
2.1	A petition signed by a total of 296 residents from the Weetslade area of North Tyneside was submitted to the ITA/Nexus in July 2012. The petition expresses the concerns of residents following the withdrawal, re-routing or retiming of bus services in the Weetslade area of North Tyneside over the past few years.
3	Information
3.1	Commercial network changes implemented by Arriva North East during May 2010 and January 2012 have left some sections of the local community in Weetslade without access to a local bus service.
3.2	The main issues raised by members of the community are: loss of service provision at Seaton Burn (north) and loss of service provision on Sandy Lane.
3.3	Since the petition was received, details of a further network review by Arriva have been released with changes planned to take place from 16 September 2012. The additional issues raised by members of the community are: loss of direct links between Fern Drive (Dudley) and Newcastle; loss of direct link between Fern Drive and Freeman Hospital/Longbenton DWP; major reduction in service provision and loss of links to/from Weetslade and continued concern that outstanding requests for the provision of services in Seaton Burn (north), Sandy Lane and between Dinnington and Brunswick remain unresolved.
3.4	Whilst the adverse impact on local residents is regrettable, the changes made to bus services in the Weetslade area result from commercial decisions made by the local bus operator (Arriva North East), over which the ITA and Nexus have no control.



REPORT FOR INFORMATION

3.5	A petition relating to part of the same issue was presented within a report to the ITA during February 2012 and noted that Nexus was at that time unable to identify a resolution to the issues raised.
3.6	Attempts to influence Arriva North East in order to resolve the issues have thus far been unsuccessful.
3.7	Nexus has examined options for alternative service provision, but has regrettably been unable to identify any practical or affordable options that reinstate the links sought by local residents in the current environment.
3.8	Representatives from Arriva North East and Nexus have recently attended a Public Meeting to listen directly to the concerns of residents and a further meeting is scheduled to allow Councillors and representatives from Arriva and Nexus to jointly consider the issues that were raised in the public meeting, and identify potential solutions.
3.9	In response to the first petition the ITA requested that Nexus consider the matter as a potential improvement area under the Bus Strategy Delivery Project; this will also be the case for the second, wider petition.
4	Next Steps
4.1	Officers from Nexus, North Tyneside Council and Arriva North East are due to meet and discuss the feedback obtained from a recent Public Meeting in the Weetslade area in an attempt to identify how the issues raised can be resolved.
5	Potential impact on objectives
5.1	N/A

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REPORT FOR INFORMATION

DATE: 27 September 2012
SUBJECT: Bus Strategy Delivery Project Update
REPORT OF: Director General, Nexus and the Deputy Clerk to the Authority

PURPOSE OF REPORT

To update Members on progress made in the Bus Strategy Delivery Project.

RECOMMENDATIONS

Members are recommended to :

- a) Note the position regarding development of the draft Quality Contracts Scheme (QCS), including the high-level summary of the contents of the working draft and the extension of the informal consultation period; and
- b) Note the developing discussions regarding a potential Operator Partnership;

BACKGROUND DOCUMENTS

Tyne and Wear ITA and Nexus Bus Strategy 2009-2012

<http://www.nexus.org.uk/sites/nexus.org.uk/files/documents/page/Bus%20Strategy.pdf>

Draft Tyne and Wear ITA Bus Strategy 2012

<http://www.nexus.org.uk/bus/strategy>

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IMPACT ON OBJECTIVES

To support economic development and regeneration	Positive
To address climate change	Positive
To support safe and sustainable communities	Positive

1	Executive Summary
1.1	Nexus completed its development of a draft QCS proposal in July 2012. The draft document was sent to local bus operators, trade unions and adjacent Local Transport Authorities for informal consultation.
1.2	The Director General has extended the deadline for responses to the informal consultation from 12 September until 24 October 2012.
1.3	Since the last update to the ITA, a significant amount of engagement with NEBOA (the North East Bus Operators' Association) has taken place regarding the development of an Operator Partnership which after further development work, may deliver a partnership that is satisfactory to all parties.
1.4	It is currently intended that the results of an analysis of the different options for the Bus Strategy Delivery Project, along with an appropriate recommendation, will be presented to the ITA before the end of the calendar year.
1.5	As a result of the extended consultation period, the revised Bus Strategy document will be presented to the ITA at its November meeting.
2	Introduction and Background
2.1	<p>At its meeting in November 2011, the ITA instructed Nexus to:</p> <ul style="list-style-type: none"> a) prepare a draft QCS proposal for Tyne and Wear; and b) explore with bus operators and District councils the scope for developing meaningful quality bus partnerships as a possible alternative delivery route for better buses. <p>The parallel workstreams are being taken forward by Nexus through a project known as the 'Bus Strategy Delivery Project' (BSDP).</p>
2.2	The key ITA output objectives to be delivered by the BSDP are to grow bus patronage and to maintain or grow accessibility, as confirmed at the ITA meeting in May 2012.
2.3	<p>At its meeting in May 2012 the ITA endorsed the intention of the Clerk and the Director General to:</p> <ul style="list-style-type: none"> - complete preparation of a QCS proposal in draft, including consultation with local bus operators, trades unions and adjacent Local Transport Authorities;



	<ul style="list-style-type: none">- hold further discussions with bus operators regarding the development of an Operator Partnership proposal; and- bring a further update to the ITA at its meeting in September 2012.
2.4	Members are reminded that the ITA has not determined any course of action with regards to the implementation of any aspects of the BSDP; at this point in time no recommendation has been made, nor decision taken by the ITA, to implement a QCS or an Operator Partnership.
3	Draft Quality Contracts Scheme Proposal
3.1	Nexus completed its development of a draft QCS proposal in July 2012. A copy of the Executive Summary is shown in Appendix A . Please note that this draft document is attached for information purposes only, and the ITA's approval or endorsement of the draft QCS is not being sought at this time.
3.2	As intended, the full draft document was sent to local bus operators, trade unions and adjacent Local Transport Authorities for informal consultation on 1 st August.
3.3	In response a number of requests for further information have been received from bus operators and/or their legal advisors. One comment from a legal advisor was that, in view of the detailed content of the draft more time was needed in order for their client to be able to submit a full response. As a result the Director General extended the deadline for responses to the informal consultation from 12 September until 24 October 2012.
3.4	It is increasingly apparent that, should the ITA determine to proceed with the development of a QCS at any point in the future, there is a risk that at least one bus operator may legally challenge such a decision.
3.5	Dialogue is taking place with the trades unions and adjacent local authorities regarding their views on the draft QCS Proposal. A productive meeting has been held with the Unite union.
3.6	When informal consultation feedback to the draft QCS Proposal has been received and considered, Nexus will amend the draft Proposal as appropriate. It is then intended to carry out a comparison between the different options for the Bus Strategy Delivery Project to determine the most viable, effective and sustainable



	<p>method for delivering bus service improvements. It is currently intended that the results of this analysis, along with an appropriate recommendation, will be presented to the ITA before the end of the calendar year in order to inform the budgeting process for the financial year 2013/14.</p>
3.7	<p>Various articles and comments relating to the draft QCS have appeared in local newspapers, the public transport trade press and online media. Given the importance of the issue, widespread debate is welcomed, and in order to facilitate meaningful discussion further information about the draft Proposal is contained in question/answer form in Appendix B.</p>
3.8	<p>As consultation over the new ITA Bus Strategy is taking place in parallel to the draft QCS, the time extension equally applies to that document. Consequently the revised ITA Bus Strategy will be presented to the ITA for its consideration at its November meeting.</p>
4	Operator Partnership Discussions
4.1	<p>Since the last update to the ITA, a significant amount of engagement with NEBOA (the North East Bus Operators' Association) has taken place regarding the development of an Operator Partnership.</p>
4.2	<p>On 28th June representatives from NEBOA met ITA Members at a Policy Seminar meeting at which they presented their initial thoughts over how a partnership agreement might be configured. The meeting was positive in its tone. Subsequent to this meeting the Director General wrote to the chairman of NEBOA setting out some areas where further clarification was needed.</p>
4.2	<p>A series of meetings followed between Nexus and NEBOA, backed up by correspondence. This has led to the initial development of protocol proposals, covering the key areas of governance, fares and ticketing, and network.</p>
4.3	<p>Detailed work is on-going by all parties to refine the partnership proposals. NEBOA is holding regular meetings of its members, and Network One (the Multi-Operator Ticketing company covering Tyne and Wear whose Board comprises transport operators) has undertaken to develop new multi-operator fare products to contribute to the proposals.</p>



