



Tyne and Wear Integrated Transport Authority

Meeting to be held in a Committee Room, Civic Centre, Newcastle upon Tyne
on Thursday 23 September 2010 at 10.00 am
(Labour Group meeting at 9:00am) (Opposition Group meeting at 9:30am)

Contact Officer: Victoria Miller (0191) 211 5118 victoria.miller@newcastle.gov.uk

Page

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

(If any Member has a personal/prejudicial interest please complete the appropriate form and hand this to the Democratic Services Officer (DSO) before leaving the meeting. A blank form can be obtained from the DSO at the meeting).

Members are reminded to verbally declare their interest and the nature of it and, if prejudicial, leave where appropriate at the point of the meeting when the item is to be discussed.
3. Revenue Budget Monitoring Report (April 2010 - August 2010) 1 - 6
4. Preparation of the Financial Strategy 2011/12 - 2013/14 7 - 8
5. Audit Commission - Annual Governance Report 2009/10 9 - 32
6. Annual Report and Accounts 2009/10 and Annual Governance Statement 2009/10 33 - 138
7. Consultation of Concessionary Travel Funding Formula Response

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.
8. Department for Transport Consultation on Local Transport 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.

9.	2010/11 Non-Metro Capital Programme - First Quarterly Review	139 - 148
10.	Dinnington Bus Services Petition	149 - 152
11.	High Speed Rail - Remit from Scrutiny Committee	153 - 154
12.	ITA Members' Visit	155 - 158
13.	New Tyne Crossing - Progress Report	159 - 162
14.	Strategic Risk Update	163 - 170
15.	LTP3 Development	171 - 176
16.	Priority Lanes in Tyne and Wear	177 - 188
17.	Minutes of the previous meeting held on 22 July 2010	189 - 202
18.	Minutes of the meeting held on 28 June 2010	203 - 206
19.	Draft Minutes of the 8 September 2010 meeting of the Metro Sub-Committee (for information)	

Members are requested to note the intention to circulate the above draft minutes on a supplemental agenda in accordance with the Provisions of the Local Government (Access to Information) Act 1985.

20. Date and time of the next meeting

Thursday, 25 November 2010 at 10am.

21. Exclusion of Press and Public

22.	Nexus Board Membership	207 - 210
-----	-------------------------------	------------------

23.	Confidential Minutes of the previous meeting held on 22 July 2010	211 - 212
-----	--	------------------

24. Confidential Minutes of the 8 September meeting of the Metro Sub-Committee (for information)

Members are requested to note the intention to circulate the above minutes on a supplemental agenda in accordance with the Provisions of the Local Government (Access to Information) Act 1985.

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



Tyne and Wear Integrated Transport Authority

23 September 2010

TITLE: REVENUE BUDGET MONITORING REPORT (April 2010 - August 2010)

REPORT OF THE DEPUTY CLERK AND TREASURER (ITA)

Reasons for confidentiality (if confidential)

District Implications-all

1. Summary / Purpose of Report

- 1.1 The purpose of this report is to provide members with a revenue budget monitor report for the period April 2010 to August 2010
- 1.2 The monitor includes current financial information relating to ITA administration and financing and the Tyne Tunnels.
- 1.3 The report sets out expenditure to date and compares this with the original estimate presented to the Integrated Transport Authority at its meeting of the 28 January 2010. It shows that the likely outturn position is anticipated to be within budget.
- 1.4 The report also provides an update on the level of the ITA's borrowing and lending for information.

2. Recommendations

- 2.1 The Committee is recommended to note the financial position as at 31 August 2010 set out in this report and attached appendices 1 and 2.

3. Introduction / Background

- 3.1 The budget monitor has been prepared by comparing the actual income and expenditure (analysed into ITA and Tyne Tunnels) from April 2010 to August 2010 with the budget for 2010/11. Appendices 1 and 2 summarise the recorded spending position as at 31 August 2010.

- 3.2 For the ITA, expenditure at £30.09m is 41% of the annual budget for the year, with no unexpected costs incurred to date. There is some variation in the % spending on individual budget items, but this is broadly in line with expectation apart from the following -
- Support Services. – The majority of the costs of officer support activity of the ITA are charged into the revenue account in the second half of the year. Overall costs are expected to be in line with the budget.
- It is anticipated that the likely outturn position will be within budget, based on the expenditure to date and the known commitments at this time
- 3.3 2010/11 is the second full year of the contract with TT2 for the operation of the Tyne Tunnels. Payment to TT2 is linked to the tolls income. For the first three months of 2010/11 the position is summarised in Appendix 2, with key bullet points shown below -
- Toll income is collected by TT2 and paid to the ITA within 4 working days of being actually received. The monthly payment to TT2 is paid within 30 working days after the end of the relevant month.
 - Net tolls income (tolls income received less payment to TT2) is within 1% of the budgeted net income for the first five months of 2010/11.
 - Actual traffic is broadly similar to the first five months of last year after taking account of tunnel closures in 2009 and timings of holiday periods.

Treasury Management Update – Borrowing and Lending

Borrowing

- 3.4 The ITA's approved Authorised borrowing limit for the 2010/11 year is £231 million and its Operational borrowing limit is £226 million. The level of external borrowing as at 31 August 2010 is £175.56 million which includes new borrowing of £20 million this year to meet capital payment requirements in 2010/11. This is within the limits agreed by ITA and has been throughout the year to date. This includes the money that the ITA needs to borrow to fund its share of the new Tyne tunnel contract. The average interest rate payable on the ITA's loans this year is estimated at 4.30%.

Lending

- 3.5 The ITA has been lending in line with the limits agreed for individual institutions agreed by the ITA. Our lending at 31 August 2010 was £20m. This was lent to 2 UK Banks and Building societies (with deposits ranging from £2m to £12m). The ITA had not lent money to any Icelandic Banks and had not lent money to other foreign institutions. Normal loan periods range from overnight to 364 days. The

average interest rate on investments is estimated at 1.14% so far this year.

4. **Next Steps**

4.1 The budget and the ITA's treasury management position will continue to be monitored carefully by the Treasurer

5. **Further comments by the:**

- **Clerk** none
- **Treasurer** see main report
- **Legal Advisor**
- **Director General**

6 **Background Papers**

6.1 Revenue Monitoring reports to August 2010

7 **Contact Officer (s)**

7.1 Marilyn France 0191 277 7517

This page is intentionally left blank

Appendix 1: ITA Revenue Budget Monitor for the Period April to August

Spend to 31 August 2010 (2010/11)						
ITA	<u>Spend to 31.08.10</u>	<u>Budget</u>	<u>Spend against Budget</u>	<u>Expected Spend (%)</u>	<u>traffic light</u>	<u>Notes</u>
	£'000	£'000	%	%		
<u>Revenue Expenditure</u>						
Travel Costs	-	4	0%	42%	G	
Supplies & Services	18	106	17%	42%	G	
Support Services	3	403	1%	42%	G	
PTA Website Charges	14	34	42%	42%	G	Primarily year-end expenditure
Pension Costs	213	510	42%	42%	G	
Grant to Nexus	28,564	68,555	42%	42%	G	
PGA Subscription	36	36	100%	100%	G	
Financing Charges	1,245	2,874	43%	42%	G	Expenditure flow uneven throughout the year
Page 5	<u>30,093</u>	<u>72,522</u>	41%	42%	G	
<u>Income</u>						
Levy Income	(29,877)	(71,706)	42%	42%	G	
Interest on Balances	0	(35)	0%	0%	G	Primarily year-end expenditure
Contribution from Reserves	(29,877)	(71,741)	42%	42%		
	<u>216</u>	<u>781</u>				

For further information or detail, please contact Marilyn France on 0191 277 7517

Appendix 2: Tunnels Revenue Budget Monitor for the Period April to August

Spend to 31st August 2010 (2010/11)					
<u>Tyne Tunnels</u>	<u>Spend to 31.08.10</u> £'000	<u>Original Budget for Year</u> £'000	<u>Spend as a % of Original Budget</u> %	<u>traffic light</u>	<u>Notes</u>
TT2 Contract					
Toll Income	(5,252)	(13,150)		G	
Payments to TT2	972	2,962		A	
Total	(4,280)	(10,188)	42%		See paragraph 3.3
Other					
Employee Costs	11	33	32%	G	Expenditure on target
Other Expenses	34	43	81%	R	includes annual insurance premium
Community Fund	5	10	50%	G	
Pension Costs	237	588	40%	G	
New Tyne Crossing support services	-	171	0%	G	Year-end expenditure
Financing Charges	-	3,595	0%	G	Year-end expenditure
Miscellaneous Income	-	-			
Interest on Balances	-	(483)	0%	G	Year-end expenditure
Total	287	3,957	7%		
Net Surplus on Existing Tunnels	(3,993)	(6,231)	64%	G	



For further information or detail, please contact Marilyn France on 0191 277 7517



Tyne and Wear Integrated Transport Authority

DATE	23 September 2010
TITLE	PREPARATION OF THE FINANCIAL STRATEGY 2011/12 – 2013/14
REPORT OF	THE DEPUTY CLERK AND TREASURER, ITA and DIRECTOR OF FINANCE AND RESOURCES, NEXUS
	District Implications: All Districts

1. Summary / Purpose of Report

- 1.1 The purpose of this report is to advise members of the initial stages within the preparation of the financial strategy for the period 2011/12 to 2013/14.

2. Recommendations

- 2.1 Members are asked to note the contents of this report and agree to receive a further update at the Policy Seminar on 28 October 2010.

3. Background

- 3.1 In 2010/11 the budget for the ITA was set at an increase of the levy of 1.5% with a commitment in the medium term plan to retain the levy at that level in cash terms for a further two years. However, the financial context in which Local Authorities are now operating has moved on significantly in recent months and the guidance for preparation of the 2011/12 budgets needs to be considered in this context.
- 3.2 The ITA will be asked to approve the levy and the Nexus budget for 2011/12 together with an indication of the budget for the 2012/13 and 2013/14 financial years, as part of its medium term financial strategy at its meeting scheduled for 27 January 2011.
- 3.3 Before this, the Tyne and Wear Leadership Group will provide guidance to joint services (including the ITA as a levying body) for the preparation of budgets over this period following its meeting scheduled for 7 October 2010.
- 3.4 Although this guidance has not yet been approved, it is highly likely, given the expected budget reductions that the Comprehensive Spending Review (expected to be announced on 20 October 2010) will announce that despite inflationary pressures the levy will not be increased for the next financial year

and may in fact be reduced.

4. Next Steps

- 4.1 There are a number of issues that will flow from any decision not to increase the levy.
- 4.2 The Treasurer is proposing to carry out a fundamental review of the ITA budget and challenge the current level of provision. This will be completed under four workstreams:
- Members and governance
 - Support costs
 - Pensions
 - Financing charges
- 4.3 Nexus is also planning a series of efficiencies including a restructuring of the Nexus business by the end of the current financial year that better reflects changes introduced in April 2010 in order to improve service delivery which could mitigate against any decision not to increase the levy, although the level of service reductions required over and above these planned efficiencies will be dependent upon the levy ultimately agreed.
- 4.4 Once budget guidance is received from the Leadership Group and there is more clarity surrounding the likely impact on the levy, members will be given the opportunity to discuss options. It is suggested that budget planning for 2011/12 and beyond is discussed at the next policy seminar which is to be held on 28 October 2010.

6. Further comments by the:

- **Clerk**
- **Treasurer**
- **Legal Advisor**
- **Director General**

7. Contact Officer (s)

- 7.1 Paul Woods, Deputy Clerk and Treasurer to the ITA, Tel (0191) 232 8520 or;
John Fenwick, Director of Finance & Resources (Nexus), Tel (0191) 203 3248



Tyne and Wear Integrated Transport Authority

TITLE: **Date: 23 September 2010**

AUDIT COMMISSION – ANNUAL GOVERNANCE REPORT 2009/10

REPORT **THE DEPUTY CLERK AND TREASURER (ITA)**
OF

Reasons for confidentiality (if confidential)

District Implications All

1. Summary / Purpose of Report

- 1.1 The purpose of this report is to provide members with a copy of the Audit Commission's Annual Governance Report. It provides opinions on the ITA Annual Report & Accounts and the ITA's corporate governance and value for money arrangements during 2009/10.

2. Recommendations

- 2.1 The ITA are recommended to note the contents of the Audit Commission's Annual Governance Report for 2009/10

3. Background

- 3.1 The report attached was considered by the Standards & Audit committee on the 17 September 2010.

4. Information

The Audit Commission have reviewed the Authority's Annual Report & Accounts for 2009/10 and propose to issue an unqualified audit opinion.

4.1 The Audit Commission intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

5. Further comments by the:

- **Clerk** – none
- **Treasurer** – see above
- **Legal Advisor**
- **Director General**

6. Background Papers

6.1 James Dafter, Audit Manager - 0844 7981622 (Audit Commission)

7. Contact Officer (s)

7.1 Marilyn France Ext: 27517

Annual Governance Report

Tyne and Wear Integrated Transport Authority

Audit 2009/10

August 2010

Contents

Key messages	4
Next steps	5
Financial statements	6
Value for money	8
Glossary	9
Appendix 1 – Independent auditor’s report to Members of the Tyne and Wear Integrated Transport Authority	11
Appendix 2 – Amendments to the draft accounts	15
Appendix 3 – Draft letter of representation	16
Appendix 4 – Value for money criteria	19
Appendix 5 – Action plan	20

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Deputy Clerk and Treasurer in August 2010.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 7);
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Steve Nicklin
District Auditor

Date

Key messages

This report summarises the findings from the 2009/10 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from material error	Yes	6
Adequate internal control environment	Yes	6
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	8

Audit opinion

- 1 I propose issuing an unqualified opinion on the Authority's amended 2009/10 financial statements on 23 September 2010 (a draft report is at Appendix 1)

Financial statements

- 2 The financial statements presented for audit were free from material error but did contain a number of minor errors and inconsistencies.

Value for money

- 3 I propose issuing an unqualified conclusion on value for money on the 23 September 2010 (a draft report is at Appendix 1).

Independence

- 4 I confirm that there were no relationships giving rise to a threat to independence, objectivity and integrity.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

5 I ask the Authority to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 7);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 6 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Adjustments to the financial statements

- 7 The draft statements presented for audit contained a number of minor errors and inconsistencies. All those identified have been amended by management.
- 8 When the 2009/10 draft accounts were prepared, officers expressed concern regarding the accuracy of some of the assumptions used by the Actuary in compiling their FRS17 financial estimates. The Deputy Clerk and Treasurer requested the Actuary to revise their figures based on more reasonable assumptions. These figures were supplied and the accounts adjusted, resulting in a decrease in the Pensions Liability and Pensions Reserve of £1.19 million. Various other disclosures were also affected as a result of this adjustment.

Recommendation

R1 Continue to build on the quality assurance approach already in place.

Key areas of judgement and audit risk

- 9 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
New Tyne Crossing – Accounting Treatment (Balance Sheet)	I am satisfied with the accounting treatment adopted by the Authority.
Tyne Tunnel Trading Accounts (I&E)	Our work identified that appropriate accounting treatment was adopted.
Plant and equipment (Balance Sheet)	A prior year adjustment was shown to re-incorporate plant and equipment on the balance sheet which was previously handed over to the concessionaire.
Group Accounts – Nexus accounts are not SORP compliant.	Nexus accounts are consistent in all material respects. Group accounts have been prepared on appropriate basis.