4.4	<p>A key area of debate is the level of control that a partnership board would be able to exert over bus services. Initial proposals from NEBOA put forward a concept of a Partnership Board that would offer greatly improved consultation and dialogue over proposed changes to bus services and fares, and scrutiny over performance. Nexus has been encouraging the concept of joint ownership of the bus 'product', whose delivery would be overseen by the Partnership Board. This would mean that the Partnership Board itself would review its own performance, and would generate proposals to change the product as appropriate. By this mechanism all partners would be able to influence directly the design and delivery of the bus system in order to meet their own objectives – including those of the ITA.</p>
4.5	<p>The Director General has recently written to NEBOA highlighting a number of concerns regarding the work so far, which falls short of initial expectations. Nevertheless it remains possible that, after further development work, a proposal can be developed for a partnership that is satisfactory to all parties. The parallel process to develop both a draft QCS Proposal and an Operator Partnership therefore is continuing, subject to the constraints set out in the 'Next Steps' section of this report.</p>
5	Next Steps
5.1	<p>In early correspondence from NEBOA, a timescale was envisaged in which draft terms of reference for an Operator Partnership would be developed by 30th October 2012. Whilst much work remains to be done to achieve this milestone date, Nexus considers that it is vitally important to be in a position to carry out a comparison between the proposed Operator Partnership and the draft QCS Proposal during November. This would allow the Director General to recommend a preferred approach to the ITA before the end of the calendar year, in order to inform the budgeting process for the financial year 2013/14.</p>
5.2	<p>Further discussions will therefore take place with NEBOA members over coming weeks in order to make as much progress as possible.</p>
5.3	<p>As a result of the extended consultation period, the revised Bus Strategy document will be presented to the ITA at its November meeting.</p>



6 Potential impact on objectives

6.1 Successful delivery of the Bus Strategy is intended to:

- support economic development and regeneration and safe and sustainable communities by maintaining or growing access to key facilities, services and employment sites by public transport;
- address climate change by increasing the use of public transport and thus reducing harmful emissions generated by use of the private car, and by promoting the use of fuel-efficient vehicles.



Appendix A: Draft Quality Contracts Scheme Executive Summary

EXECUTIVE SUMMARY

Vision and Objectives

1. This Proposal for a Quality Contracts Scheme (“QCS”) for Tyne and Wear is designed to ensure that buses, which are an essential public service, provide the best possible value for money and serve the Tyne and Wear market to benefit its residents, workers and visitors, thereby supporting the growth of the local economy.
2. It is intended to deliver the Integrated Transport Authority’s (ITA) vision ‘to ensure that buses play a central role in providing a simple, affordable and integrated public transport system in Tyne and Wear’ by achieving four key objectives, three of which are identified in the draft Bus Strategy:
 - Arrest the decline in bus patronage
 - Maintain or grow network accessibility
 - Deliver better value for public money
 - Improve the quality of local bus services
3. Present conditions are seeing a continuation of the long-term decline in bus patronage (in part influenced by sustained fare increases above the level of inflation), a reduction in the size of the network operated, and a growth in public funding to maintain local accessibility. The Competition Commission’s recent study into the local bus market concluded that limitations on competition have led to an adverse effect on Competition whose value it placed at between £115 million and £305 million a year nationally
4. Informal local consultation has identified widespread stakeholder support for change in the local bus market in Tyne and Wear; however the incumbent bus operators are generally opposed to the introduction of a Quality Contracts Scheme.

Network

5. The proposed area for the draft QCS Proposal will follow the boundary of Tyne and Wear, incorporating the five Local Authorities making up the ITA area. In addition, a



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number of services and fare options will extend into County Durham and Northumberland.

6. Under the Proposal the network is split into two distinct types of routes, which are defined by hours of operation and frequencies. 'Direct' routes have guaranteed hours of operation and a minimum 10 minute standardised frequency during Monday to Saturday daytimes and a minimum of 30 minutes frequency outside these times. These routes will be specifically marketed and promoted as 'easy to use, turn up and go services' which will promote patronage growth. 'Local' routes and networks operate at varying frequencies and operating days but typically with minimum hourly frequency.
7. The Proposal provides significant accessibility improvements to local residents in all Tyne and Wear Local Authority areas, particularly in the ability to access to frequent bus services during the day.

Fares and Ticketing

8. The Proposal includes single tickets that are zone based and season tickets (for multiple journeys) that are valid on all zones across the proposed QCS network including parts of Northumberland and Durham. The fare structure, including products and pricing, will be exactly the same for all bus services, and Metro fares will change to be the same as bus fares. The adult fare for multi-mode travel will initially be priced at a premium, although this premium is proposed to be removed after the first year.
9. Season tickets for 16 to 18s and Student markets will be provided on an all zone basis and valid on all modes; there is no multi-mode premium proposed for 16 to 18s and Students.
10. The Proposal impacts approximately 93 million fare paying bus journeys per annum. The net impact is a patronage and revenue neutral position, and 80% of customers will pay fares broadly in line with current levels (within 3% of the current price for a single / day ticket or within 5% for a season ticket). The geographic location of the 'winners' and 'losers' on both Bus and Metro is fairly evenly spread across the QCS area with no single area being disproportionately affected relative to overall demand.
11. Smart ticketing will be available on all buses and will include fare capping, providing customers with a 'best price guarantee' where they pay single fares as they travel, but their daily fare is price capped to the cost of the equivalent day ticket.



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Differential pricing will be applied with cash products charged at a premium to Smart products.

Information and Branding

12. The identity for buses will use the already established red 'Buses' brand across all customer facing marketing and information provision, including bus liveries. This will promote simplicity and consistency across the network, although future developments may include route specific marketing.
13. Tickets will be promoted in all relevant literature and on bus stops.

Standards and performance

14. A Customer Charter will set out the service commitments and performance standards that customers can expect, and will provide information on how to contact Nexus where customers are not satisfied.
15. Service commitments will include extended Real-Time Information, Smart ticketing, easy to identify and quality vehicles, a central point of customer contact and consistent or improved standards of customer service and care and improved marketing.
16. Performance standards will consider reliability, punctuality, and customer satisfaction. Customer satisfaction will reference information provision, journey ambiance and cleanliness, safety and security, ticketing, driver and staff availability and conduct and overall satisfaction.
17. A Bus Performance Regime will be embedded in each contract to incentivise operators to deliver a high quality, high value for money service. The regime focuses on measures that are most important to passengers based on market research. The regime will penalise poor performance and incentivise good performance, and will influence whether operators are eligible for contract extensions.

Procurement

18. The QCS scheme area will be divided into 22 contracts, varying in size from 10 to 95 vehicles to provide opportunities for operators of all sizes. All contracts will be tendered at the same time and bidders will be entitled to "bundle" contracts i.e. bid for combined contracts consisting of more than one contract. This will allow operators of all sizes to enhance efficiencies across contracts.



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19. Contracts will be awarded on the basis of the most economically advantageous tender, considering both price and quality.
20. Contract durations will be 5 years (comprising of 3 year fixed period plus an extension of up to 2 years) or 10 years (7 year fixed period plus an extension of up to 3 years).

Governance

21. Under the Proposal an ITA Bus Sub Committee, with delegated powers, will be responsible for the network of cross-boundary services. Durham and Northumberland will have representation on the Committee in an advisory capacity.
22. Local Bus Boards will be established, accountable to the ITA Bus Sub Committee and responsible for the networks of services that operate wholly within each District (Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland).
23. An annual reporting cycle, based on the budget setting and levy processes, is proposed. This will allow for transparency of decision-making, and a consultation process that includes customer involvement. A procedure for emergency timetable and scheme variation outside the annual planning cycle will allow for any exceptional or extraordinary events in order to continue delivering the QCS bus service within available resources.

Impact on Bus Company Employees

24. TUPE will be deemed to apply where quality contracts come into force, therefore existing employees who are engaged in providing the bus services will automatically switch to the new operator of the services on their existing terms and conditions of employment. The Quality Contracts Schemes (Pension Protection) Regulations 2009 protect transferring employees who are members of an occupational pension scheme such that any new operator is obliged to provide the same or broadly comparable pension benefits.
25. The ITA will seek to discuss the allocation arrangements with incumbent operators and employee representatives to ensure that those affected have the best possible opportunity to express their views and in order to establish arrangements which are likely to be fair, workable and effective in practice.

Affordability

26. The Proposal is affordable within current resources, provided that the financial assumptions set out within it hold good. ITA and Nexus are required to set a



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balanced budget in advance of each financial year. Any surplus or deficit arising from the QCS will be taken fully into account within the budget setting process. To provide for any unforeseen circumstances arising, an appropriate level of risk contingency has been included within the affordability model.

27. Nexus/ITA has adopted a Gross Cost approach (reflecting costs plus operator margins) to the tendered contracts within the proposed QCS. The proposal is that the ITA will have sole control of the fare structure and pricing approach to ensure integration, and therefore also retain fare revenue risk.

The Public Interest Test Criteria

28. The ITA must be satisfied that 5 Public Interest Criteria are met before it may make a Quality Contracts Scheme.
29. This Proposal is currently expected to satisfy the first four public interest criteria, and the fifth criterion (of proportionality) will be assessed once further informal consultation on this Proposal has been completed.

Next Steps

30. Should the ITA determine, following further development of the Proposal, to progress a QCS, the proposed schedule is:
 - Month 1 to Month 7 : Formal consultation and evaluation of responses
 - Month 8 –Month 10 : Quality Contract Scheme Board consideration and findings
 - Month 11 – Month 17 : Procurement of contracts
 - Month 18 –Month 24 : Transitional period
- Post Month 24 : Contract commences



Appendix B: Questions and Answers

What's wrong with bus services today?

- Each year fewer people choose to use buses in our area. Despite investment in new buses and waiting facilities, good levels of punctuality, and high customer satisfaction scores, the number of people choosing to pay to travel by bus has fallen by 15% over the past ten years. We believe one reason for this is that bus fares have risen above inflation during that time making them seem expensive, and another is that buses can be difficult to understand and use. Most bus services in Tyne and Wear are operated by three large companies, each with its own set of fares and tickets. Just finding out how much a trip will cost can be a time-consuming and frustrating process.

If this is the case why do surveys by the independent watchdog 'Passenger Focus' show Tyne and Wear has the highest satisfaction scores in the country?

- We think that the quality of the bus service in Tyne and Wear is generally high compared to some other parts of the country – something that we are proud of and are pleased to see is recognised by passengers. This reflects the investment that has been put into the local bus system in recent years. But high scores from existing customers are only one part of the story; to have a thriving bus system we need to retain those customers and attract new ones. Having a very happy customer is great, but if they are the only customer left on the bus then we have a problem!

Why haven't the ITA and Nexus done something about this before?

- The bus industry was deregulated in 1986; a new law prevented local councils (whose interests the ITA represents) outside London from operating local bus services or telling the new private companies what routes or timetables to operate, what fares to charge, and what quality of service to provide. It is only relatively recently that changes to the law have introduced new ways for local authorities and bus companies to work together in a more meaningful way.

So has the ITA decided that a Quality Contracts Scheme is the only way to solve the problem?

- No. We are looking at the respective merits of two new models for local buses – a partnership with bus companies and a Quality Contracts Scheme (QCS). The ITA has asked Nexus to investigate both of these options fully to see which would provide the best way forward. As a result Nexus is now well on its way to finishing a draft QCS, and it is also heavily engaged with the bus operators to put a partnership proposal together. The ITA will consider both of those options in due course, and will choose the best way forward when it has enough information on both.

Why would a QCS improve matters for passengers?

- Under the QCS proposal we are drafting, the local public transport system would act as a single network. A single simple fare structure would apply no matter who operated the service, and routes would be planned to give a more consistent



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offering based around a high frequency 'core' which would include Metro. Information (about services and also about how they are performing) would be more straightforward to use, and simpler to access. The money earned from fares would be used by the ITA (a public body) to pay for the services, with more money invested back into providing the best possible public service as a result.

Will everyone benefit from cheaper fares in the QCS proposal?

- We are proposing a simpler fare system with a small number of universal zones. Changing to the new system means that some fares go up a small amount, and others down a small amount, but we expect the average amount people pay to stay the same.

Will a QCS proposal mean higher bills for local taxpayers?

- No. This year £62 million of public money will be put into the bus system in Tyne and Wear. That is a significant amount of money already - it accounts for 42% of the bus companies' total income. Any proposal we make will be affordable without any extra public subsidy; in fact with public funding under severe pressure we believe that we can achieve savings for taxpayers through our proposals.

How can the improvements you're proposing possibly be affordable?

- The Tyne and Wear bus market as a whole is highly profitable today; our analysis of operators' public accounts suggests the average operating margin (profit) is in excess of 12% and one company this year said it achieved 23%. We believe that a fairer system would allow bus companies and their shareholders to earn an acceptable rate of return, whilst also allowing more investment to be put back into the local bus system to make improvements for passengers.

Would a partnership bring the same improvements?

- The main focus of the Bus Strategy Delivery Project is to make buses more attractive so more people use them. We know the bus operators share this view and so we hope that by working together in partnership we can achieve a comparable result – but this is likely to involve compromises along the way.

Isn't a QCS just a way of cash-strapped local councils taking control of buses to grab successful companies' profits?

- No. We believe the public see buses as a public service and that's how they should be planned and run, as is the case across Europe and in London. Private bus companies will bid for work within a QCS and can still make healthy profits from operating routes under contract, as they all do in other cities. At the same time we can make sure the taxpayer gets the best possible value for the £62 million it currently puts into buses in Tyne and Wear, 42% of the total income of the private companies.



Won't local councils and the ITA be burdened by a revenue risk of £1 billion over the next 10-years if a QCS goes ahead?

- The level of 'risk' that has been suggested by some commentators only occurs if nobody pays to board a bus in Tyne and Wear for the next decade! Nexus has managed this type of revenue risk on Metro for 30 years. The income that the bus companies currently receive, from fares plus public funding, is more than the cost of the QCS network we are proposing. This means that a QCS proposal has potential to return money into local buses to improve services.
- The 'risk' occurs if our estimates prove to be wrong and the income does not cover the cost of paying for the service. But each year the ITA has to set a balanced budget. So if the income does reduce below the estimated amount then the ITA will have to take action in its budget to make sure costs are reduced too. This is exactly the same process that would be carried out by a private company – the difference is that, as with other public services, the public will have an opportunity to see and influence proposals as they are made. But nevertheless those tough decisions will be made.

What will happen if councils have to cut their funding for buses?

- We have already built savings for the taxpayer into our proposals. Even so, there is a possibility that the public funding available to support buses will need to be reduced further. Under any scenario – today's market, partnership, or a QCS – this would lead to cuts in services and/or increases to fares. The difference under our proposals is that, as with other public services, the public will have an opportunity to see and influence proposals as they are made, rather than publicly unaccountable bodies making those decisions based on purely commercial factors.

Will these plans put the jobs of thousands of bus company employees at risk?

- No. We will make sure that employees are treated fairly. The 'Transfer of Undertakings (Protection of Employment) Regulations known as 'TUPE' applies on transfer to the operator providing the bus services where they work. TUPE protects employees' terms and conditions of employment when a business is transferred from one owner to another, including pay, continuity of service and any other rights. The law governing QCSs specifically also covers pension rights. Transferring employees have the right to acquire pension benefits that are the same as, broadly comparable to, or better than those they have under their original employment contract. We are also working with the trades unions to ensure that any concerns their members might have are addressed throughout the process.