Letter of representation

- 10 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

Value for money

I am required to decide whether the Authority put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money conclusion

- 11 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 4.
- 12 I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

Glossary

Annual governance statement

- 13** Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 14** It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 15** The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
-

Audit closure certificate

- 16** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.
-

Audit opinion

- 17** On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:
- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
 - whether they have been prepared properly, following the relevant accounting rules.
-

Qualified

- 18** The auditor has some reservations or concerns.
-

Unqualified

- 19** The auditor does not have any reservations.
-

Value for money conclusion

- 20** The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent auditor’s report to Members of the Tyne and Wear Integrated Transport Authority

I have audited the Authority and Group accounting statements and related notes of Tyne and Wear Integrated Transport Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Tyne and Wear Integrated Transport Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Deputy Clerk and Treasurer and auditor

The Deputy Clerk and Treasurer’s responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice is set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

Appendix 1 – Independent auditor’s report to Members of the Tyne and Wear Integrated Transport Authority

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for other local government bodies specified by the Audit Commission and published in January 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in January 2009, and the supporting guidance, I am satisfied that, in all significant respects, the Tyne and Wear Integrated Transport Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Steve Nicklin
District Auditor,

Audit Commission
Nickalls House
Metro Centre
Gateshead
Tyne and Wear
NE11 9NH

23 September 2010

Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and management have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Table 2

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
FRS17 Provision	Adjustment due to a revision by the Actuary of the assumptions used to compile FRS17 figures.	-	-	1,190	-
FRS17 Pensions Reserve	Adjustment due to a revision by the Actuary of the assumptions used to compile FRS17 figures.	-	-	-	1,190
General Disclosures	Amendments were made to a number of disclosures identified during the course of our work.	-	-	-	-

Appendix 3 – Draft letter of representation

To: Mr Steve Nicklin
District Auditor
Audit Commission
Nickalls House
MetroCentre
GATESHEAD

NE11 9NH

Dear Mr Nicklin

Tyne and Wear Integrated Transport Authority – Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other members of the Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended March 2010.

All representations cover the Authority's accounts, and Group Accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and performance of the Authority and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority meetings, have been made available to you.

Appendix 3 – Draft letter of representation

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For investments I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- Subsequent events do not require adjustment to the fair value measurement.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Authority no additional significant post balance sheet events, other than the revision of the FRS 17 figures to reflect more reasonable assumptions, have occurred which would require additional adjustment or disclosure in the financial statements.

Specific representations

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Signed on behalf of Tyne and Wear Integrated Authority

I confirm that this letter has been discussed and agreed by the Authority on the 23 September 2010.

Signed

Name Paul V Woods
Position Deputy Clerk and Treasurer
Date

Appendix 4 – Value for money criteria

KLOE	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes

Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Annual Governance Report 2009/10 – Recommendations					
6	R1 Continue to build on the quality assurance approach already in place.	2				

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2010

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

This page is intentionally left blank



Tyne and Wear Integrated Transport Authority

TITLE: **Date: 23 September 2010**

Annual Report and Accounts 2009/10 and Annual Governance Statement 2009/10

REPORT OF **THE DEPUTY CLERK AND TREASURER (ITA)**

Reasons for confidentiality (if confidential)

District Implications All

1. Summary / Purpose of Report

1.1 At its meeting on 28 June the ITA agreed the draft accounts for audit.

1.2 The Audit Commission have completed their audit and the audited Annual Report and Accounts and the final Annual Governance Statement are now presented for approval.

1.3 The accounts are being considered by the ITA Standards and Audit Committee on 17 September. Any relevant comments arising from that committee will be verbally provided to the ITA to be considered alongside this report.

2. Recommendations

2.1 The ITA is recommended

- i. To receive, review and approve the letter of representation (Appendix 1)
- ii. To receive, review and approve the amended ITA and group accounts for 2009/10

- iii. To authorise the chair to sign the amended Annual report and accounts.
- iv. To approve the Annual Governance Statement for inclusion in the Final Accounts 209/10.

3. **Background**

- 3.1 In line with Part II of the Audit Commission Act 1998, included with the audited accounts is the Independent Auditor's opinion on the financial statements. This is contained within the Annual Governance Report, elsewhere on this agenda. This report highlights and comments on that opinion.

4. **Financial statements**

4.1 **Independent Auditor's Opinion**

The Auditors Annual Governance report concludes that:

- The Audit Commission plan to issue an unqualified opinion on the Authority's amended 2009/10 financial statements.
- For the Use of Resources they intend to issue an unqualified conclusion stating that the Authority had adequate arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Adjustments to the Financial Statements

- 4.2 Included in the Auditors' Annual Governance report are matters which are drawn to the Committee's attention. These are discussed below.

The FRS 17 figures have been restated to reflect a reduction in inflation assumptions of 0.25% and a reduction in the real salary increase assumptions of 1%. The effect of this is to reduce the pension liability by £1.190m on the Balance Sheet, to £15.390m. The Statement of Recognised Gains and Losses now shows an actuarial loss on pension fund assets/liabilities of £1.650m. The Group Accounts have been amended to reflect minor changes in the Nexus accounts following their audit, and the changes made to the Authority's Statements relating to the pension statements, as described above.

5. **Letter of Representation**

This is the letter which contains written representations from the Deputy Clerk and Treasurer to the Authority acknowledging responsibility for the fair presentation of the financial statements and is used as audit evidence on matters material to the financial statements.

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

6. Annual Governance Statement 2009/10

The ITA approved the draft Annual Governance Statement for 2009/10 on 28 June 2010. At that time it was noted that the Statement must be up to date when the Final Accounts are published. Following officer review, it can be confirmed that no issues have arisen from the audit of the ITA's accounts or from the Lead Authority's annual governance review process that require any amendment to the draft Annual Governance Statement for 2009/10. This version can therefore be approved as part of the Final Accounts.

7. Further comments by the:

- **Clerk** - none
- **Treasurer** see main report
- **Legal Advisor**
- **Director General**

8. Background Papers

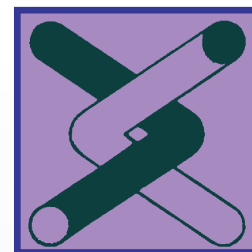
8.1 Background papers held by Marilyn France Ext: 27517, Room 151.

1. 2009-2010 closedown working papers

9. Contact Officer (s)

9.1 Marilyn France Ext: 27517

This page is intentionally left blank



Tyne & Wear Integrated Transport Authority

Annual Report & Accounts

**for the Financial Year ended
31 March 2010**

Prepared by:

1

**Marilyn France
Eleanor Goodman
Paul Woods**

ITA Accountant
ITA Accountant
ITA Treasurer

Annual Report & Accounts 2009/10 Contents

<u>Section 1</u>	<u>Page</u>
What is the Tyne & Wear Integrated Transport Authority.....	7
Chairman’s Foreword & Introduction.....	8
Clerk’s Foreword.....	11
The Committee Members during 2009/10.....	13
Explanatory Foreword by the Treasurer 14 Provides a brief guide to the Annual Report. It reviews and summarises the most significant results included the Authority’s accounts, looks ahead and discusses significant issues arising in 2010/11	14
Principal Financial Results for 2009/10.....	17
Tyne Tunnels and New Tyne Crossing Review.....	23
New Tyne Crossing Project Review of Progress.....	25
Scrutiny Advisory Committee - A Review of 2009/10.....	29
ITA Standards & Audit Committee - A Review.....	31
Statement of Responsibilities for the Statement of Accounts 33 Sets out the responsibilities of the Authority and the Treasurer	33
Statement of Accounting Policies 35 Details the accounting policies adopted for the preparation of the accounts and indicates compliance with the Accounting Code of Practice	35

Section 2

Integrated Transport Authority Accounts & Disclosures

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

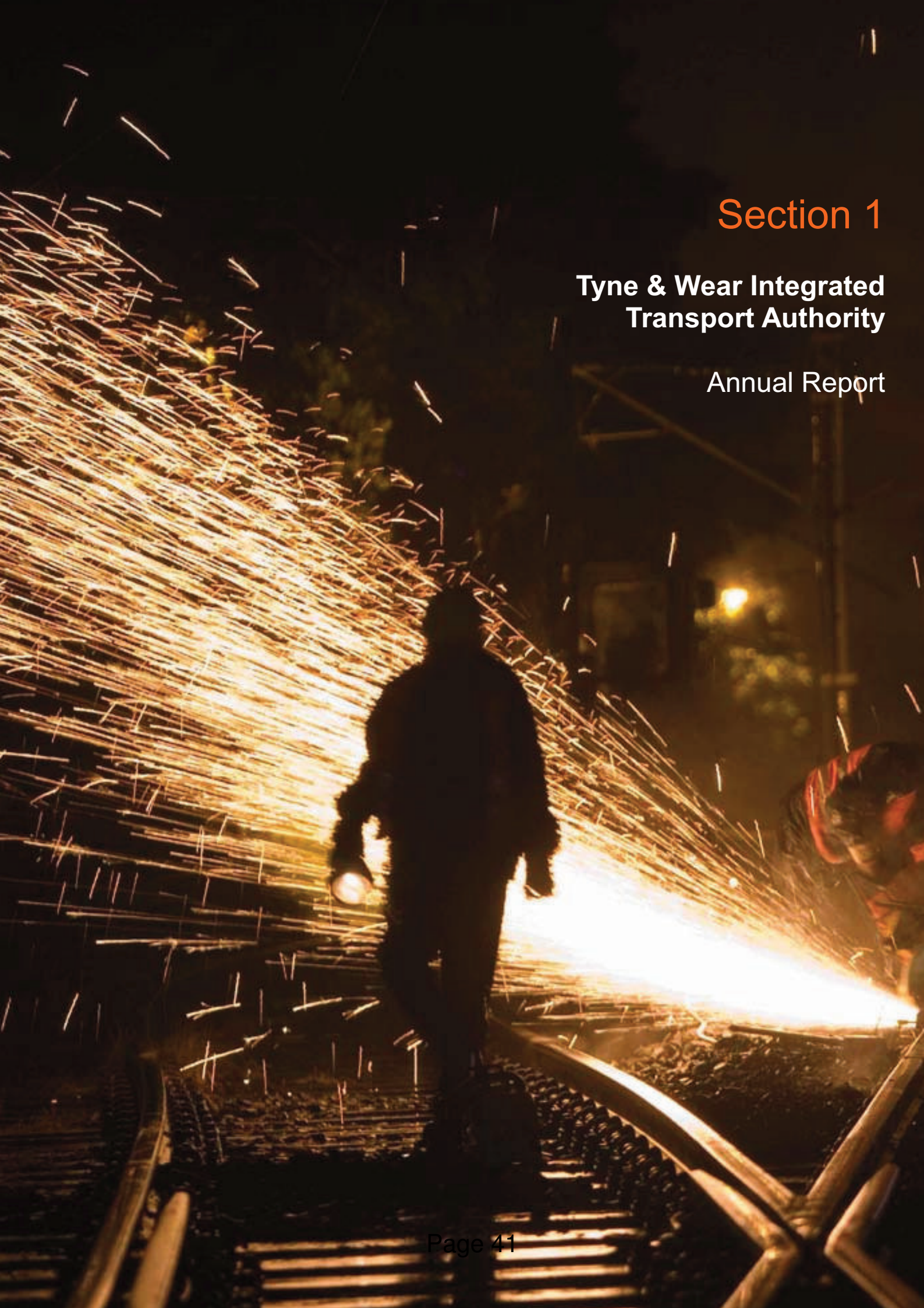
Income & Expenditure Account	47
A summary of revenue expenditure and income of the Authority together with details of how this net expenditure was financed	
The notes to these accounts show specific items required by the Code of Practice	
Statement of Movement on General Fund Balance	48
A summary of revenue expenditure and income of the Authority together with details of how this net expenditure was financed	
Statement of Total Recognised Gains & Losses	49
This statement brings together all recognised gains and losses of the Authority during the year	
Balance Sheet	50
The balance sheet sets out the financial position of the Authority at 31 March 2010 and the notes provide an analysis of balance sheet transactions	
Cash Flow Statement	51
This statement shows the analysis of the cash movements on revenue and capital for the Authority	
Notes to the Accounts	52

Section 3

Group Accounts	73
-----------------------------	-----------

Section 4

Annual Governance Statement	85
[previously the Statement on Internal Control]	
Sets out the responsibilities of the Authority and Officers to the Authority	
Independent Auditor's Report to the Members of Tyne & Wear Integrated Transport Authority	93



Section 1

**Tyne & Wear Integrated
Transport Authority**

Annual Report

What is the Tyne & Wear Integrated Transport Authority?



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

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

We comprise 16 elected members appointed by the five District Councils of Tyne and Wear.

Improving quality of life is a general aim of national, regional and Tyne and Wear Local Transport Plan policy

Improved accessibility, regeneration and renewal will help achieve this. National policy is directed towards urban renaissance, sustaining rural areas, to economic and environmental sustainability and to sustainable development.

An integrated local transport strategy is set out and implemented through the Local Transport Plan (LTP). In Tyne and Wear, the LTP is prepared through a joint partnership comprising the ITA, Nexus (the Public Transport Executive) and each of the five constituent districts of Tyne and Wear.

In order to contribute effectively to the aspirations set out in the LTP for improving the quality of life for people in Tyne and Wear the ITA has adopted the following overarching objectives through its Policy Statement for 2007/08 to 2009/10:-

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

Chairman's Foreword and Introduction



This has been a year of truly historic achievement for the Integrated Transport Authority, the fruits of which will be felt in Tyne and Wear for many years to come.

In February 2010 the Government confirmed a commitment to the Tyne and Wear Metro of £580 million – the largest single funding package ever announced for transport in North East England.

This commitment means Nexus, which owns and manages Metro, will invest almost £400 million, including local contributions, in modernising the existing network over the next 11 years. It also provides long-term revenue support for Metro for the first time in its history, worth £230 million over 9 years.

Together with the continuing £265 million project to build a Second Tyne Tunnel, this represents an unprecedented period of investment in our transport infrastructure, aimed at driving economic regeneration and tackling social inclusion.

The ITA is fully committed to reducing carbon emissions across Tyne and Wear. As part of the LTP3 process, we demonstrate that tackling carbon emissions is a key objective for us and our partners. While we build for tomorrow, I am delighted the high quality public transport we and our partners provide today is attracting people in greater numbers.

The last year, 2009/10, was the first since 1980 in which every mode of public transport in Tyne and Wear – bus, Metro, local rail and the Shields Ferry – experienced growth in passenger numbers. There were almost 186 million journeys, and I was most pleased to see strong growth in child travel since the ITA introduced the £1 Child All Day ticket in September 2008. In its first full year this drove a 15.6% growth in child journeys by bus – encouraging travellers of the future to see public transport as a sustainable positive choice.

The ITA also took the decision to freeze all Metro and Shields ferry fares in 2010, playing our role in helping the region's economy emerge from recession by making travel affordable.

Nexus increased Metro services to South Hylton in Sunderland to five trains an hour, and as part of our funding deal with Government selected a new company to operate Metro stations and trains on its behalf for seven to nine years from 1 April 2010. The successful concessionaire, DB Regio Tyne and Wear, has made significant commitments to improve customer service and quality.

The ITA, meanwhile, will continue to set Metro fares, and has set up a new Metro Sub Committee to oversee and scrutinise all aspects of this vital public service.

As we meet the challenge of providing strong and effective leadership and partnership working, other highlights include: -

- Leading the development of the next Tyne and Wear Local Transport Plan
- A successful outcome to the review of transport governance in the Tyne and Wear city region confirming a central role for the ITA
- A review and revision of our key output measures to align them more to Local Area Agreements, Multi Area Agreements and our LTP targets
- Developing a new vision for Transport in Tyne and Wear
- Establishing new Working Groups on Equality and Diversity, Local Transport Plan and Bus Strategy
- Together with Nexus, delivering on the Bus Strategy for Tyne and Wear, with extensive public engagement informing the Accessible Bus Network Design Project
- Revising and developing Service Level Agreements between the ITA and Newcastle City Council, as the Lead Authority
- The successful Smarter Choices programme to promote sustainable forms of travel

New capital schemes, primarily implemented through Nexus include: -

- The ongoing refurbishment of Sunderland station's platforms in a £7m project
- The completion of Haymarket Metro rebuilding, opened by Her Royal Highness, The Princess Royal, in March 2010
- The opening of a new 95-space park-and-ride facility at Hebburn Metro secured by South Tyneside Council through a development agreement with a local house builder
- The completion of work to fit digital CCTV to all Metro cars – and the first CCTV installed at bus shelters
- The refurbishment of Blaydon and Wallsend bus stations in a combined programme worth £230,000 through the Bus Strategy

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

- Developing and formulating the next Local Transport Plan
- Considering and implementing recommendations from the Governance Review.
- Involvement in the Tyne and Wear City Region
- Refocusing our remit for Integrated Transport

Work will start on a £15 million project to install new smart ticket machines at all Metro stations, and barriers to reduce fraud at 13 key destinations. This will form the foundation for the North East Smart Ticketing Initiative, one of the countries' most exciting and ambitious public transport technology projects.

The ITA will work closely with all 12 local authorities in North East England, Nexus and transport operators, to develop a single unified smart ticketing technology for all public transport from the Tees Valley to the Scottish border, with applications far beyond just travel.

The coming years will be challenging for public transport as Government spending comes under pressure, but we will continue to pursue schemes and options to help us improve transport across Tyne and Wear.

Finally, I would like to pay tribute to the dedication showed by everyone who provides public transport in Tyne and Wear during the severe winter weather that struck the region in December and January 2010. It was a period when many unsung heroes worked through the night and in appalling conditions to make sure that buses and Metro trains were available reliably for the people who depend on them – and for that we must all say thank you.

Councillor David Wood
Chair of Tyne & Wear Integrated Transport Authority

Clerk's Foreword



I was formally appointed as Clerk to the Authority in September 2009 and looking back over the past year we have seen some significant changes. The ITA was established under legislation in February 2009 and we have grasped the opportunity and challenges presented.

With the introduction of a new Government, budgets across the public sector are likely to be stretched, given the nature of the national budget deficit which will present the ITA and Nexus with significant challenges; however I am confident that we have the necessary financial plans in place to meet these challenges.

We have established new Working Groups that help the ITA discharge its broader transport remit. These are: -

- Local Transport Plan (LTP) Working Group
- Equality and Diversity Working Group
- Bus Strategy Working Group

We have successfully concluded the Tyne and Wear City Region Transport Governance Review which gives the ITA a stronger voice in influencing and shaping Tyne and Wear City Region transport policy development. ITA officers have been closely involved with the Access to Tyne and Wear Transport Study, which will offer advice to Government on the transport challenges facing the City Region. ITA Officers based at Newcastle City Council have continued to provide valuable support and policy advice to Members ranging from financial advice to specific transport policy advice. We finalised our ITA Officer Statement for our Members that set out our achievements over the last year and what we have planned for the coming year.

The ITA is taking a lead on LTP3 development. We will have a draft of LTP3 ready to consult with partners, stakeholders and public in September 2010. We are also revising and refreshing our ITA Policy Statement, replacing the previous passenger policy statement. This will also set out a transport vision for Tyne and Wear which we are taking forward as part of the LTP process.

We work closely in partnership with Nexus; I sit on the Nexus Board together with two of my officers. The IT is responsible for strategic integrated transport policy across Tyne and Wear and Nexus, together with our partners in the districts, help to deliver these policies.

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

- Metro Reinvigoration
- The redevelopment of Haymarket Metro station
- Sunderland Station Improvements
- The Second Tyne Tunnel

ITA Officers will continue to provide the vital advice and support that our Members need to enable them to make decisions. We need to make sure that we continue to look forward, beyond the current financial challenges, to provide a transport system that is accessible and sustainable for all.

Barry Rowland
Clerk to the ITA

The Authority Members during 2009/10



John McElroy
Vice Chair



Stuart Green



Peter Maughan



David Wood
Chairman



Wendy Taylor



Gerry Keating
Leader of the
Opposition



Greg Stone



Alison Austin



Ed Hodson



Frank Lott



North Tyneside Council



A McMillan



Tom Hanson
Vice Chair



South Tyneside Council



J Blackburn



John Scott
Statutory Vice
Chair



Robert Symonds



Peter Wood



Explanatory Foreword by the Treasurer



Introduction

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

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

This statement of accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain which requires that the accounts present 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 2009/10 and its financial position
- An overview of activities and significant matters which occurred during the year

The Tyne & 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 derived from the tolls from the Tyne Tunnels.

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

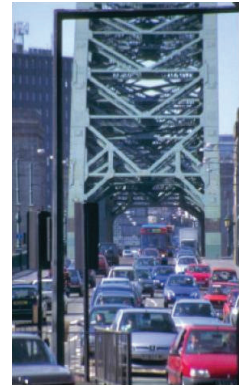


The lead authority for the ITA is Newcastle City Council. It provides administrative, engineering, financial, legal and other advisory services directly to the Authority.

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

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

At its meeting in November 2009 the ITA agreed to take the role of Lead Authority in developing and implementing the NESTI programme on behalf of the 12 Local Authorities in the North East. NESTI stands for North East Smart Ticketing Initiative, and over three years will establish a smart ticketing infrastructure covering the North East region consisting of smart ticket machines on buses and Metro stations and a smart back-office (called an ITSO HOPS) available for use by any participating local authority to make its Concessionary Travel scheme smart. The programme will also explore further improvements including an 'e-purse' product which allows customers to pay as they travel using a smartcard, and interfaces to other smartcard schemes. In its role as Lead Authority the ITA will administer £10 million of funding jointly contributed by the NESTI partners and will instruct Nexus, in its role as the body responsible for delivering ITA policy for public transport, to manage development of the programme.



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

The New Tyne Crossing is a major construction project that will provide a new tunnel alongside the existing one. The new tunnel will convey two lines of southbound traffic, and the existing tunnel will be fully refurbished and altered to convey two lines of northbound traffic. Both tunnels are expected to be completed and operational by the start of 2012. Progress on the site is going well and the ITA started to make capital payments to the concessionaire towards the year end of £31.4m. Further information is given in the New Tyne Crossing review on pages 23 to 28.

Key Issues during 2009/10

The ITA's total spend was £9.678m over its original budget for the year after taking account of the new accounting arrangements for public private partnerships under the SORP 2009 and the use of revenue towards the funding of the new tunnel, within the year. This reflected the impact of the ITA agreeing to take on responsibility for the £10m NESTI project and implementation of the accounting arrangements to give maximum flexibility in the development of this fund in future years. If the exceptional items are excluded, the ITA's spending is £0.3m less than the original budget due to the net gain on prudential borrowing and other savings in financing charges.



Further developments on the New Tyne Crossing

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

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

New Tyne Crossing borrowing and investments

To manage the risk of the credit crunch the ITA has repaid debt of £74m in 2009/10 and has reduced the level of its investments; at 31 March the ITA had no external investments. Short term investments of £45m are shown on the Balance sheet with the lead Authority Newcastle City Council, which is responsible for the treasury management of the ITA. The average rate of interest paid on loans in the year was 4.41%. The average rate of interest received on investments throughout the year was 4.40%.

Reserves position

The ITA's reserves decreased by £0.79m to £3.27m which was due to the use of the reserves to limit the levy increase to 1.75% in 2009/10. A further use of reserves income is planned in 2010/11 to reduce the levy on the Tyne & Wear districts from 1.75% to 1.5%, and to provide additional resources to Nexus. Tyne Tunnel balances also decreased during the year by £1.16m to £21.08m. The prior period adjustment for changes in accounting for the New Tyne crossing reduced the Tyne Tunnel reserves by £2.93m. These reserves are being set aside to finance the New Tyne Crossing project. In addition a further contribution of £0.57m was made to the earmarked reserve from interest on investments, increasing it to £13.4m specifically held for Metro Re-invigoration. This was established in 2007/08 from the revenue support to Nexus and agreed by the ITA.

The ITA accounts for the financial year 2009/10 are set out in section 2. They consist of the following statements, along with notes to each: -

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

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

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

Statement of Total Recognised Gains & Losses – the statement relates to the purchase and sale of fixed assets, and brings together all the gains and losses of the Authority during the year

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

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

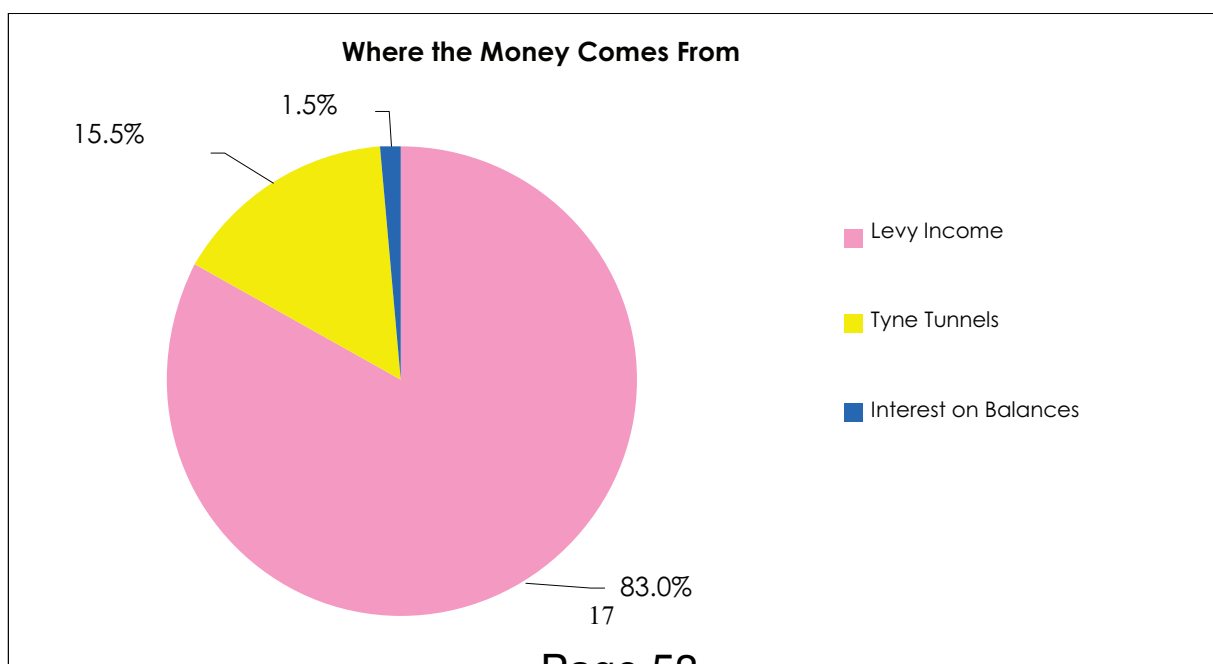
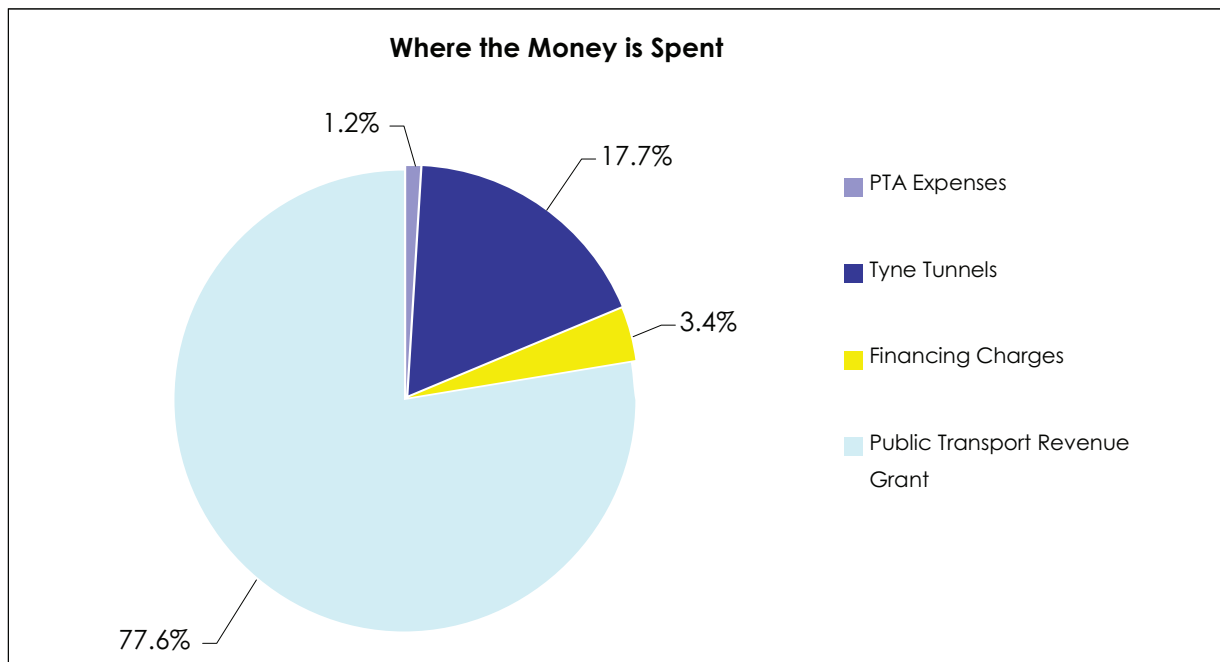
Group Accounts – these provide the same information as above, but incorporate the Nexus accounts within the figures. All subsidiaries have to be included within separate group accounts. Notes also provide further detail where this has not been provided within the single entity accounts

Principal Financial Results for 2009/10



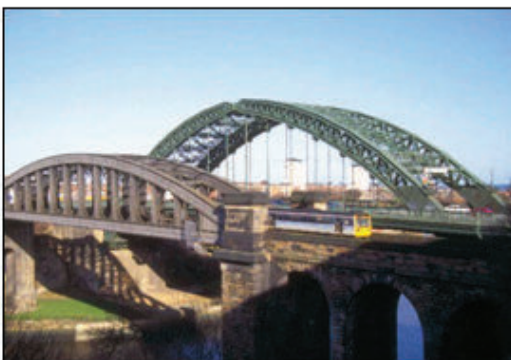
1. Revenue Expenditure

The ITA's revenue expenditure in 2009/10 amounted to £87.06m and income amounted to £85.12m. The diagrams below indicate where income comes from and how it is spent: -



The following table provides a summary of actual spending against the revised budget for 2009/10 as reported to the 28 January 2010 meeting of the Tyne and Wear Integrated Transport Authority. To provide a comparison across years, the table also shows actual spend for

	2008/09	2009/10		
		Revised Budget	Actual	Variation
	£'000	£'000	£'000	£'000
ITA Expenditure				
ITA Budget				
- Expenses of the ITA	680	610	562	(48)
- Pensions	510	510	510	-
- Transport financing charges	3,040	2,930	2,966	36
- Interest on Reserve	(677)	-	(567)	(567)
- Interest on revenue balances	(152)	(122)	(136)	(14)
- Net gain on prudential borrowing	(1,663)	-	(66)	(66)
	1,738	3,928	3,269	(659)
Tyne Tunnels	(6662)	(8,614)	1,156	9,770
Revenue Support to Nexus	64,180	67,595	67,595	-
Net Expenditure	59,256	62,909	72,020	9,111
Less Levy on Tyne & Wear Councils	(69,431)	(70,646)	(70,646)	-
Contribution to earmarked reserve	2,277	-	567	567
Contribution to / (from) Reserves	7,898	7,737	(1,941)	(9,678)



2. Analysis of Revenue Expenditure against Budget

Budget Heading	Budget £	Actual £	Difference £
Staffing & Charges for Servicing Officers	364,490	326,665	(37,825)
Audit Fees	46,600	48,804	2,204
Members allowances and expenses	88,200	86,200	(2,000)
Accommodation Charges	7,670	8,714	1,044
Subscriptions	40,040	40,036	(4)
Conferences	3,570	3,187	(383)
Travel expenses and subsistence	4,520	2,820	(1,700)
IT Development	34,850	34,848	(2)
Printing costs and consultancy	18,560	4,708	(13,852)
Advertising	2,000	6,210	4,210
Pension Deficiency Payments	510,000	510,000	-
Financing Charges	2,929,520	2,966,015	36,495
Interest on reserve			-
Net gain on prudential borrowing	-	(66,636)	(66,636)
Interest on revenue balances	(122,000)	(135,822)	(13,822)
Total	3,928,020	3,835,750	(92,270)