Isn't this just a ploy to force more people onto the Metro?

- No – but integrating all public transport into a single network makes sense for buses and Metro. Our job is to help people get safely from A to B, via the shortest possible route and for the best possible fare. All public transport in our area – bus, Metro, Ferry and Rail – is supported by significant amounts of public funding, so in a QCS there is no point in artificially forcing people to switch from one form of public



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transport onto another. Our QCS proposal would make it far easier to interchange so that people aren't inconvenienced just because they need to travel on several forms of transport.

Surely bringing buses back under public control will create unnecessary bureaucracy?

- We already employ staff without whom the bus system would not function – for example managing bus stations, maintaining stops and bus shelters, printing timetables and information, selling season tickets, and managing hundreds of contracts for socially necessary services like school buses. It is possible that a QCS would need a small number of extra staff to support it, but we have built this possibility into our proposals. On the other hand it will make marketing buses, providing information, dealing with customer enquiries and selling tickets much simpler and more efficient.

It's been 25 years since bus deregulation; does Nexus still have the right level of expertise to plan bus services?

- We already plan hundreds of bus services - both to secure vital local links when the commercial market does not provide them, and for specialist services like school buses. When bus companies are planning to make changes to their commercial services, they sometimes ask us for our view on the impact of the changes they are proposing because of our local knowledge. We continually develop our staff to make sure that we pass these specialist but essential skills from one generation of planners to the next.

Why do you refer to the £62 million as a subsidy, when about £40 million of it is payment for a specific service - concessionary travel [free travel for older and disabled people]?

- Whether you call it subsidy or payment, it is a fact that public funds will contribute approximately £62 million to the bus system in Tyne and Wear this year. We make no judgement over whether this amount is too much or too little, just that this is the cost to the public of the overall service that is currently provided. The more important question is whether better value for the taxpayer could be achieved for this amount of money. We believe that by introducing competition for it through a competitive bidding process we would achieve this.

Planning bus services is a highly specialised activity – how can local councillors possibly be expected to do this?

- The role of councillors (or in this context, ITA members) is to set policy and to provide the resources to deliver the policy. It is the job of their officers to act in an Executive capacity to deliver services within the policy remit, and within the budget that has been set. Under a QCS Nexus would carry out this role.

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REPORT FOR INFORMATION

DATE: 27 September 2012
SUBJECT: Consultation on Bus Subsidy Reform
REPORT OF: Director General, Nexus

PURPOSE OF REPORT

To provide the ITA with information regarding the Department for Transport's consultation into proposed reforms to the system of bus subsidy applying in England outside of London.

RECOMMENDATIONS

That a draft ITA response to the proposals be considered by the Bus Strategy Working Group on 4 October.

BACKGROUND DOCUMENTS

Consultation on Bus Subsidy Reform Department for Transport, September 2012.

<http://www.dft.gov.uk/consultations/dft-2012-39>

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IMPACT ON OBJECTIVES

To support economic development and regeneration	Neutral
To address climate change	Neutral
To support safe and sustainable communities	Neutral

1	Executive Summary
1.1	The Department for Transport (DfT) has published for consultation, proposals to reform the system of bus subsidy by altering the way in which Bus Service Operators Grant is distributed. The main proposal is that in future grant will be paid to transport authorities rather than operators, initially in respect of supported bus services.
1.2	Areas which become Better Bus Areas will be eligible for additional top-up grant to kick-start new projects.
2	Introduction and Background
2.1	Earlier this year the Government published <i>Green Light for Better Buses</i> , setting out a series of reforms to alter local bus subsidy arrangements in England outside London. The purpose of this consultation is to seek views as to how the changes should be implemented. The closing date for responses is 12 November.
2.2	Bus Service Operators Grant (BSOG) is the main funding mechanism by which the industry is subsidised by central government. In 2011/12, £440 million was channelled directly to operators on the basis of fuel consumed, and therefore distances operated. Of this, around 11% was allocated to secured services, with the remainder allocated to services operated on a commercial basis without PTE or local authority support.
2.3	The basic BSOG rate for diesel fuel is currently 34.57p per litre. Part of the government's rationale for change is that there is little incentive for operators to reduce carbon emissions from transport if BSOG is paid on the basis of fuel used. By breaking the link between the grant and fuel use, the DfT hopes to bring about a more environmentally efficient industry. Other stated policy objectives are to improve bus services for passengers, and to increase the overall value for money of bus subsidy.
3	Details
3.1	The main proposal is that from late-2013 onwards, instead of BSOG for secured services being paid directly to bus operators upon receipt of claims, a broadly equivalent amount will instead be paid to the local transport authority within which each service operates. The amount will be fixed for the future, with the possibility



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	<p>of further funding to be devolved where services formerly operated commercially become dependent upon subsidy for their continued operation. Incentive payments for low-carbon buses, and automatic vehicle location equipment and smart ticketing equipment are proposed to continue to be paid direct to operators at this stage, although this will be subject to future review.</p>
3.2	<p>It is the DfT's intention that in areas where a Quality Contract Scheme is made – where by definition all services would be tendered –the local transport authority would automatically receive the equivalent of BSOG funding. It is further proposed that a limited number of Better Bus Areas are designated via a competitive process, where local transport authorities and bus operators will work in partnership to identify and address problems arising from factors such as traffic congestion, ticketing and lack of information. In these areas, it is proposed that Better Bus Area grant will comprise devolved BSOG plus a 'top-up' grant proportional to the size of the devolved BSOG, to be paid to kick-start new projects. The BSOG currently paid to operators in respect of their commercial services will be channelled to the lead transport authority from spring 2014 in locations where Better Bus Areas are designated.</p>
3.3	<p>Authorities who have introduced a Quality Contract scheme in their area would not be eligible to become part of a Better Bus Area under the proposals as outlined, and would not receive the additional top-up funding that goes with it. If an authority has plans to introduce a Quality Contract scheme but has not yet done so, then they will not be automatically ineligible to bid for Better Bus Area status, but must be able to demonstrate strong partnership between the authority and bus operators, including support from local operators for a Better Bus Area bid. They would also need to explain how plans would be taken forward both with and without a QCS in place.</p>
3.4	<p>The longer-term proposal is that bus subsidy should continue to be devolved to Better Bus Areas in the long-term. Plans to reform BSOG in non-Better Bus Areas will be finalised by the end of 2014. In the shorter-term, the DfT has established Sheffield to act as a 'trailblazer' for the development of Better Bus proposals.</p>
4	Next Steps
4.1	<p>The proposals as set out in the consultation paper will have implications for both bus operators and Nexus. In this context and in view of the timetable for responses</p>



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outlined above, it is proposed that a draft response is tabled for discussion at the next meeting of the Bus Strategy Working Group. Following this it is proposed that a response to the consultation will be submitted to DfT.

5 | **Potential impact on objectives**

5.1 | The bus subsidy reform proposals, if implemented as outlined in the consultation document, could have impacts upon the deliverability of aspects of the ITA Bus Strategy.



Tyne and Wear Integrated Transport Authority - Delegated Committee

8 August 2012
(10.30 - 11.00 am)

Present:

Councillor: D Wood (Chair)

Councillors: Blackburn and P Wood

In attendance:

N Clennett	Gateshead Council
H Emms	Transport Policy Adviser to the ITA, Newcastle City Council
S Herbert	Transport Policy, Newcastle City Council
B Joyce	Democratic Services, Newcastle City Council
D Laux	Sunderland City Council
G MacDonald	Transport Policy, Newcastle City Council
H Mathews	Nexus

1. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

2. DECLARATIONS OF INTEREST OF MEMBERS OR OFFICERS IN ANY MATTER TO BE DISCUSSED AT THE MEETING

There were no declarations of interest.