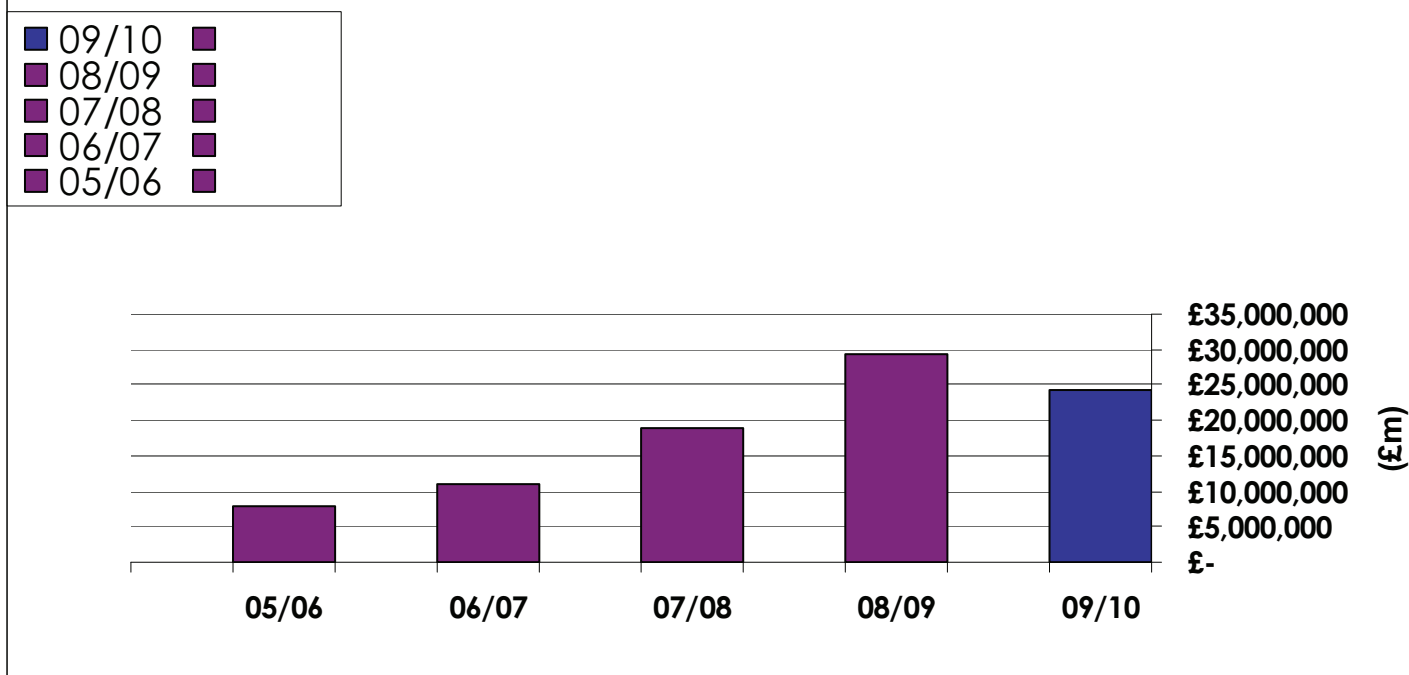
Overall, spending was within budget forecasts, with no major unexpected charges occurring during the year. Additional income from investments and reduced financing charges, resulted in a saving on the original budget for the year.

3. Reserves Position

Reserves at 31st March 2010	2008/09 £'000	2009/10 £'000	Difference £'000
Metro Re-invigoration Reserve	(12,875)	(13,441)	(566)
Integrated Transport Authority	(4,053)	(3,268)	785
Tyne Tunnel	(22,235)	(21,079)	1,156
Total	(39,163)	(37,788)	1,375

The ITA reserves reduced during 2009/10 due to the planned use of reserves to limit the increase in the levy to 1.75%. Tunnel balances decreased owing to changes in accounting for private public partnerships and the funding from revenue of capital expenditure on the tunnels. The following graph indicates the Authority's reserves position for the last four years: -

Reserves @ 31 March 2010



4. Capital Expenditure

Budget Heading

Environmental improvements

Land

Professional fees

Capital contributions –New Tyne Crossing

Cycle Infrastructure

Lift replacement

Pedestrian tunnel

Total Capital Programme

Budget Heading	Budget £'000	Actual £'000	Difference £'000
Environmental improvements	257	175	86
Land	475	194	(281)
Professional fees	1,161	1,226	65
Capital contributions –New Tyne Crossing	31,400	31,400	
Cycle Infrastructure	38	38	-
Lift replacement	30	-	(30)
Pedestrian tunnel	25	21	(4)
Total Capital Programme	33,386	33,054	(164)

5. Pension Liabilities

The ITA is a member of the Tyne & Wear Superannuation Fund and the assets and liabilities of the fund that may be attributed to the Authority are evaluated by the pension fund's actuaries. The actuary has estimated for accounting purposes that the pension fund is currently in a deficit position and that the ITA's share of the deficit is £15.390m as at 31 March 2010 (£13.841m as at 31 March 2009). A strategy has been agreed with the actuary for the deficit to be recovered over the next twelve years with regular tri-annual revaluations of the fund due in 2010 with enhanced contributions likely.

The figures have been revised since the draft accounts to reflect revised assumptions for inflation and pension increases, this reduced the liability by £1.19m.

6. Changes in Accounting Policies & Practices

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

Private Finance Initiative or Similar Contracts

Under the 2009 SORP, any PFI or similar arrangements have to be accounted for under the International Financial Reporting Interpretation Committee 12. The New Tyne crossing partnership is considered to be such an arrangement and it has resulted in changes to the presentation of the usage payments in the accounts for 2009/10 and previous years. Further information is set out in the accounting policies on page 33.

Disclosures

Under the 2009 SORP there is no longer a requirement to include the following disclosures

- Expenditure on Publicity

7. Metro Reinvigoration

On 2 February 2010 the Government awarded Nexus around £580m to modernise and operate the Tyne and Wear Metro and secure the future of the system. Nexus has entered into a contract for the Operating Concession - a contract to operate and maintain trains and stations and refurbish the Metro fleet on its behalf - with DB Regio Tyne and Wear Ltd for the next seven to nine years commencing on 1 April 2010.

The capital grant from Government combined with local expenditure means that Nexus can invest almost £400m modernising the system over the next 11 years. In the early years the money will allow Nexus to modernise 12 stations, install new escalators, install new lifts at key interchanges, renew more than 11km of track and 34 bridges, lay 60,000 metres of new cabling and oversee the refurbishment of all 90 Metrocars.

This is in addition to existing programmes to modernise Sunderland and Haymarket stations, to be completed this year, and the installation of new ticket machines at every station capable of selling 'smart' tickets backed by online purchase.

Nexus will continue to own all Metro assets and set strict standards for train frequency, punctuality, cleanliness, information and security and fares will continue to be set, as now, by the Integrated Transport Authority. Nexus will pay DB Regio Tyne and Wear Ltd agreed payments over the length of the contract, included in which is a bonus and penalty element based on its performance, particularly in relation to train operations, service quality and revenue protection.

Around 400 people who worked for Nexus on Metro duties including train driving and control, train maintenance and station operation have transferred to the employment of DB Regio Tyne and Wear Ltd. A further 270 people who also currently work on Metro have remained with Nexus in roles involved with managing the whole system including the operating concession, taking forward the modernisation programme and maintaining infrastructure including tracks, communications, power supply, station buildings and equipment.

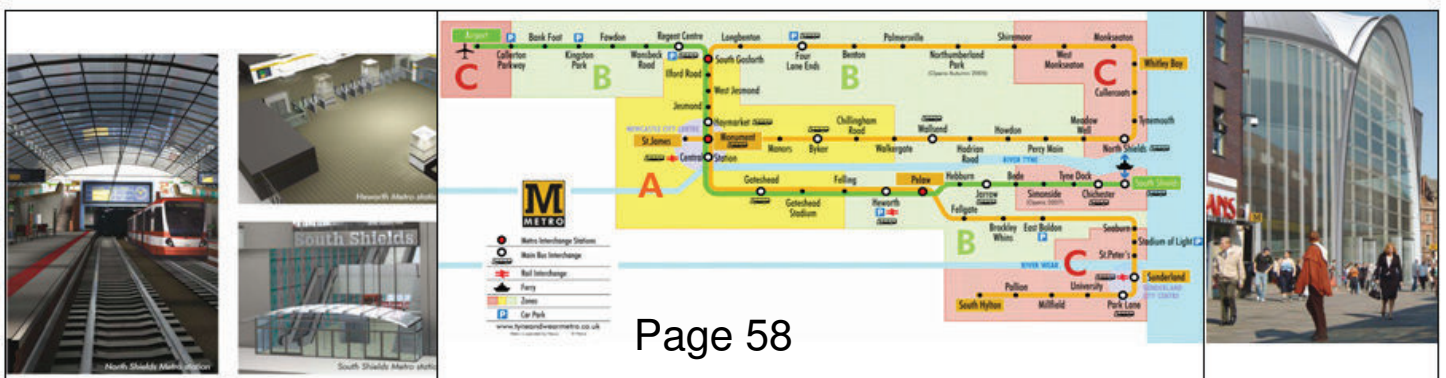
8. Significant Issues from 2009/10 and into 2011/12

The main issues facing the ITA for 2010/11 are: -

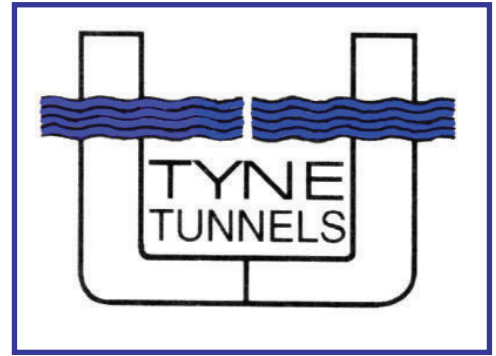
Managing the regional fund for smart ticketing on behalf of North East Smart Ticketing Initiative, these monies are held as a provision on the balance sheet

The need to actively manage investments and debt to minimise risk and deliver net financing costs within budget

To work closely with Nexus to deliver a cash limited levy for 2011/12 to continue to improve the value for money for the districts and local taxpayers that fund the ITA

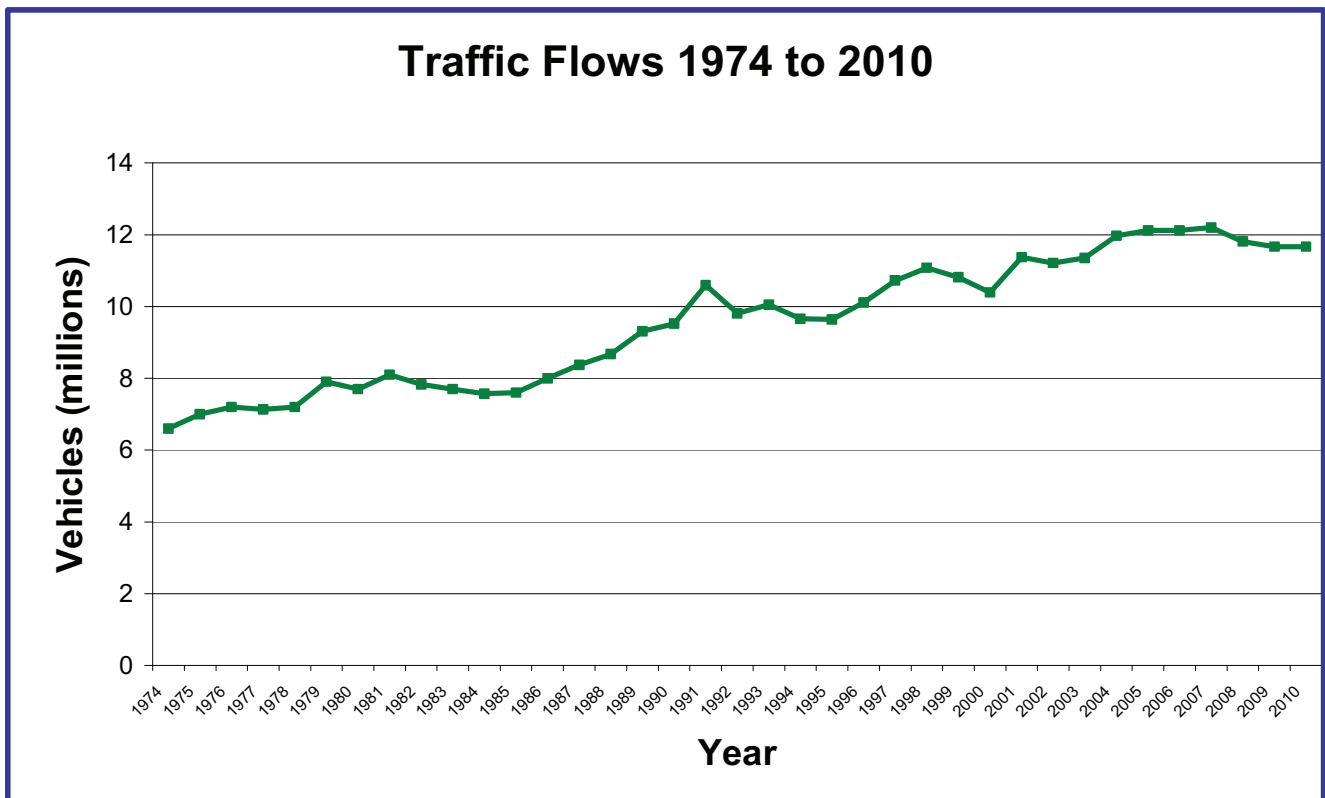


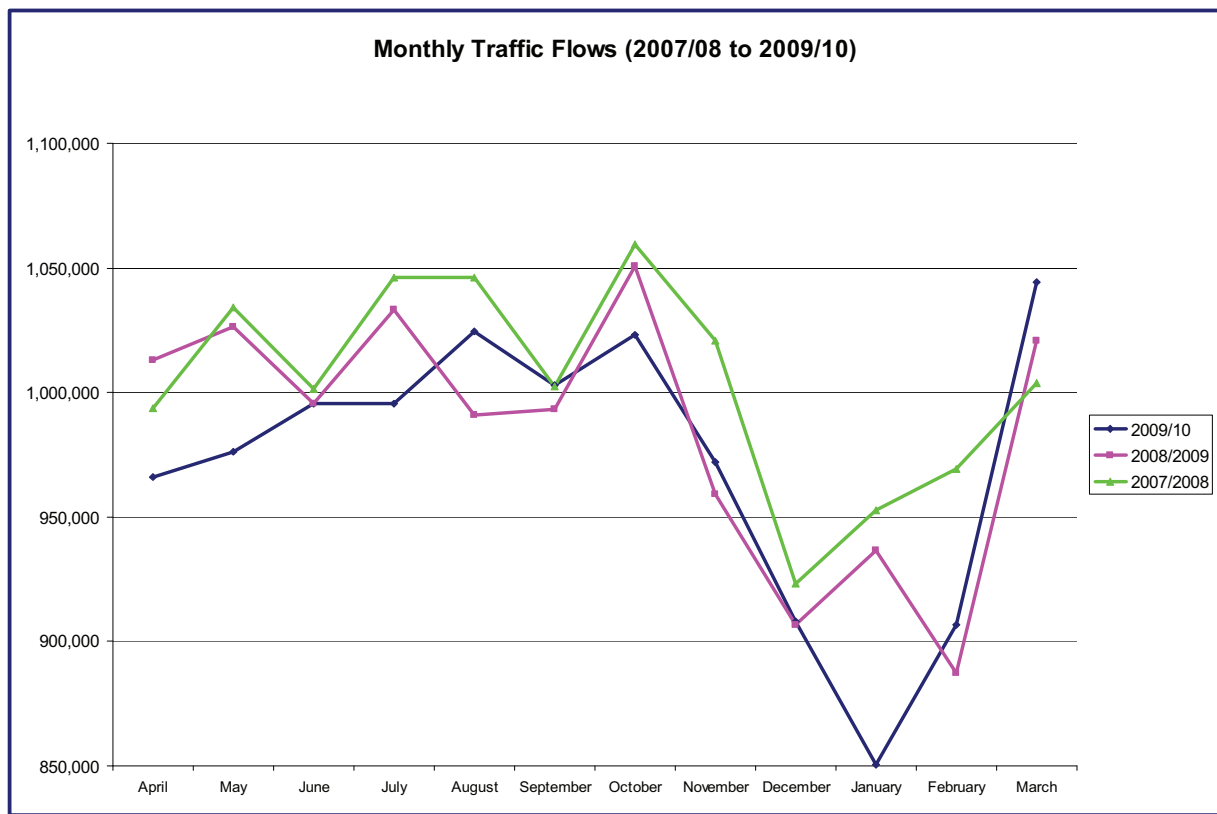
Tyne Tunnels and New Tyne Crossing Review



The Tyne Tunnels

The vehicle tunnel has been open for more than forty years, with traffic numbers increasing steadily since then. In 2009/10, the traffic level was 11.6 million vehicles, corresponding to toll income of £13.18m after adjusting for prepayments (compared with £12.987m in 2008/09). The toll levels were increased in January 2008 (to £1.20 for cars) with traffic flows largely levelling off over the last few years (see graphs below). The toll income is being used to fund both the running costs of the tunnels and the development of the New Tyne Crossing project.





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

The in-year position against budget was as follows: -

	Budget £'000	Actual £'000	Difference £'000
Employees	35	35	-
Pensions	588	588	-
Repairs & Maintenance	-	-	-
Premises	25	29	4
Other expenses	23	27	4
Supplies & Services	8	11	3
Support Services	172	143	(29)
NTC Community Fund	10	3	(8)
Financing Charges	1,882	1,753	(129)
Revenue Contribution to capital expenditure		21	21
Usage Payments	2,826	5,659	2,833
Toll Income	(13,150)	(13,180)	(30)
Other Income	(13)	(15)	(2)
Interest on Tunnel Balances	(1,020)	(1,096)	(76)
Contribution To NESTI		7,178	7,178
Total Tunnel Operating Costs	(8,614)	1,156	9,770

Capital expenditure on the tunnel has been financed from the contributions received from North East Councils towards the NESTI project and a provision has been set up in the balance sheet to reflect monies held for the NESTI project. Tunnel income was lower than anticipated, due to lower level of traffic compared to the previous year.

New Tyne Crossing Project Review of Progress



Project Director's Review of Progress in 2009/10

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 2009/10 was the second full year of the contract which has a 30 year term.

Operations

The traffic volumes at the tunnel reduced by approximately 1.5% compared to year 2008/09. The reduction is less than that forecasted for budget purposes by TT2 Ltd early in 2009 and is broadly in line with the average figure for Tyne and Wear. As in 2007/08 the reduction is thought to be related to the current general economic conditions rather than any effect of the construction works. A journey time monitoring system was installed by the TWITA prior to transfer to TT2 Ltd. The system is providing real time accurate information which is readily available to tunnel users on the Tyne Tunnels web-site and via mobile phones. It is allowing users to make informed decisions on when to time their cross river trips through the Tyne Tunnel. It is encouraging that TT2 are managing to maintain total volume throughput in the morning and evening peaks at pre-construction levels – and at times slightly better.

Staff at the Tyne Tunnels have expressed no difficulties with their new situation. TT2 Ltd have again negotiated an adjunct to the national pay settlement (second year running) which has been well received by the staff.

The performance of TT2 is monitored on a daily basis by the TWITA's Monitoring Officer who is based on site at the Tyne Tunnel. There was no requirement to apply any penalty deductions. TT2's performance is classed as 'VERY GOOD' over the year.

With the exception of the Control Room, reception and the maintenance garages, TT2 have temporarily relocated to the Howdon Yard during the building modification/improvements to the Tyne Tunnel offices.

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

Construction

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

Significant progress has been made. The approach tunnel structures are nearly complete, the transition structures on both banks of the river are complete, the sprayed concrete lining tunnel sections (to avoid disturbance of major public utility apparatus) are nearing completion, construction of the new Howard Street Bridge is complete and open to traffic. The Jarrow junction works are complex and progressing satisfactorily with the new slip road nearing completion, the new slip road bridge completed, ventilation gallery & building nearing completion and the retaining walls near Epinay Walk at an advanced stage.



Construction of the 4 immersed tube caissons at Walker were completed in June 2009 and the dry dock was flooded in December 2009. Dredging of the river took place November and December 2009 and the material delivered to Tyne Dock. The use of the dredging in this way was a joint initiative between the Port of Tyne and the main contractor Bouygues Travaux Publics UK Ltd to produce a cost effective and environmentally superior solution to dredging and disposal of material. It required approvals and consents from the environmental regulators and planning permission from South Tyneside Council. The four caissons were floated out of the dock and immersed in the dredged trench during January to early March 2010. The trench was backfilled in March 2010 and rock armour protection placed in April 2010.



Environmental Monitoring

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

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

No breaches of the pre-agreed water quality threshold criteria were recorded during the dredging and backfilling operations to the caissons.

Communications

The communication plan set out in the tender documentation was implemented over April – June 2008. The Strategic Partnering Forum meets on a quarterly basis. It is chaired by the Managing Director of TT2 Ltd and brings together the major stakeholders to address strategic and cross river issues. The North and South Partnering fora, which are chaired by local elected representatives and consider local issues, have also continued to meet throughout 2009/10. Information dissemination is effected by the media, newsletters, drop-in sessions at venues adjacent to the site, schools liaison, web-sites (construction and operator) and presentations. A 24 hour phone line has been set up to receive call for assistance, information and complaints. The communications effort is directed by a Strategic Communications Group. In calendar year 2009, TT2 reported 255 complaints and 215 compliments.

In September 2009, TT2 engaged the local communities and major stakeholders in a series of events to garner input to the formulation of the submission to the Planning Authorities for reinstatement landscaping. This was very well received by those who took part and over 300 comments were recorded. The landscape plans have now been submitted for approval. During the preparation of the proposal to infill Tyne Dock the main contractor and TT2 engaged with the major Tyne fishery stakeholders as well as the regulators. Feedback from these parties suggests that the dredging did not affect the fishery in any detrimental manner.

Programme

The current key delivery dates are: -

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

Land

The entire site continues to be occupied by the constructors. Two properties on Salem Street have suffered vandalism since the previous occupiers vacated them because of their close proximity to the works. Both properties are owned by South Tyneside Council and had been sealed off using hoarding boards. This protection has now been enhanced to prevent further attacks.

Preparation is in hand to exercise the River Tyne (Tunnels) Order 2005 powers to acquire the sub-soil occupied by the new tunnel. Arrangements for the hand-back of land are now being planned between the various parties.

Acknowledgement

Some of the photographs were taken in April 2010 and are reproduced with the kind permission of the main contractor.

Paul Fenwick
New Tyne Crossing Project Director

Scrutiny Advisory Committee - A Review of 2009/10

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

The Scrutiny Committee was established in 2003. Its members are appointed annually by the five Districts in Tyne & Wear. Each District appoints two Councillors. To ensure Independent advice - and a clear separation between those doing the scrutiny and those being scrutinised - Councillors are not members of the Integrated Transport Authority. The Scrutiny Committee appoints its own Chair and Vice Chair at the first meeting of each municipal year and sets its own work programme.

Membership of the Scrutiny Committee 2009/10



David Forbes
[Chairman]
Sunderland



Graeme Miller
Sunderland



Brian Richmond
[Vice-Chairman]
Gateshead



Lawrence Hunter
Newcastle



Mike Lynch
Newcastle



David Charlton
North Tyneside



Julia Macauley
North Tyneside



Malcolm Graham
Gateshead



Bill Brady
South Tyneside



[Vacancy]
South Tyneside

Four meetings of the committee were held in 2009/10 at venues across Tyne & Wear; reflecting the shared interest of the five Districts involved.

Unfortunately, attendance has been an issue this year for some Councillors.

Work Programme June 2009 - April 2010

To maximise the scrutiny contribution to policy debate the committee agreed, at the start of this year, to base its meetings on the five national ambitions for transport planning¹. This new approach also recognises the enhanced role of the ITA from The Transport Act 2008. The committee's new approach aims to deliver a sharper focus on key issues. Outcomes, against national priorities are as follows:

National Goal	Work of the Scrutiny Committee 2009/10
Support national economic competitiveness and growth by delivering reliable and efficient transport networks	<ul style="list-style-type: none"> • Scrutinising the Tyne and Wear Traffic and Accident Data Unit. TADU manages traffic flow data. • Understanding the contribution of the ITA to regional transport strategy, with a watching brief on the review of governance arrangements. Also what was available under new 'well-being' powers. • Walking the site of the new Tyne Tunnel. • Monitoring representations being made to press the case for high speed rail to the North East. • Understanding national priority being given to improvements to A19 junctions.
Reduce transport's emissions of carbon dioxide and other greenhouse gases with the desired outcome of tackling climate change	<ul style="list-style-type: none"> • Scrutinising ITA and Nexus Action Plans following their signing of the Nottingham Declaration on climate change. • Understanding investment in the Tyne Foot Tunnel, suggesting opportunities to promote its use as part of cycling and walking networks.
Contribute to better safety, security and health and longer life expectancy by reducing the risk of death, injury or illness arising from transport and by promoting travel modes that are beneficial to health	<ul style="list-style-type: none"> • Writing to the DVLA requesting more use of the tax disc reminder to promote safe driving. • Writing to Nexus to suggest a more formalised dialogue with local NHS Trusts. • Understand the work of TADU in supporting Road Safety officers across Tyne and Wear. • Commenting, as part of national review, on the safety of mobility scooters and powered wheel chairs. • Understanding the ITA's approach to recording risk.
Promoting greater equality of opportunity for all citizens with the desired outcome of achieving a fairer society	<ul style="list-style-type: none"> • Promoting the Nexus 'Bridge' card developed to help those with limited mobility take a seat on local buses. • Understanding the take up/promotion of concessionary fares. • Commenting on consultation proposals on a developing vision for transport in Tyne and Wear. • Commenting on how the ITA is addressing equalities.
Improving quality of life for transport users and non transport users and to promote a healthy natural environment	<ul style="list-style-type: none"> • Understanding the North East Smart Ticketing initiative. • Commenting on public consultation proposals to support a review by the ITA of its subsidy to local bus services.

ITA Standards & Audit Committee - A Review



During the year, priority was given to embedding the Committee's terms of reference which had been revised during 2008/9 and this was reflected in the Committee's work programme for 2009/10.

The Committee endorsed the annual report of the Interim Chief Internal Auditor for 2008/9, the report having confirmed that the Authority's risk management, control and governance processes were satisfactory as were the responses to individual audits undertaken during the year.

The Committee welcomed and endorsed the Audit Commission's Triennial review which had concluded that the Authority's Internal Audit function was compliant with local government standards and that its contribution to the Authority's control environment had improved compared with the previous year. These findings were taken into account when the Committee considered the draft Annual Governance Statement. The Committee also considered the Authority's strategic risk register as well as the Audit Commission's Annual Audit and Inspection Letter.

The Committee noted that Deloitte had been appointed as the external auditor from 2010/11 onwards, the Audit Commission continuing to undertake the role for 2009/10.

At each meeting, the Committee considered progress reports on the work undertaken by Internal Audit and External Audit along with the Authority's revenue budget monitoring report which gave members an opportunity to forward views direct to the Authority.

During the year the Committee also considered reports regarding the ethical framework, including a report back on the Standards for England annual assembly held in October 2009. The Committee also adopted criteria and procedures for determining dispensation requests in line with new Regulations and Standards for England guidance. In addition, the Committee considered new publications which had been issued by Standards for England, as well as a new training DVD.

Independent Members



**Mark Scrimshaw
(Chairman)**



Liz Green



Tony Atkinson



George Clark

ITA Members



**Councillor
Stuart Green**



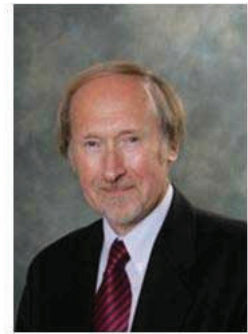
**Councillor
James Blackburn**



**Councillor
Ann MacMillan**

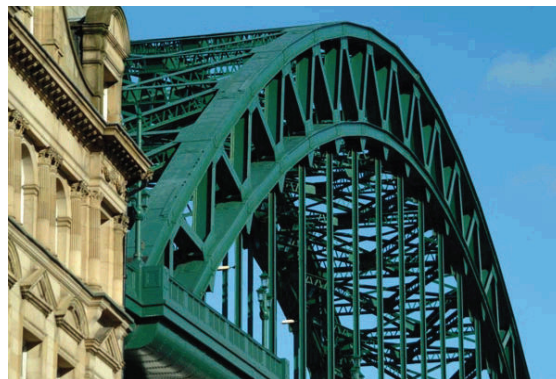


**Councillor
Greg Stone**



**Councillor
Peter Wood**

Statement of Responsibilities for the Statement of Accounts



The Authority's responsibilities

The Authority is required: -

To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer

To manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets

To approve the statement of accounts

Signed

**Chair of Tyne & Wear Passenger
Transport Authority**

Date: 23 September 2010

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASACC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2010

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 Local Authority SORP

The Treasurer has also: -

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

Treasurer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2010, required by the Accounts and Audit Regulations 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 31st March 2010 and its income and expenditure for the year ended 31st March 2010.

Signed
PV Woods, Treasurer and Deputy Clerk
Date: 23 September 2010

Statement of Accounting Policies



1. General Principles

The Chartered Institute of Public Finance and Accountancy (CIPFA) issues general guidance to authorities upon how their accounts should be compiled. These accounts conform to the requirements of the Institute as issued in its 2009 Statement of Recommended Practice (SORP). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets. The SORP is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the ITA's accounts present fairly the financial position and transactions of the Authority.

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

2. Accruals

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

3. Detailed Accounting Policies

Reserves

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

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

Provisions

Provisions are made where an event has taken place that gives the ITA an obligation that probably requires settlement by a transfer of economic benefits, but where the timing is uncertain. In 2009/10 the ITA has a provision of £7.178m for the NESTI project equal to the contributions received by the 31 March 2010.

Fixed Assets

General

The 2009/10 accounts have been compiled in accordance with CIPFA's Code of Practice, FRS 11 (Impairment of Fixed assets) and FRS 15 (Treatment of Tangible Fixed Assets).

Arising from the Code of Practice:

Accounting for the use of fixed assets in service accounts is separate from their Financing Costs. Revenue accounts are charged with a cost based upon the value of the assets;

All fixed assets owned by the Authority are capitalised and included in the balance sheet, in most cases at current values, except for infrastructure which is valued at historical cost; and

The impact of the Code is neutral on the Authority.

The ITA's fixed assets were revalued in 2008/09. This was carried out by Newcastle City Council's Property Services Department in accordance with the Statements of Asset Valuation Practice & Guidance Notes of the Royal Institution of Chartered Surveyors.

De-minimis Levels

For all Capital expenditure the de-minimis level is £10,000.

Basis of Asset Valuations

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuations Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The ITA complies with FRS11 'Impairment of Fixed Assets and Goodwill' and FRS15 'Tangible Fixed Assets'. Fixed assets are classified into groupings required by the 1993 Code of Practice on Local Authority Accounting.

The closing balances at 31 March 2009 were stated as at 1 April on the following basis:

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

Revaluation of Assets

Under CIPFA Code of Practice, all assets must be revalued every five years. This work is carried out on behalf of the Authority by the Property Services Division of the lead authority. The first such revaluation took place in 1999/00, with the most recent revaluation done during 2008/09. These revaluations are detailed at Notes 11 and 12 to the Core Financial statements.

Charges to Revenue for Fixed Assets

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

Depreciation

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

Life Expectancy of Assets (in years)

	Initial	2008/9	2009/10
Freehold Land	n/a	n/a	n/a
Tyne Tunnels	120	74	73
Infrastructure	40	34	33
Other Properties	n/a	n/a	n/a

Grants

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

Assets under Construction

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

Disposals

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

Revenue Expenditure Funded from Capital under Statute

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

Interest Charges

Interest on loans outstanding is accrued. Interest earned by the Authority is shown in the I&E Account. Interest charges have been allocated on the basis of the average debt outstanding. The interest rate for 2009/10 was 4.40% (4.56% for 2008/09).

Redemption of Debt

The Authority's revenue accounts have been charged with amounts which cover the Minimum Revenue Provision (MRP) required by the Local Government Act 2003. This has been set at 4% of the Authority's opening credit ceiling for supported capital expenditure and existing debt, for capital expenditure from 2008/09 financed by prudential borrowing the MRP calculation is based on the equal annual instalment method.