3. LOCAL SUSTAINABLE TRANSPORT FUND (LSTF) - REVISED BID

Submitted: Report of LSFT Senior Responsible Owner (previously circulated and copy attached to the official minutes) to provide Members with an update on the revised bid to the Local Sustainable Transport Fund, following feedback from the Department for Transport (DfT).

At the meeting on 7 August 2012 the DfT agreed that the proposed package was more focussed but considered that the surrounding context remained too broad and needed to be tightened up.

H Emms confirmed that the DfT were happy with the package in principle. The revised bid would need to demonstrate what difference the proposals would make and the benefits in terms of travel patterns across Tyne and Wear. The package was still too broad and the advice

from DfT was to provide a more geographical focus and links to the wider more generic benefits.

The Chair advised that the deadline had slipped from 10th to 15th August and that the Delegated Committee had the authority of the ITA to take the final decision on the bid. He proposed that the Delegated Committee meet early next week to consider the final bid.

Comments/issues raised

- Although the travel planning measures within the bid remained appropriate the proposed bus service linking Washington and Gateshead could be removed.
- The issue of the assessment of the bid by a range of government officials/advisors was raised. It would be quite a difficult task to get the bid through the assessment.
- A Member expressed concern that a decision on such an important issue was expected prior to completion of the final bid document. He requested that papers be provided in a more timely fashion in the future.
- Given the uncertainty of the future of a bus service from Washington to Gateshead it was proposed to remove this from the bid.
- Officer agreement across the five local authority areas would also be needed to ensure the bid was robust.
- All local authorities need to be aware of the economic affects of transport proposals on their council area.
- There was some discussion around the Western Bypass/Lobley Hill junction and how the bid linked to future proposals. Officers advised that work was ongoing with the Highways Agency and that this would be looked at again as part of the City Deal. The bid offered a strong package which would compliment future proposals.

The final bid would be ready for Friday 10 August. It would be approximately 20 pages plus appendices. Hard copies would be circulated to members (home addresses) on Friday afternoon.

RESOLVED – That a further meeting of the Delegated Committee be convened at 10:30am on Monday 13 August 2012 to make a decision on the bid.



Tyne and Wear Integrated Transport Authority - Delegated Committee

13 August 2012
(10.30 - 10.55 am)

Present:

Councillor: D Wood (Chair)

Councillors: Blackburn and P Wood

In attendance:

N Clennett	Gateshead Council
H Emms	Transport Policy Adviser to the ITA, Newcastle City Council
S Herbert	Transport Policy, Newcastle City Council
B Joyce	Democratic Services, Newcastle City Council
D Laux	Sunderland City Council
G MacDonald	Transport Policy, Newcastle City Council
H Mathews	Nexus

4. APOLOGIES FOR ABSENCE

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5. DECLARATIONS OF INTEREST OF MEMBERS OR OFFICERS IN ANY MATTER TO BE DISCUSSED AT THE MEETING

There were no declarations of interest.

6. LOCAL SUSTAINABLE TRANSPORT FUND (LSTF) - REVISED BID

Submitted: Report of the LSFT Senior Responsible Owner (previously circulated and copy attached to the official minutes) to provide Members with an update on the revised bid to the Local Sustainable Transport Fund, following feedback from the Department for Transport (DfT) and comments from the last meeting of the ITA Delegated Committee.

Nick Clennett gave a brief introduction to the revised document and thanked officers for making the suggested changes and providing a more coherent bid. The primary and secondary objectives of the bid were clearly set out (page 15) and the bid package was detailed in Section C (page 16).

Comments/points raised

- A Member suggested that the document could present an opportunity to provide information on the various projects across Tyne and Wear whilst highlighting that there was consensus around the priority of the A1 Western Bypass.
- In respect of the reference to 'suppressed demand for cycle travel' (page 18) Newcastle had a strong cycle forum and key issues raised were short trips and lack of infrastructure. There appeared to be growing support to stimulate cycle use and NCC had invested in infrastructure.
- Work had been ongoing in the Gateshead area on cycle routes for a number of years and there had also been a rise in requests for bicycle parking facilities.
- Nexus were aware that people currently using cars to get to Metro stations would be interested in a better cycling infrastructure.
- Figures used in the report were based on DfT research and would therefore be supported by DfT.
- The document would be amended to be more specific at Section D1 to illustrate if the figures were daily or weekly etc.
- The reference to '...200 tonnes of cargo' (page 2) would be amended to show that this was from Tyne and Wear.
- 'The A1 is the North East's only strategic corridor leading to Edinburg' to be amended to '... is the key ...strategic corridor'.

Officers would investigate the possibility of including more information on other schemes in Tyne and Wear in the context section of the document that did not detract from the focus of the bid.

The document would be formatted and branded (along with the appendices) prior to submission to DfT on Wednesday 15 August. The result of the bidding process would be available early/mid September 2012.

The final version of the document would be circulated for information to all ITA members on Wednesday 15th August and also published on the NCC and ITA websites.

RESOLVED: That the ITA Delegated Committee endorsed the revised bid document subject to the minor amendments and additions mentioned above.



DATE: 27 September 2012

SUBJECT: Local Sustainable Transport Fund - Revised Application

REPORT OF: Joint Transport Steering Group

PURPOSE OF REPORT

This report provides an update on the submission of the revised business case to the Department for Transport's Local Sustainable Transport Fund (LSTF).

RECOMMENDATIONS

ITA Members are asked to note the report.

BACKGROUND DOCUMENTS

13 August 2012 Tyne and Wear ITA Delegated Sub Committee – LSTF Submission

8 August 2012 Tyne and Wear ITA Delegated Sub Committee – LSTF Submission

26 July 2012 Tyne and Wear ITA LTP Working Group LSTF – LSTF Revised Small Business Case

CONTACT OFFICERS

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IMPACT ON OBJECTIVES

To support economic development and regeneration Positive

To address climate change Positive

To support safe and sustainable communities Positive

1	Executive Summary
1.1	<p>This report provides ITA members with an update on the revised application for local sustainable transport funding (LSTF) to the Department for Transport (DfT). We have been informed that this application will be funded in full. This represents an investment from government of £4.995million to create a package worth £7.666million for Tyne and Wear. This funding is in addition to the previously secured LSTF bid targeting school trips (worth £10.860million to Tyne and Wear – including local contributions).</p>
2	Introduction and Background
2.1	<p>An initial business case submission for funding to target employment sites across Tyne and Wear was unsuccessful in securing funding as a large project. Tyne and Wear ITA was given the opportunity to submit a revised application based on elements of the Large Project business case. A revised bid of £4.995M was submitted to the Department for Transport in early August following clear guidance from ITA members in July.</p>
3	Revised Small Business Case Submission: Go Smarter to Work
3.1	<p>Tyne and Wear’s revised small business case submission is focused on existing employment areas served by the A1 Western Bypass. The employment areas are Gateshead MetroCentre, the Team Valley Trading Estates, Newcastle City Centre and employment sites in Washington served by the A1 Western Bypass.</p>
3.2	<p>On 11 September 2012, the Tyne and Wear ITA were informed that Ministers had approved the small project bid to the Local Sustainable Transport Fund. DfT considered that the revised bid <i>“demonstrated clear targeting for a known problem. The focus on access to employment areas and the business engagement carried out was commended, as was the focus on specific interchanges to employment centres, delivering ‘missing links’ for sustainable travel infrastructure.”</i></p>
3.3	<p>The successful LSTF programme contains four main packages, these are:</p> <ul style="list-style-type: none"> - Investment in infrastructure; - Improved information; and - The promotion of behaviour change through a ‘smarter choices’ package; and



- Targeted schemes to enable job seekers to access employment.

The details of the types of projects that will be delivered within these packages can be found in the bid document pp15-20, available at www.twita.gov.uk/what-we-do.