Investments

The investments are shown on the Balance sheet at cash value plus accrued interest. The earmarked reserve for the Metro Re-invigoration is invested externally.

Public Private Partnership (PPP)

Private Public Partnerships are agreements to receive services and provide capital jointly with the private sector.

The ITA accounts for the partnership in accordance with IFRS accounting treatment as set out in the 2009 SORP in a manner that is consistent with the adoption of IFRIC 12 Service Concession Arrangements. In accordance with this all charges paid for these services are debited to the Income & Expenditure account based on a fair value of services provided by the concessionaire until the asset becomes operational. The value of the asset will then be transferred to the Balance Sheet and the payments for services will be split between that required to finance the asset and accounted for similarly to a finance lease as a long-term creditor and the service element which will be charged to revenue.

The assets transferred to the Concessionaire at the start of the contract: vehicles, plant and equipment have to be re-instated on the balance sheet under IFRIC 12 and the charges previously made to the accounts reversed.

The capital contributions and environmental milestone payments in advance of the asset becoming operational are treated as prepayments on the Balance Sheet.

Contingent Liabilities

The liabilities are not recognised in the accounting statements but are disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefit, but the amount has not been determined and the timing uncertain.

Debtors and Creditors (Accruals)

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

Pensions

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

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

The liabilities of the pension scheme 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 ITA are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

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

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

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

Further details are provided in Note 28 to the core financial statements.

Other Accounting Policies

Employee Costs

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

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

Overheads

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

Value Added Tax

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

Tyne Tunnel Income

The majority of income from tolls is received on a cash basis, and so no accruals are necessary. However, prepayments on permit accounts are also received. The balance outstanding on the permit account has been accrued (see Note 1 to the core financial statements).

Group Accounts

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

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

For the 2009/10 accounts, the Authority has fully complied with the requirements of the 2009 SORP, providing group figures for the 2009/10 accounts and comparators for 2008/09. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above, with the following additions and exceptions:

Local Government Pension Scheme

The employees of Nexus are members of the Local Government Pension Scheme, which is a defined benefits scheme (see note (k) above). Accounting policies consistent with those of the Authority have been adopted, except that the appropriate discount rate for liabilities has been assessed as 5.5%. In addition, there are no transactions between the Group Income and Expenditure Account and the Pensions Reserve in relation to movements in the net pensions liability for Nexus, such that the amounts debited and credited to the Account are reflected in the Group Income and Expenditure Reserve.

Value Added Tax

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

Tangible Fixed Assets

Measurement

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

Impairment

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

Disposals

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

Charges to Income and Expenditure for Fixed Assets

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

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income & Expenditure Account for the interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the

instrument. For most of the borrowings that the Integrated Transport Authority has, this means that the amount shown in the balance sheet is the outstanding principal repayable, plus accrued interest and a calculation to equally charge interest over multiple periods where interest rates is subject to stepped increases.

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

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

Financial Assets

Financial assets are classified into two types:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and

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

Loans and Receivables

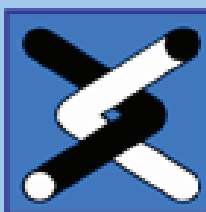
Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the I&E Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority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

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

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

Post Balance Sheet Events

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



Tyne and Wear Integrated Transport Authority

**Annual Accounts
for the Financial Year Ended 31 March 2010**

2009/10

**Income and Expenditure Account for the Year Ended
31 March 2010**

		2008/09	2008/09 restated	2009/10	2009/10	2009/10
	Note	Net Expendi- ture £'000		Gross Expendi- ture £'000	Income £'000	Net Expendi- ture £'000
<u>Central Services</u>						
Corporate & Democratic Core		680	680	609	(47)	562
<u>Highways, Road and Transport Services</u>						
New Tyne Crossing Preliminary Costs	2	40	40	40	-	40
T&W Districts LTP Grant	7, 37	113	113	2,549	(2,549)	-
Other Grants	7, 37			3,541	(3,541)	-
Public Transport Revenue Support	4	64,180	64,180	67,595	-	67,595
Net Cost of Services		65,013	65,013	74,334	(6,137)	68,197
Loss on Disposal of Fixed asset		-	-	-	-	-
<u>Trading Accounts</u>						
Tyne Tunnels	1	(8,024)	(7,677)	14,633	(20,373)	(5,740)
<u>Interest Payable & Similar Charges</u>						
		10,016	10,016	7,458	-	7,458
<u>Interest & Investment Income</u>						
		(11,236)	(11,236)	-	(6,146)	(6,146)
<u>Pensions Interest Cost and Expected Return on Pension Assets</u>						
	28	640	640	1,000	-	1,000
Net Operating Expenditure		56,409	56,756	97,425	(32,656)	64,769
Levy Income	4	(69,431)	(69,431)	-	(70,646)	(70,646)
Net (Surplus)/Deficit for the Year *		(13,022)	(12,675)	97,425	(103,302)	(5,877)

The I&E for 2008/09 has been restated to reflect accounting changes under IFRIC12

* The surplus for 2009/10 is made up of (£5,421,000)⁴⁷ for the Tyne Tunnels and (£456,000) for the ITA

Statement of Movement on the General Fund Balance

	Note	2008/09 £'000	2008/09 re- stated £'000	2009/10 £'000
Surplus for the year on the Income & Expenditure account		(13,022)	(12,675)	(5,877)
Net additional amount required by statute and non statutory proper practices to be debited or credited to general fund balance for the year		2,588	4,777	7,818
(Increase)/decrease in General Fund Balance for year - ITA	*	(1,236)	(1,236)	785
(Increase)/decrease in General Fund Balance for year - Tyne Tunnels		(9,198)	(6,662)	1,156
Total increase in General Fund Balance for year		(10,434)	(7,898)	1,941
General fund balance brought forward - ITA		(2,816)	(2,816)	(4,053)
General fund balance brought forward - Tyne Tunnels		(15,969)	(15,573)	(22,235)
Total General Fund balance brought forward		(18,785)	(18,390)	(26,288)
General fund balance carried forward - ITA		(4,052)	(4,053)	(3,268)
General fund balance carried forward - Tyne Tunnels		(25,167)	(22,235)	(21,079)
Total General Fund balance carried forward		(29,219)	(26,288)	(24,347)

* In this year's accounts, the General Fund reserve has been split to show the ITA and Tyne Tunnel elements separately, in order to provide more information for users of the accounts.

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

		2008/09 £'000	2009/10 £'000
Amounts Included in the Income and Expenditure Account but required by a statute to be excluded when determining the Movement on the General Fund Balance for the year			
Amortisation of intangible fixed assets			
Depreciation and impairment of fixed assets	3 & 12	343	(1,591)
Transfer (to) or from Financial Instruments account		9	(262)
Write down of revenue to be financed from capital resources by statute	3	(113)	(6,090)
Write down of grants used to finance capital resources by statute		-	13,269
Net charges made for retirement benefits in accordance with FRS17	28	(640)	(1,000)
		(401)	4,326
Amounts not included in the Income and Expenditure Account but required by a statute to be included when determining the Movement on the General Fund Balance for the year		-	-
Minimum Revenue provision for capital financing	3 & 5	1,802	1,804
Capital expenditure charged in year to general fund balance		-	20
Employers contribution payable to the pension fund and retirement benefits payable direct to pensioners	28	1,099	1,101
		2,901	2,925
Transfers to or from the General Fund that are required to be taken into account when determining the movement on the General Fund balance for the year			
Voluntary revenue provision for capital financing		-	-
Net transfer to or from earmarked reserves	24 & 26	2,277	567
	48	2,277	567
Net additional amount required to be credited to the General Fund Balance for the year		4,777	7,818

Statement of Total Recognised Gains & Losses

	Note	2008/09 £'000	2009/10 £'000
Surplus for the Year on the Income & Expenditure Account		(12,675)	(5,877)
Unrealised (gain) / loss from the revaluation of fixed assets	36	-	-
Actuarial (gains) / losses on pension fund assets / liabilities	28	3,830	1,650
Financing of fixed assets & deferred charges written off		-	-
Any other gains or losses - receipt from sale of assets		-	-
Surplus or deficit arising on revaluation of available for sale financial assets		-	-
Any other gains or losses - movement in other reserves		-	-
Total recognised (gains)/losses for the year		(8,845)	(4,277)
Balance at 1 April 2009		(93,447)	(102,292)
Balance at 31 March 2010		(102,292)	(106,519)
Reconciliation of Balances		2008/09 £'000	
Balance at 1st April		(93,839)	
Adjusted re IFRIC12		392	
Restated Balance at 1st April		(93,447)	

Cash Flow Statement for Year Ended 31 March 2010

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

	Notes	2008/09	2009/10
		£'000	£'000
Net Cash Inflow from Revenue Activities	29	(12,082)	(12,756)
Servicing of Finance			
Payments			
Interest and Lease Payments		11,180	7,967
Receipts			
Interest on Revenue Balances		(6,872)	(6,146)
Interest reimbursed by Nexus		(2,813)	(3,551)
Net Cash Outflow from Servicing of Finance		1,495	(1,730)
Capital Activities			
Payments			
Purchase of Fixed Assets		2,154	33,016
Receipts			
Other Capital Cash Payments			6,790
Repayment of Long Term Debtors		(2,334)	(2,291)
Capital Grant received		-	(7,774)
Other Capital cash receipts		-	(4,566)
Net cash outflow from Capital Activities		(180)	25,175
Net cash outflow before financing		(10,767)	10,689
Management Of Liquid Resources			
Temporary Investments		12,350	(77,884)
Financing			
Payments			
Repayments of Amounts Borrowed		44,478	74,000
Receipts			
New Loans Raised		(14,858)	-
Newshort term loans raised		(38,142)	-
Net Cash (Inflow)/Outflow from Financing	31	(8,522)	74,000
(Increase)/Decrease in Cash and Equivalents	51	(6,939)	6,805

1	Tyne Tunnels Expenditure	<u>2008/09</u> £'000	<u>2009/10</u> £'000
	Expenditure		
	Employees	38	35
	FRS 17 Current Service Costs Pension Adjustment	-	-
	FRS 17 Past Service Costs Pension Adjustment	-	-
	FRS 17 Loss on Curtailment Premises	67	29
	Transport Supplies and Services	26	11
	Usage Payments	5,489	5,659
	Central Support Costs	121	103
	Capital Charges and Impairment	(343)	1,591
	Provision for NESTI	-	7,178
		5,398	14,633
	Income		
	Toll Income *	(12,987)	(13,180)
	Other Income **	(88)	(15)
	Contribution to NESTI	-	(7,178)
		(13,075)	(20,373)
	Net Expenditure	(7,677)	(5,740)

* Toll income includes an accrual for pre-payments. This is estimated at £593,182 at 31.3.10.

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

The Tyne Tunnel was transferred to TT2 from February 2008, The payments to TT2 for operating the tunnel are shown as usage payments.

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

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Net Expenditure	(7,677)	(5,740)
Adjustments		
- New Tyne Crossing Prelim Costs	40	40
- Pension Adjustment	589	589
- Capital Charges	343	(1,590)
- Financing Charges	1,194	1,775
- Interest	(1,151)	(1,096)
-Contribution to NESTI	-	7,178
Figures as per the Explanatory Foreword	(6662)	1,156

2 **New Tyne Crossing preliminary costs:**

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Supplies and Services	4	-
Support Services	36	40
	40	40

3 Capital Financing

The Local Government and Housing Act 1989 requires the Authority to set aside an amount from revenue, the Minimum Revenue Provision (MRP), for the repayment of external loans. Although these regulations were superseded by amendments to the Capital Finance Regulations during the year (for new schemes only), the Authority continues to set aside more than 4% (see also Note 5).

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

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

	2008/09	2009/2010		
	Total £'000	Tyne Tunnel £'000	ITA £'000	Total £'000
Statutory MRP:				
- Department of Transport	-	-	-	-
- PWLB	4,093	338	3,715	4,053
- Nexus Principal Repayment	(2,291)	-	(2,249)	(2,249)
Less: Deferred Charges	(113)	-	(6,090)	(6,090)
	1,689	338	(4,624)	(4,286)
Revenue Contributions	-	20	-	20
Less Grant	-	7,179	6,090	13,269
Less: Provision for Depreciation and Impairment	343	(1,591)	-	(1,591)
Appropriation	2,032	5,946	1,466	7,412

4 Levy on Districts and Revenue Support Grant to Nexus

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

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

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

In 2009/10, the levy was increased by 1.75%, with no technical adjustment.

	2007/08 £'000	2008/09 £'000	2009/10 £'000
Levy on Tyne and Wear Districts	(67,409)	(69,431)	(70,646)

Details of the levy on individual districts is shown at Note 7.

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

	2007/08 £'000	2008/09 £'000	2009/10 £'000
Payment to Nexus	52,827	64,180	67,595

5 Minimum Revenue Provision (MRP)

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

	<u>2008/09</u> £000	<u>2009/10</u> £000
ITA / Tyne Tunnel		
Opening Capital Financing Requirement	47,473	48,178
Closing Capital Financing Requirement	48,178	72,431
Amount set aside	1,552	1,564
Minimum Revenue Provision (4%)	1,899	1,927
Loans to Nexus		
Opening Capital Financing Requirement	57,286	56,234
Closing Capital Financing Requirement	56,234	53,985
Amount set aside (recoverable)	2,291	2,249
Minimum Revenue Provision (4%)	2,291	2,249
Loans to Tyne & Wear Districts		
Opening Capital Financing Requirement	6,255	6,005
Closing Capital Financing Requirement	6,005	5,765
Amount set aside	250	240
Minimum Revenue Provision (4%)	250	240
Total		
Opening Capital Financing Requirement	111,014	110,417
Closing Capital Financing Requirement	110,417	132,181

6 Members' Allowances

The total paid in members' allowances during the year:

	<u>2008/09</u> £	<u>2009/10</u> £
Expenditure	79,853	86,200

Increases in members allowances arise from the recommendations made by the "Independent Remuneration Panel", which reports annually to the ITA. The last report taken to committee was on 25 March 2010.

7 Related Party Transactions

	<u>2008/09</u>	<u>2009/10</u>
	£'000	£'000
Receipts		
<u>Levies on Tyne and Wear Councils</u>		
Gateshead MBC	(12,161)	(12,354)
Newcastle City Council	(17,268)	(17,613)
North Tyneside MBC	(12,449)	(12,710)
South Tyneside MBC	(9,640)	(9,792)
City of Sunderland	(17,913)	(18,177)
	(69,431)	(70,646)
Payments		
<u>LTP Grant Payments</u>		
Gateshead MBC	338	575
Newcastle City Council	687	736
North Tyneside MBC	172	333
South Tyneside MBC	219	415
City of Sunderland	427	162
	1,843	2,221
<u>Congestion Funding Grant</u>		
Gateshead MBC	33	-
Newcastle City Council	-	6
North Tyneside MBC	35	-
South Tyneside MBC	-	5
City of Sunderland	68	-
	136	11
Receipts		
<u>Newcastle City Council</u>		
Interest on Revenue Balance	(1,303)	(1,231)
<u>Nexus</u>		
Loans from ITA - Principal	(2,291)	(2,249)
Loans from ITA - Interest	(2,612)	(2,474)
	(4,903)	(4,723)
Payments		
<u>Newcastle City Council</u>		
Provision of Support Services	854	753
<u>Nexus</u>		
Revenue Support Grant	64,180	67,595
LTP Grant for capital expenditure	3,506	3,542
Loan to fund capital expenditure	1,239	0
	68,925	71,137
<u>Tyne & Wear Superannuation Fund</u>		
Employers Contributions	1,096	1,101
Contributions to NESTI		
Newcastle City Council	-	(924)
South Tyneside Council	-	(472)
Durham County Council	-	(1,497)
Gateshead MBC	-	(769)
Northumberland County Council	-	(904)
City of Sunderland	-	(928)

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

8 Fees Payable to Audit Commission

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

	<u>2008/09</u>	<u>2009/10</u>
	£	£
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	49,000	46,600
Fees payable in respect of other services provided by the appointed auditor	-	-
	49,000	46,600

9 Support Services

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

10 Integrated Transport Authority Lead Officers

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

Responsibility

Title

Policy / Legal / Administration:

Clerk

- *Barry Rowland*

Financial advice:

Deputy Clerk and Treasurer

- *Paul Woods*

Engineering:

Engineer to the Tunnels

- *Vacant*

- 11 The assets of the Authority, excluding Vehicles Plant & Equipment, were valued as at 1 April 2007 by Newcastle City Council's Property Department on the under-mentioned basis in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Two non operational commercial properties were demolished and revalued at 1 April 2008, the Authority is not aware of any material change relating to the other assets held.