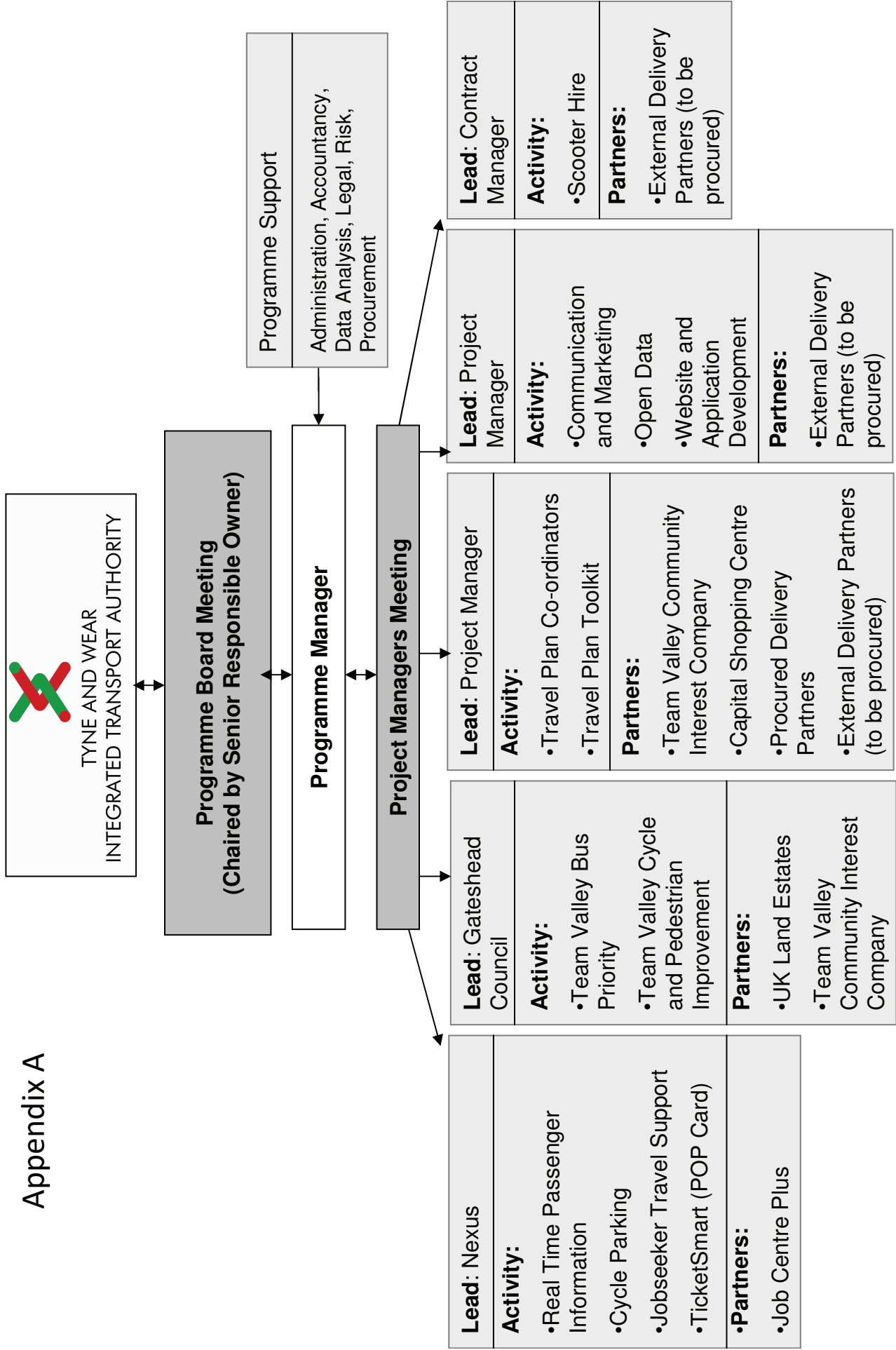
4 Next Steps

- | | |
|-----|--|
| 4.1 | The Department for Transport will write to the ITA with a formal offer of grant under Section 31 of the Local Government Act 2003. The letter will include the full terms and conditions under which the grant will be provided. |
| 4.2 | The Programme Manager will review the governance and reporting arrangements for the revised submission with the Senior Responsible Owner. The management of the programme will sit with a Programme Board structure with reporting cycles to the ITA Working Group – as per the outlined governance structure in appendix A. |

5 Potential impact on objectives

- | | |
|-----|--|
| 5.1 | <p>Successful delivery of the Tyne and Wear Local Sustainable Transport Fund is intended to:</p> <ul style="list-style-type: none">- Support economic development and regeneration and safe and sustainable communities by tackling the problems of congestion thereby improving the reliability and predictability of journey times.- Address climate change by increasing the use of sustainable and active modes of travels and thus reducing harmful emissions generated by single occupancy private car. |
|-----|--|

Appendix A





REPORT FOR INFORMATION

DATE: 27 September 2012
SUBJECT: InterCity East Coast Franchise Consultation
REPORT OF: Director General, Nexus

PURPOSE OF REPORT

To inform Members of the recent consultation process undertaken by the Department for Transport in respect of the InterCity East Coast rail franchise, and the responses submitted by Nexus on behalf of the ITA, and by the Association of North East Councils.

RECOMMENDATIONS

That the responses are noted and a letter in support of the responses is submitted by the ITA.

BACKGROUND DOCUMENTS

InterCity East Coast Franchise Consultation. Department for Transport 2012.

CONTACT OFFICERS

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IMPACT ON OBJECTIVES

To support economic development and regeneration	Positive
To address climate change	Positive
To support safe and sustainable communities	Positive

1	Executive Summary
1.1	The report outlines the recent consultation exercise undertaken by the Department for Transport in respect of the proposed award of a new franchise for the operation of InterCity East Coast services.
1.2	The attached Nexus response to the consultation questions highlights themes of importance to the Tyne and Wear area, including the need for the maintenance of fast and frequent long-distance services, improved capacity and customer facilities and the continued upgrading of Newcastle station. A complementary response has been submitted by the Association of North East Councils on behalf of the 12 regional authorities and this is also appended for information.
2	Introduction and Background
2.1	The InterCity East Coast (ICEC) franchise consultation exercise was launched by the Department for Transport (DfT) in June, with a closing date for responses of 18 September. The end result of the franchising process will be the return of East Coast operations to the private sector through the award of a premium franchise, expected to be of 12 years' duration.
2.2	In addition to providing input to the regional ANEC response as is standard practice, Nexus has also responded to the consultation in its own right on the basis that there are issues specific to the Tyne and Wear area for discussion. A copy of the Nexus response to the DfT is attached as an appendix to this report.
2.3	The timing of the ICEC consultation exercise comes at a time of potential significant change for rail services in the North East, given the parallel process which is under way in respect of the potential devolution of the franchising process for local rail services across the North of England. The crossover between the two work streams comes in the suggestion in the ICEC consultation document that the scope of the new franchise could include local rail services that connect with the ECML, as well as the long-distance InterCity services themselves. The possible DfT rationale for this suggestion is that the parallel Great Western franchising process follows this model, seeking to introduce a more integrated network of local and long-distance services provided by a single operator. Having considered the potential implications for such a franchising model in the North East, the Nexus response does not support this suggestion in the case of the ICEC franchise award. The inclusion of local rail services as currently provided by Northern Rail within the ICEC franchise would stifle opportunities for a more locally-devolved model of service provision by tying



them within the ICEC franchise until 2025. There is also the view as expressed in the consultation response that the consistently successful delivery of long-distance, high-speed services requires specific skill-sets that would risk dilution through the operation of local services, to the detriment of both.

3 Services and Passenger Facilities

3.1 The response emphasises the critical importance of ICEC services to the regional economy. Fast and frequent links with London, Yorkshire and Scotland are vital in attracting inward investment and supporting economic regeneration. The introduction of new Intercity Express Passenger (IEP) trains will help to maintain these service standards. As a general principle, a longer franchise duration is favoured in the context of a franchisee's ability to make meaningful investment into services and facilities. However, given the current controversy surrounding the awarding of the West Coast franchise, it is assumed that the DfT will closely analyse the deliverability of any financial projections put forward by potential franchisees.

3.2 Although in the case of premium franchises it is normal for the DfT to allow the successful operator some degree of commercial freedom in terms of service patterns, some specification of frequencies and first and last train times should continue to rest with DfT to cater for all passenger needs, and to ensure that the route's role in providing commuting opportunities within the region is maintained.

3.3 The IEP concept allows trains to serve destinations that are not part of the electrified route network. The consultation asks for feedback on potential new destinations. At present Sunderland and the Durham Coast are well-served by open access services provided by Grand Central outside of the franchising process. Should there be any future changes to existing arrangements; the route would be a strong candidate for IEP services.

3.4 The consultation seeks views regarding improvements at stations along the ICEC route. Although Newcastle station is shortly to receive substantial investment via Network Rail to improve infrastructure, there remain a number of desirable changes and improvements to be implemented at a variety of levels. The response highlights the need for improvements to passenger facilities and perceptions of personal security, closer integration with Tyne and Wear Metro operation and a more integrated transport offer for onward journeys by bus and taxi. Nexus looks forward to establishing a productive relationship with station management in the



	<p>new franchise environment to achieve mutually beneficial objectives at Newcastle station.</p>
3.5	<p>The DfT seeks intimation of any potential increments or decrements identified by stakeholders. No such changes to the proposed franchise terms are proposed by Nexus in respect of the Tyne and Wear area.</p>
4	Next Steps
4.1	<p>Following the receipt of consultation responses, the advertised timetable is for the DfT to finalise the specification by the end of 2012 and to invite tenders during early-2013. Franchise award is due to take place by August 2013, with a new franchisee commencing operations at the time of the December 2013 timetable change.</p>
4.2	<p>Potential franchisees will be expected to consult widely with local and regional transport authorities. Nexus expects to be fully involved in this process and will liaise with bidders to ensure they have a full understanding of the area's requirements in respect of ICEC, prior to the submission of final bids.</p>
5	Potential impact on objectives
5.1	<p>Successful operation of the ICEC franchise, with the franchisee fully aware of local requirements and aspirations, will support economic regeneration, and help address climate change through the greater use of a sustainable mode of transport.</p>

ECML Franchise Consultation

Response of Nexus (Tyne and Wear Passenger Transport Executive)

Q1. Do consultees agree that the proposed franchise objectives are an appropriate expression of the priorities that should apply to the new ICEC franchise?

The overall objectives appropriately reflect what the important priorities for the franchise are, although there are other objectives not referred to which ought to be considered. These include affordability for the passenger, and the optimum relationship between long-distance and local rail services in the Tyne and Wear area, taking account of the potential outcome of decisions to be taken in the near future regarding franchise mapping and decentralisation.

In terms of the affordability of fares, in addition to the ECML's role carrying long-distance traffic it caters for substantial local and regional commuter flows within and between Northumberland, Tyne and Wear and County Durham, centred upon Newcastle station. These markets are likely to be particularly sensitive to price, given average wage levels in the local economy.

The future relationship between long-distance ECML services and local rail operations in the North East is difficult to forecast at present, given the range of potential permutations for franchise shape and governance. A key objective of this franchise specification should be to improve and maintain integration with other franchisees' operations so that ICEC services become a central connecting spine for all North East passenger rail services.

Q2 Are there any other issues that consultees believe the Department should take into account in determining the length of the new ICEC franchise?

There are concerns over the deliverability of HS2 services to the North East by 2032/3, given the historical precedents of other major infrastructure schemes. The chronology between the duration of the new ICEC franchise, the franchise which will follow it, and the commencement of HS2 is therefore questionable.

In general, the length of the franchise should be as long as possible to secure maximum long-term investment on the part of the franchisee, subject to the Department having sufficient confidence in the repayment profile assumptions made by potential bidders.

Q3 What are consultees' views on the principle of the new ICEC franchise becoming a multi-purpose train operator along the route of the East Coast Main Line rather than focusing only on the InterCity services provided by the current operator?

On balance this proposal is not supported by Nexus. Discussions between Nexus – on behalf of the Tyne and Wear ITA – and other regional transport authorities with the DfT regarding

the nature and scope of rail decentralisation policy as it applies to local franchised rail services post-2014 are ongoing; it is our view that the anticipated length of the ICEC franchise will not create conditions conducive to the flexibility that changing circumstances may require following the outcomes of current governance discussions.

In addition, it is considered that the operational and management disciplines required to deliver consistently reliable long-distance, high speed services are somewhat different to those of local rail operation and that the focus of the new franchisee's attention should be concentrated on achieving industry-leading service standards in terms of the delivery of inter-city links.

Q4 Do consultees have any comments on which services might be considered for inclusion in the new ICEC franchise and how they might be specified?

Reflecting the response to Q3 above, we take the view that the focus of the new ICEC franchise should continue to be on long-distance, high-speed links between London, the North East and Scotland which are vitally important to the regional economy.

Q5 Are consultees aware of any other rail or non-rail major development schemes that are likely to have a significant impact on the new ICEC franchise?

There appear to be no major development schemes in the Tyne and Wear area that will have a significant impact upon the new ICEC franchise. The existing Tyne and Wear Metro concession will expire in 2017/19, and towards the end of the franchise period Metro rolling stock replacement is also expected to be under way, with potential network extensions. It is not anticipated that these would directly affect the operation of the existing EMCL, but could potentially affect adjoining routes such as Pelaw Junction -Sunderland – Seaham, and the status of the Leamside rail corridor.

Q6 Are there any research findings, evidence or other publications that consultees wish to bring to the attention of the Department as part of this refranchising process?

No response.

Q7 Consultees' views are invited on the train service specification, including which aspects should be mandated by the Department and which can be left to commercial discretion; and also on whether or not there should be a change in the specified minimum service level when IEP trains are introduced.

It is recommended that for long-distance services, aspects such as first and last trains, station calls and Sunday services should continue to be specified, but that for other aspects potential franchisees should be afforded commercial discretion to determine optimum train

service levels. In practice, route capacity constraints and the legitimate access requirements of other train operators are likely to restrict unbridled commercial freedom.

IEP should in theory offer greater route capacity, given its claimed traction performance and environmental credentials, as well as higher seating capacity. As this element of the franchise would largely encompass profitable services, there may be benefits to be had in allowing the franchisee to exploit the full potential of the IEP trains whilst leaving the minimum service level unchanged. In terms of possible additional 'other services' being transferred into the franchise, it is recommended that the existing minimum service level provisions should continue to apply in such cases.

Q8 Consultees' views are invited on the potential for the franchise to serve locations accessible from the East Coast Main Line which currently have limited or no direct services to London.

In the Tyne and Wear area the provision of direct services to London from locations with 'limited or no services' is restricted to Sunderland, which currently receives four services per day via Grand Central's open access operations. Through services between London to Wearside are important to the area's economic vitality and as such need to be retained, as evidenced by the level of demand for existing Grand Central services. In the event of any future changes to existing arrangements, the Durham Coast route between Northallerton and Sunderland route would be a strong candidate for IEP services. Otherwise, the main priority for the Tyne and Wear area is for a minimum of two trains per hour between Newcastle to and from London during weekday daytimes to be maintained, with no risk to that service level occasioned by the introduction of services to destinations not currently provided with regular through services.

Q9 Are consultees aware of any ways in which improved ticketing, smart ticketing and passenger information might be provided?

Nexus through its participation in the North East Smart Ticketing Initiative and the Metro ticketing and gating programme is providing complementary smart ticketing improvements at the local transport level across the region. ITSO compatibility between discrete smart ticketing schemes points the way towards more widespread product acceptance from the customer perspective, and Nexus and its partners look forward to closer engagement with the new franchisee in this regard.

In terms of passenger information provision, improved integration between the National Rail portal and local and regional Traveline /My Journey initiatives would be beneficial in providing local rail users with a seamless single source of public transport service status data. This is in line with the Open Data protocol principles recently endorsed by the Tyne and Wear ITA.