	£m
The Tyne Tunnel with supporting building, including the administrative block and two ventilator buildings valued at depreciated replacement cost	90.000
The pedestrian/cycleway tunnel valued at depreciated replacement cost	13.360
The infrastructure approach roads to the north and south of the tunnel valued at historical cost	4.000
Other operational land at market value based on alternative uses	12.135
Other non-operational land at market value based on current use	0.062
Former Non-Operational commercial properties valued as cleared sites	0.095
Total	119.652

12 **Movements on Fixed Assets**

Movements in fixed assets during the year were as follows:

Operational Assets	2009/10			Total
	Other Land & Buildings	Vehicles,* Plant, etc	Infra-Structure	
	£'000	£'000	£'000	£'000
Gross Book Value of Assets at 31 March 2009	12,135	2,487	116,402	131,024
Accumulated Depreciation	-	(295)	(10,896)	(11,191)
Net Book Value of Assets at 31 March 2009	12,135	2,192	105,506	119,833
Movement in 2009/10				
Additions			20	20
Disposals	-	-	-	-
Transfer	-	-	-	-
Impairment	-	-	-	-
Revaluations	-	-	-	-
Depreciation	-	(75)	(1,515)	(1,590)
Net Book Value as at 31 March 2010	12,135	2,117	104,011	118,263

Non-Operational Assets	2009/10	
	Asset Under Construction	Total
	Costs	£'000
	£'000	£'000
Net Book Value of Assets at 31 March 2009	10,995	10,995
Movement in 2009/10		
Additions	32,996	32,996
Disposals	-	-
Impairment	-	-
Transfer	-	-
Revaluations	-	-
Depreciation	-	-
Net Book Value as at 31 March 2010	43,991	43,991

Operational control of the Tyne Tunnels is by a private concessionaire, who will operate the Tunnels for 30 years, and also construct and operate the New Tyne Crossing. The land & tunnels infrastructure remain in ITA ownership, as will the new tunnel once completed. In addition, non operational other land & buildings and asset development costs are shown as assets under construction as they refer to the New Tyne Crossing.

* Under the SORP 2009 assets transferred as part of a PFI scheme or similar have to be shown on the balance sheet. The vehicles and plant transferred to TT2 have therefore been restated.

13 Capital Expenditure and Financing

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Opening Capital Financing Requirement	111,014	110,417
<u>Capital Investment</u>		
Operational Assets-other Land & Buildings	-	21
Non-Operational Assets-Assets under Construction	1,804	32,995
Revenue Expenditure Funded from capital under statute	5,830	6,091
Loans to Outside Bodies	1,579	-
<u>Sources of Finance</u>		
Grant received	(5,717)	(7,774)
Contributions applied	-	(5,495)
Sums set aside from revenue	(4,093)	(4,074)
Closing Capital Financing Requirement	110,417	132,181
Explanation of Movements in Year		
Increase in underlying need to borrow (supported by Government financial assistance)	-	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	(597)	(21,764)
Increase/Decrease in Capital Financing Requirement	(597)	(21,764)

14 Tyne Tunnel Capital Expenditure

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Main items of expenditure were:		
Tyne Tunnels Improvements	-	21
Major capital commitments at the start of <u>following</u> year are:		
Pedestrian Tunnels Lift Improvements	330	300
Major improvements of the Passenger Cycle Tunnel at a cost of £6m over the next two years has been agreed by TWITA.		

15 Capital Adjustment Account

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Opening Balance 1st April	(64,527)	(66,562)
Revenue Reserve	-	(21)
Capital receipts	-	-
Capital contributions applied	-	(5,495)
Government grants for RECS & fixed assets applied	(5718)	(7,774)
MRP	(1,802)	(1,804)
RECS written off	5831	6,091
Depreciation	1,591	1,590
Prior Year adjustment re IFRIC 12 vehicles & plant re-instated on Balance Sheet	(2,268)	-
Revaluation / Impairment	331	-
Closing Balance 31st March	(66,562)	(73,975)

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

16 Long Term Debtors

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

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Opening Balance 1st April	54,994	53,914
Loans to NEXUS		
New loans	1,239	-
Loan repayments	(2,291)	(2,249)
Movement in Loans due within one year	(28)	160
Closing Balance 31st March	53,914	51,825

17 Prepayments

This relates to capital payments made in advance to TT2 regarding the New Tyne Tunnel.

18 Cash

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

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Local bank accounts	25,667	18,862
	25,667	18,862

19 Short Term Borrowing (< 1 year)

<u>Source of Loan</u>	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Public Works Loan Board	(18,130)	(433)
Market Loans	(20,012)	(1,005)
Newcastle City Council	-	-
	(38,142)	(1,438)

20 Long Term Borrowing (> 1 year)

<u>Source of Loan</u>	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Public Works Loan Board	(93,345)	(56,560)
Market Loans	(90,020)	(89,000)
Department of Transport	-	-
	(183,365)	(145,560)
<u>Maturity Pattern of Loans:</u>		
1 to 2 Years	-	(15,000)
2 to 3 Years	(15,013)	-
3 to 5 Years	-	(3,260)
5 to 10 Years	(3,404)	-
10 to 15 Years	(4,306)	(4,300)
Over 15 Years	(160,642)	(123,000)
	(183,365)	(145,560)
<u>Fair value of debt portfolio</u>		
Public Works Loan Board	(118,634)	(60,154)
Market Loans	(73,117)	(71,049)
	(191,751)	(131,203)

21 Investments	2008/09 £'000	2009/10 £'000
Investments	126,263	44,966
Fair value of investments	125,506	44,966

The investments in 2009/10 have been reduced as a result of debt repayment in order to manage risk.

In the above table fair value has been estimated using the PWLB's interest rates for new fixed rate borrowing in the appropriate maturity bands as at 31st March 2009. The fair value differs from the carrying value as fair value is assessed according to market rates relating to the outstanding life of the loan. Carrying amount relates to the actual interest rate applicable to the loan outstanding. The fair value differences for financial instruments relates to the fact that the Authority has loans at fixed rates that result in it paying a higher interest charge than if it had taken out variable rate loans.

22 Debtors

Amounts falling due within one year:	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Repayments due on Loans to Nexus	6,701	6,407
Tax to be Recovered	522	495
Other debtors and prepayments	324	987
	<u>7,547</u>	<u>7,889</u>

23 Creditors

Amounts falling due within one year:	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Payments due to Nexus	(1,429)	(1,783)
Tyne & Wear Districts - LTP Claims	(949)	(1,309)
Tyne & Wear Districts - Other	(184)	(26)
Prepayments	(591)	(593)
Accrued Payments to Pension Fund	(66)	(74)
New Tyne Crossing Advisors	(283)	(243)
Payments due to TT2	(296)	(274)
Other Accruals	(190)	(18)
Accounting Adjustment re PFI	(2,931)	(5,731)
	<u>(6,919)</u>	<u>(10,051)</u>

24 General Reserves

The movement in reserves is explained by the following summary:

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Opening Balance	(18,785)	(26,288)
Net Expenditure during Year		
Levy on Districts	(69,431)	(70,646)
Payment to Nexus	64,180	67,595
Revenue Expenditure		
- ITA	1,738	3,269
- Tyne Tunnel	(9,238)	1,116
- New Tyne Crossing	40	40
	<u>(7,460)</u>	<u>4,425</u>
Adjustment re IFRIC 12	2,931	-
Transfer to ear marked Reserve	2,277	567
Closing Balance	<u>(26,288)</u>	<u>(24,347)</u>

25 Financial Instruments Adjustment Account

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

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
1st April	50	41
Transfers to the reserve: Premiums & discounts arising in year	(63)	318
Transfers from the re- serve: Premiums & discounts amortised to revenue	54	(56)
31st March	41	303

26 Earmarked Reserve

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

<u>2008/09</u> £'000	<u>2009/10</u> £'000
(12,875)	(13,441)

27 Provision for NESTI

This has been set up to recognise the contributions made by the 31 March from North East councils to fund the North East Smart Ticketing Initiative (NESTI) for which the ITA is the lead Authority. A total of £10m is to be contributed by all districts, with the balance to be received on completion of the formal legal agreement in early 2010/11.

<u>2008/09</u> £'000	<u>2009/10</u> £'000
-	(7,178)

The ITA has committed to report on a regular basis to the Association of North East Councils on the use of the funds.

28 Local Government Pension Scheme (LGPS) Funded Benefits

The disclosures below are included as a draft statement. In line with the approach taken by Newcastle City Council, the ITA is challenging the assumptions used in the preparation of the statement by the actuaries.

The disclosures below relate to the funded liabilities within the Tyne & Wear Pension Fund (the "Fund") which is part of the Local Government Pension Scheme. The Integrated Transport Authority participates in the Fund which provides defined benefits, based on members final pensionable salary. In accordance with Financial Reporting Standard 17, Retirement Benefits (FRS17), disclosure of certain information concerning assets, liabilities, income & expenditure relating to pension schemes is required.

Contributions for the accounting period ending 31st March 2011 - the employer's regular contributions to the Fund for the accounting period 31 March 2011 are estimated to be £0.84m. In addition, strain on the fund contributions may be required.

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

Principal financial assumptions (% per annum)

	31 March 2008	31 March 2009	31 March 2010
Inflation	3.7%	3.3%	3.55%
Rate of general increase in salaries	5.2%	4.8%	4.05%
Rate of increase to pensions in payment	3.7%	3.3%	3.55%
Rate of increase to deferred pensions	3.7%	3.3%	3.55%
Discount rate	6.8%	6.8%	5.5%

Principal demographic assumptions

	31 March 2009	31 March 2010
Males:		
Scaling to above base table rates	145%	145%
Cohort improvement factors	80%	80%
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	19.9	20.0
Future lifetime from age 65 (currently aged 45)	22.1	22.2
Females:		
Scaling to above base table rates	130%	130%
Cohort improvement factors	60%	60%
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	22.8	22.9
Future lifetime from age 65 (currently aged 45)	25.0	25.1

Expected Return on Assets

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

	Asset split at 31 March 2008	Asset split at 31 March 2009	Asset split at 31 March 2010
Equities	63.6%	66.1%	67.8%
Property	10.6%	8.4%	7.4%
Government bonds	10.9%	10.2%	9.3%
Corporate bonds	8.9%	10.4%	11.4%
Cash/ other	6.0%	4.9%	4.1%
Total	100%	100.0%	100.0%

Long-term expected rate of return as at 31 March

7.0% 6.2% 7.3%

The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class.

Tyne and Wear Integrated Transport Authority employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this disclosure note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

Reconciliation of Funded Status to Balance Sheet

	Value as at 31 March 2008 £m	Value as at 31 March 2009 £m	Value as at 31 March 2010 £m
Notional value of assets	18.27	15.44	21.69
Present value of liabilities	27.97	28.52	36.17
Net present asset/ (liability)	(9.70)	(13.08)	(14.48)

Analysis of Income & Expenditure/ Profit & Loss Charge

	Period end- ing 31 March 2009 £m	Period ending 31 March 2010 £m
Current service cost	0	0
Past service cost	0	0
Interest Cost	1.88	1.92
Expected return on assets	(1.29)	(0.97)
Expense recognised	0.59	0.95

Changes to the Present Value of Liabilities during the Accounting Period

	Period end- ing 31 March 2009 £m	Period ending 31 March 2010 £m
Opening present value of liabilities	27.97	28.52
Current service cost	0.00	0.00
Interest cost	1.88	1.92
Contributions by participants	0.00	0.00
Actuarial (gains)/ losses on liabilities *	(0.81)	6.32
Net benefits paid out #	(0.52)	(0.59)
Past service cost	0.00	0.00
Closing present value of liabilities	28.52	36.17

* includes changes to the actuarial assumptions

consists of net cashflow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid and including an approximate allowance for the expected cost of death in service lump sums of £0.0m for the period ending 31 March 2010

Changes to the Fair Value of Assets during the Accounting Period

	Period ending 31 March 31 2009 £m	Period ending March 2010 £m
Opening present value of assets	18.27	15.44
Expected return on assets	1.29	0.97
Actuarial gains/ (losses) on assets	(4.65)	4.82
Contributions by the employer	1.05	1.05
Contributions by participants	-	0.00
Net benefits paid out #	(0.52)	(0.59)
Closing present value of liabilities	<u>15.44</u>	<u>21.69</u>

consists of net cashflow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid and including an approximate allowance for the expected cost of death in service lump sums of £0.00m for the period ending 31 March 2010

Actual return on Assets

	Period ending 31 March 31 2009 £m	Period ending March 2010 £m
Expected return on assets	1.29	0.97
Actuarial gain/ (loss) on assets	(4.65)	4.82
Actual return on assets	<u>(3.36)</u>	<u>5.79</u>

Analysis of amount in STRGL*

	Period ending 31 March 31 2009 £m	Period ending March 2010 £m
Total actuarial gains/ (losses)	(3.84)	(1.50)
Total gain/ (loss) in STRGL	(3.84)	(1.50)

History of asset values, present value of liabilities & surplus/ deficit

	As at 31 March 2009 £m	As at 31 March 2010 £m
Fair value of assets	15.44	21.69
Present value of liabilities	28.52	36.17
Surplus/ (deficit)	<u>(13.08)</u>	<u>(14.48)</u>

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

History of experience gains & losses

	Period ending 31 March 2009	Period ending 31 March 2010
	£m	£m
Experience gains/ (losses) on assets	(4.65)	4.82
Experience gains/ (losses) on liabilities #	(0.22)	0.58

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

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

28b Local Government Pension Scheme (LGPS)

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

Contributions for the accounting period ending 31st March 2011 - the employer expects to pay £0.05m directly to beneficiaries.

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

Principal financial assumptions (% per annum)

	31 March 2008	31 March 2009	31 March 2010
Inflation	3.7%	3.3%	3.8%
Rate of increase to pensions in payment	3.7%	3.3%	3.8%
Discount rate	6.8%	6.8%	5.5%

Principal demographic assumptions

	31 March 2009	31 March 2010
Males:		
Scaling to above base table rates	145%	145%
Cohort improvement factors	80%	80%
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	19.9	20.0
Future lifetime from age 65 (currently aged 45)	22.1	22.2
Females:		
Scaling to above base table rates	130%	130%
Cohort improvement factors	60%	60%
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	22.8	22.9
Future lifetime from age 65 (currently aged 45)	25.0	25.1

Reconciliation of Funded Status to Balance Sheet

	Value as at 31 March 2008	Value as at 31 March 2009	Value as at 31 March 2010
	£m	£m	£m
Present value of liabilities	0.77	0.76	0.94
Net present asset/ (liability)	(0.77)	(0.76)	(0.94)

Analysis of Income & Expenditure/ Profit & Loss Charge

	Period ending 31 March 2009	Period ending 31 March 2010
	£m	£m
Interest Cost	0.05	0.05
Expense recognised	0.05	0.05

Changes to the Present Value of Liabilities during the Accounting Period

	Period ending 31 March 31 2009 £m	Period ending March 2010 £m
Opening present value of liabilities	0.77	0.76
Interest cost	0.05	0.05
Actuarial (gains)/ losses on liabilities *	(0.01)	0.15
Net benefits paid out	(0.05)	(0.05)
Closing present value of liabilities	0.76	0.91

* includes changes to the actuarial assumptions

Analysis of amount in STRGL*

	Period ending 31 March 31 2009 £m	Period ending March 2010 £m
Total actuarial gains/ (losses)	0.01	(0.15)
Total gain/ (loss) in STRGL	0.01	(0.15)

History of asset values, present value of liabilities & surplus/ deficit

	As at 31 March 2009 £m	As at 31 March 2010 £m
Present value of liabilities	0.76	0.91
Surplus/ (deficit)	(0.76)	0.91

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

History of experience gains & losses

	Period ending 31 March 31 2009 £m	Period ending March 2010 £m
Experience gains/ (losses) #	(0.01)	0.02

In accordance with paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. This disclosure note presents the history of liabilities, and experience gain/ (loss) on liabilities, for periods ending 2009 and 2010. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits.