Q10 Do consultees support the use of NPS scores to monitor and improve service quality of the ICEC franchise? Are there any other approaches that might be more effective in securing improvements in customer experience?

NPS plays a valuable role across the country in supplying unbiased and comparable data which relates to passengers' perceptions, experiences and requirements, and Nexus would be happy for the current process to continue. By its nature however it does position rail users' perceptions somewhat in isolation of the views of the wider travelling public. Nexus carries out extensive market research into users' and non-users' views of all modes of public transport across Tyne and Wear. It is suggested that there is scope for greater input by the franchisee into local surveys of public transport attitudes and perceptions, supplementing NPS data, to supply a local focus upon passengers' concerns and to assuage any concerns that the franchise is being operated remotely without the benefit of a detailed knowledge of local views and issues.

Q11 What are consultees' priorities for improvements to the stations managed by the ICEC franchisee?

At a general level, the priorities are for excellent customer service designed around the needs of the passenger, attention to detail across accessibility issues, comprehensive rail journey and onward travel information, effective safety and security issues, a more robust inter-operator protocol regarding important connections, and appropriate retail and customer facilities.

At Newcastle station, priorities for improvement in partnership with Nexus and Newcastle City Council include major changes to the portico area to remove traffic and create a pedestrian-friendly interchange with taxis and local bus services. Within the station precincts, better visual information regarding onward journeys by bus and Metro is sought along with a more co-ordinated interface with Central Station Metro. Improved indoor passenger waiting facilities, cycle parking and additional toilet facilities are also required.

Passengers arriving on trains at Newcastle station without a ticket, through no fault of their own having travelled from a station without ticket-issuing facilities and been unable to purchase one on-board, currently experience an inconsistent level of service. Apart from improvements to the retailing process on-board services operated by the future franchisee, the introduction of an excess fares office or excess fare ticket machines are required to resolve the existing unsatisfactory situation which affects the services of all train operating companies serving the station.

Nexus would welcome the development of a closer working relationship with the franchisee than has historically been the case in terms of the everyday operation of Newcastle station and its interface with the Tyne and Wear Metro, as well as to identify and implement improvements that will benefit all passengers.

Q12 What do consultees believe are the most important factors in improving safety and security (actual or perceived?)

A high level of staff presence is the most important factor in improving actual and perceived safety and security. Although staff visibility during the times of barrier staffing at Newcastle is relatively high, there is less presence later in the evening once the barriers are deactivated at a time when passengers may perceive a higher level of threat to their personal safety. Also, staff presence tends to diminish with distance from the central concourse and barriers; platforms 7 and 8 at Newcastle station can feel particularly remote and unsupervised and here a more visible staff presence and higher level of camera surveillance would provide greater reassurance to passengers.

Q13 Are there any increments or decrements to the DfT's proposed specification that stakeholders would wish to see and would be prepared to fund?

Nexus has not identified any increments or decrements that might be appropriate changes to the franchise specification.

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REPORT FOR INFORMATION

DATE: 27 September 2012
SUBJECT: Annual members' inspection
REPORT OF: Nexus Director of Rail and Infrastructure

PURPOSE OF REPORT

To report on the annual member's inspection which took place on 30th August 2012

RECOMMENDATIONS

Members are invited to note the contents of this report

BACKGROUND DOCUMENTS

N/A

CONTACT OFFICERS

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Public Affairs Manager*

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IMPACT ON OBJECTIVES

To support economic development and regeneration	Neutral
To address climate change	Neutral
To support safe and sustainable communities	Neutral

1	Executive Summary
1.1	A fact-finding inspection visit takes place annually for members of the ITA to view first hand new projects and infrastructure within Tyne and Wear or elsewhere funded by the authority relevant to its objectives, and to meet with engineers, frontline staff and contractors involved in the delivery of service.
2	Introduction and Background
2.1	The 2012 inspection was centred on three locations; the Safetyworks education and training facility in west Newcastle, the Metro depot in Gosforth, and the new station at North Shields.
3	2012 Inspection review
3.1	Safetyworks is a multi-agency interactive safety centre serving the community of Tyne and Wear, owned and managed by the Tyne and Wear Fire Service with significant input from Nexus, local authorities, Northumbria Police and other agencies. It aims to provide an innovative, enjoyable learning experience enabling visitors to participate safely in realistic situations illustrating everyday hazards and how to prevent them.
3.2	Members were able to view a mocked-up Metro station and train used to teach children and young people about rail safety issues. The station was built by Nexus employees on graduate and apprentice programmes as part of their training and is used regularly by the Nexus Schools Liaison Officer and Community Relations Officers.
3.3	At the Metro depot in Gosforth members were able to view new train management equipment purchased by Nexus as part of the £385m Asset Renewal Programme, including the new automatic train washer and new wheel lathe. The depot is managed by DBTW, the operating concessionaire, which provided a briefing on operations and a description of the new <i>Fassi</i> train management system it has invested in as part of its contract with Nexus.
3.4	At North Shields members were able to inspect the new station concourse four days before it re-opened to the public at the end of the recent Major Line Closure between Wallsend and Tynemouth, and to view the work taking place nearby to replace 12km of track between North Shields and Howdon. The new North Shields



REPORT FOR INFORMATION

station includes passenger lifts to significantly improve accessibility, and the first new ticket gate lines to be installed on Metro, which will be activated in 2013. The concourse, passageways, stairways, platform waiting areas, and retail units have all been made larger and brighter to improve the passenger experience and create a new gateway for the town centre. The station will also be staffed for the first time from 2013 as the gate lines are activated.

3.5 Members also visited Tynemouth station, where a successful restoration of the Victorian station canopies, part-funded by Nexus, has transformed the environment both for passengers and the local community which uses the station for a variety of purposes.

4 Next Steps

4.1 A further inspection tour to take place in 2013.

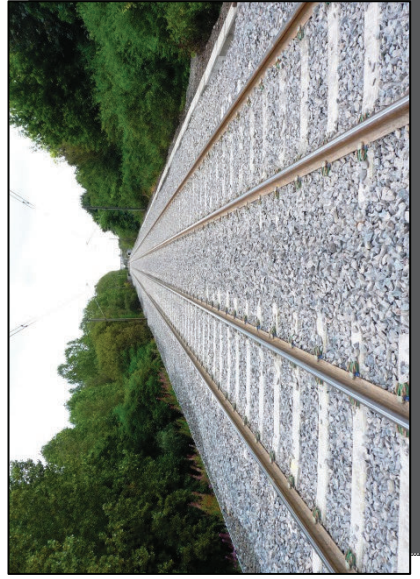
5 Potential impact on objectives

5.1 N/A

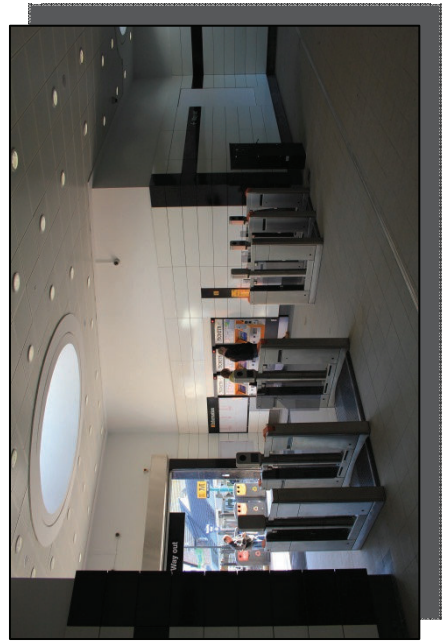
ITA Members inspection 2012



New track at Meadow Well laid during the August 2012 Major Line Closure, along with refurbished train and refurbished station.



Track replacement
between North
Shields and Hadrian
Road



New North
Shields station,
gate lines and
new ticket
machines



Members meet depot staff and view new wheel lathe, train wash and refurbished trains



Safetyworks
With mock-up
train, station
and streets

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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