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

Analysis of amount recognised in STRGL*

The actuarial gains and losses identified as movements on the Pensions Reserve in 2009-2010 can be analysed in the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2010 and for the previous four years:

	Period ending 31 March 2009 £'000	Period ending 31 March 2010 £'000
Total actuarial gains/(losses)	(3.83)	(1.65)
Total gain/(loss) in STRGL	(3.83)	(1.65)
The cumulative gains / losses in STRGL are	£m	£m
2009-2010		(8.43)
2008-2009	(6.78)	(6.78)
2007-2008	(2.95)	(2.95)
2006-2007	(0.94)	(0.94)
2005-2006	(0.49)	(0.49)

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

- 29 This statement is a reconciliation between the increase on the general fund balance as shown in the statement of movement of general fund balance and the net cash flow arising from revenue activities:

	<u>2008/09</u>	<u>2008/09</u> <u>restated</u>	<u>2009/10</u>
	£'000	£'000	£'000
Deficit / Surplus for the year			
General Fund	(13,022)	(12,675)	(5,877)
Items in another classification in the cash flow statement			
Revenue			
- Interest paid	(10,016)	(10,016)	(7,458)
- Interest received	11,237	11,237	6,146
Financing			
- Capital financing costs	(5,831)	(5,831)	(13,269)
Non-Cash Transactions			
- depreciation & impairment	(1,515)	(4,051)	(1,590)
- deferred grants amortised	5,718	5,718	13,269
- pension fund adjusted	459	459	101
- Movement on reserves			
- Other adjustments	(330)	(330)	
Items on an Accruals Basis			
- Movement in Debtors	70	70	(288)
- Movement in Creditors	1,148	3,337	(3,790)
- Movement in Stock	-		-
Net Cash Flow on Revenue Activities	(12,082)	(12,082)	(12,756)

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

	<u>2009/10</u> <u>Balance 31.3.09</u>	<u>Balance</u> <u>31.3.10</u>	<u>Change</u>
	£'000	£'000	£'000
Cash in hand and at bank	25,667	18,862	(6,805)
Cash in Hands of Officers	-	-	
	25,667	18,862	(6,805)

- 31 This statement analyses Net Cash Inflow from financing:-

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Financing		
Repayments		
- PWLB	40,024	74,000
- Short Term Borrowing	4,454	
New Borrowing		
- PWLB	(53,000)	
- Short Term Borrowing	-	
Closing Balance 31 March	(8,522)	74,000

32 Details of Total Movements in Reserves

	Capital Reserves				Revenue Reserves	Total	
	Revaluation Reserve	Capital Adjustment Account (CAA)	Financial Instrument Adjustment Account	Capital Ear-marked reserve	Pension Reserve	General Fund	
	£000	£000	£000	£000	£000	£000	£000
Balance at 1st April 2009	(10,449)	(64,370)	41	(12,875)	13,841	(29,219)	(103,031)
Prior Year adjustment		(2,192)				2,931	737
Restated Balance at 1st April 2009	(10,449)	(66,562)	41	(12,875)	13,841	(26,288)	(102,292)
Net (surplus)/deficit for year	-	-	-	(566)		1,941	1,375
Unrealised (gain)/loss from the revaluation of fixed assets	-	-	-	-	-	-	-
Effects of disposals of fixed assets							
Financing of fixed assets and deferred charges written off	-	5,858	262	-	-	-	6,120
Government grant/Contributions applied	-	(13290)	-	-	-	-	-
Movements in Pensions Reserve							
Actuarial losses/(gains) in the year	-	-	-	-	1,569	-	1569
Balance at 31st March 2010	(10,449)	(73,975)	303	(13,441)	16,390	(24,347)	(106,519)

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

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

33 Future Capital Commitments

In November 2007 the ITA entered into a 30 year contract with TT2 for the construction of a second vehicle tunnel, refurbish the existing tunnel and operate both vehicle tunnels alongside the pedestrian & cycle tunnel for a period of thirty years.

In 2009/10 the payment under the contract was £34.259m (£2.859m for usage payments and capital payments of £31.400m) (2008/09 £2.293m). The payment under the contract in 2010/11 is estimated to be £41.762m (£2.962m for usage payments and capital payments of £38.800m). On completion of the second tunnel planned for February 2011 it will be included on the ITA's balance sheet (at an estimated value of £295m) and the contribution by TT2 will be recognised as a finance lease (estimated value £205m) which will be written down over the remaining life of the contract.

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

	£000
2009/10	31,400
2010/11	38,800
2011/12	45,627
2012/13	-
Total	115,827

34 Payments due to be made under the New Tyne Crossing partnership

	2008/09			2009/10		
	Service Charge	Repayment Of liability	Interest	Service Charge	Repayment Of liability	Interest
	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	5,659			6,088	(6,804)	4,606
Within two to five years	26,411	(26,813)	39,197	28,271	(27,384)	71,835
within six to ten years	46,295	(12,764)	94,901	50,522	(8,085)	96,846
within eleven to Fifteen years	58,959	5,602	98,511	58,205	23,563	97,668
within sixteen to twenty years	64,538	42,053	91,883	69,079	54,403	85,223
within twenty one to twenty five years	81,527	78,052	71,312	84,514	96,769	58,119
within twenty six to Thirty years	71,076	119,299	30,113	52,127	72,967	11,620
Total	354,465	205,429	425,917	348,806	205,429	425,917

34a Under the 2009 SORP it has been necessary to do a prior year adjustment to the I&E account and balance sheet to reflect the service charge payable under IFRIC 12 with a corresponding adjustment on the balance sheet

	2008/09	2008/09adj	2009/10
	£'000	£'000	£'000
Charge to I&E	2,953	5,489	5,659
Creditor on Bal sheet	-	2,536	2,800
Cash Payment to TT2	2,953	2,953	2,859

35 Contingent Liabilities

The ITA has a contingent liability in relation to any gains or losses in the LGPS transferred assets and liabilities that were transferred to TT2 on the 1 February 2008 and relate to membership accrued before that date. This amount will be calculated at each triennial actuarial valuation. This is due in 2010/11.

36 Revaluation Reserve

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

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Opening balance at 1 April	(10,449)	(10,449)
- Revaluation adjustments	-	-
Closing balance at 31 March	(10,449)	(10,449)

37 Grants

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Paid:		
Newcastle City Council	270	290
LTP - Districts	1,843	2,220
Nexus - Capital expenditure	3,505	3,542
Congestion Funding - Capital	99	-
Congestion Funding - Revenue	36	11
	5,753	6,063
Received:		
S31 Transport Grant	(5,618)	(7,716)
Congestion Funding - Capital	(99)	-
Congestion Funding - Revenue	(36)	-
	(5,753)	(7,716)

38 Leasing transactions

Leasing transactions during 2009/10 and commitments are as follows:

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Building rentals paid	128	135
Operating leases commitments to further rental charges at 31 March		
	270	202

Expiring between two and five years of the Balance Sheet date

39 Financial instruments - amounts recognised in the Balance Sheet

The table below show the carrying values of Financial Instruments included within the ITA's Balance Sheet:

In accordance with the SORP, any accrued interest as at 31 March 2010 is included within the carrying values.

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Financial assets		
Loans & receivables		
Long Term Debtors	54,254	52,165
Debtors	7,547	7,889
Investments	126,263	44,966
	126,263	105,020
Financial Liabilities		
Creditors	-	-
Borrowing repayable within one year	(6,919)	(10,051)
Long term borrowing	(38,143)	(1,438)
	(183,365)	(145,560)
	(221,508)	(157,049)

Recognised gains and losses

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

Recognised gains and losses 31/03/2010	2009/10 £'000
Recognised in Income & Expenditure Account	
Financial assets:	
Interest receivable on loans and receivables	(6,146)
Financial liabilities:	
Interest payable	7,458
Total	1,312

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

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

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

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

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

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

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

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

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

The table below shows the gross amounts due to the Authority from its financial assets, and the amounts which have been impaired due to likely uncollectibility. The net carrying value which is shown on the balance sheet represents the maximum credit risk to which the authority is exposed

Credit risk

	Gross Value £'000	Impairment value £'000	Net Value £'000
Deposits with Banks & financial institutions	0	-	0
Other Long term debtors	52,165	-	52,165
Debtors	7,889	-	7,889
	60,054	-	60,054

Liquidity risk - as the ITA has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Core financial statement note 20 (balance on long term borrowing and deferred liabilities) shows the maturity analysis of financial liabilities

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

borrowings at variable costs – the interest expense charged to the Income & Expenditure Account will rise

borrowings at fixed rates – the fair value of the liabilities will fall

investments at variable rates – the interest income credited to the Income & Expenditure Account will rise

investments at fixed rates – the fair value of the assets will fall

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

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

The ITA currently has £89m of debt in the form of LOBOs which equates to 61% of its net treasury management borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. One of the factors which might cause a lender to do this is fluctuations in market interest rates. If lenders exercise their option then the Authority can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender has the next option in the loan. If a change in the interest rate is agreed, this would impact on the amounts charged to the Income & Expenditure Account. Due to their structure, LOBOs can be obtained at lower interest rates than fixed rate long term borrowing, but carry an element of interest rate risk.

The Authority seeks to ensure that this risk in any one year from its LOBO portfolio is minimised, by ensuring that option dates are evenly spread over future years. Of the £89m LOBO debt at 31 March 2010, £16m will be exposed to variable rates through lender options in 2010-2011 and £5m in 2011-2012. It should be noted, however, that although these loans become variable on particular dates they cease to be variable if the rate is not changed on those dates and a further fixed period of between 6 months and 5 years will apply depending on the terms of the loan.

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

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

	Actual	With 1% Increase	Change
	£'000	£'000	£'000
Recognised in Income & Expenditure account			
Interest receivable on loans & receivables	(6,146)	(6,228)	(82)
Financial Liabilities - interest Payable	7,458	7,681	223
	<u>1,312</u>	<u>1,453</u>	<u>141</u>

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

40 **Authorisation of the Accounts for Issue**

Events happening between the balance sheet date and the date the accounts are authorised for issue are classed as post balance sheet events. Post balance sheet events which arose due to events happening before the balance sheet date have been incorporated into the financial statements. here was only one adjusting event which was the adjustment of the FRS 17 figures to reflect more reasonable assumptions on inflation and pension increases.

Any post balance sheet events which arose due to events happening after the 31st March 2010 would be classed as non-adjusting events, which would require disclosure but would not be included in the financial statements. There has been one such events requiring disclosure since the balance sheet date this is the changes announced by the Chancellor in his emergency budget on 22 June 2010 that from April 2011, increases to public sector pensions will be linked to the Consumer Price Index rather

The accounts are authorised for issue on 23 September 2010. This is the date that the financial statements were approved by the Authority and signed by the Chair and the Deputy Clerk and Treasurer.



Tyne and Wear Integrated Transport Authority

Group Accounts for the Financial Year Ended 31 March 2010

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

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

Group Income & Expenditure Account for the Year Ended

31 March 2010

	Note	2008/09	2008/09	2009/10		
			Restated	Gross	Net	
		£'000	£'000	Expenditure £'000	Income £'000	Expenditure £'000
General Fund Services	3					
<u>Planning and Development</u>		1,167	1,167	1,257	1,257	
<u>Corporate & Democratic Core</u>		2,382	2,382	2,616	(47)	2,569
<u>Non-Distributed Costs</u>		5,596	5,596	(6,460)		(6,460)
<u>Trans- port</u>		83,268	83,268	164,604	(66,488)	98,116
<u>Exceptional Items not included in specific services</u>	4	(168)	(168)	-	-	-
Net Cost of Services		92,245	92,245	162,017	(66,535)	95,482
<u>Trading Accounts</u>						
Tyne Tunnels		(8,024)	(7,677)	14,633	(20,373)	(5,740)
<u>Interest Payable</u>		7,404	7,404	7,458	-	7,458
<u>Interest on revenue balances</u>		(10,680)	(10,680)	-	(6,579)	(6,579)
<u>Pensions Interest costs and Expected Return on Pension Assets</u>	5	2,490	2,490	5,660	-	5,660
<u>Taxation of Group Entities</u>		(995)	(995)	-	203	203
Net Operating Expenditure		82,440	82,787	189,768	(93,284)	96,484
Levy /grant Income		(103,132)	(103,132)			(104,258)
Net Income & Expenditure Account (surplus)/deficit		(20,692)	(20,345)			(7,774)

The I&E for 2008/09 has been restated to reflect accounting changes under IFRIC12

This is the surplus before appropriation for statutory provisions in respect of depreciation, minimum revenue provision for debt repayment, contributions to the pension reserve and earmarked reserve. The deficit after this is £1.939m, as shown in the following statement.

Statement of Movement on General Fund Balance

	2008/09	2008/09 restated	2009/10
	£'000	£'000	£'000
Surplus for the year on the Income & Expenditure account	(20,692)	(20,345)	(7,774)
Net additional amount re- quired by statute and non statu- tory proper practices to be deb- ited or credited to general fund balance for the year	4,132	6,321	9,713
(Increase)/Decrease in General Fund Balance for year *	(16,560)	(14,024)	1,939
General fund balance brought for-	26,822	(26,427)	(40,451)
General fund balance carried for-	10,262	(40,451)	(38,512)

*Analysis of Surplus

ITA	(1,236)	(1,236)	784
Tyne Tunnels	(9,198)	(6,662)	1,157
Nexus	(6,126)	(6,126)	(2)

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

	2008/09	2008/09 restated	2009/10
	£'000	£'000	£'000
(Surplus) or Deficit on Authority's	(13,022)	(12,675)	(5,877)
Add (Surplus) or Deficit on Nexus	(7,670)	(7,670)	(1,897)
Group Account (Surplus) or Deficit For the year	(20,692)	(20,345)	(7,774)

Note of Reconciling Transactions

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Amounts included in the Income and Expenditure Account but required by a statute to be excluded when determining the Movement on the General Fund Balance for the year				
Depreciation and impairment of fixed assets	343		(1,591)	
Write down of revenue to be financed from capital resources by statute	(113)		13,269	
Transfer (to) or from Financial instruments account	9		(262)	
Write down of grants used to finance capital resources by statute			(6,090)	
Net charges made for retirement benefits in accordance with FRS17	(6,290)		(9,510)	
		(6,051)		(4,184)
Amounts not included in the Income and Expenditure Account but required by a statute to be included when determining the Movement on the General Fund Balance for the year				
Minimum Revenue provision for capital financing	1,802		1,804	
Capital expenditure charged in year to General fund balance	-		20	
Employers contribution payable to the pension fund and retirement benefits payable direct to pensioners.	10,159		11,411	
		11,961		13,235
Transfers (to) or from the General Fund that are required to be taken into account when determining the movement on the General Fund balance for the year				
Net transfer (to) or from earmarked reserves.	411		662	
		411		662
Net additional amount required to be credited to the General Fund Balance for the year		6,321		9,713

Statement of Total Recognised Gains & Losses

	2008/09	2009/10
	£'000	£'000
Surplus for the Year on the Income & Expenditure account	(20,345)	(7,774)
Unrealised (gain)/loss from the revaluation of fixed assets	-	-
Actuarial (gains)/losses on pension fund assets/liabilities	37,520	18,970
(Surplus) or deficit arising on revaluation of available for sale Financial assets	-	-
Financing of fixed assets & deferred charges written off	-	-
Any other gains or losses	-	-
Total recognised gains for the year	17,175	11,196
Balance at 1st April	(131,271)	(114,096)
Balance at 31st March	(114,096)	(102,900)
Reconciliation of Balances		
	2008/09	
	£'000	
Balance at 1st April	(390,781)	
Adjusted re IFRIC 12	392	
Adj re classification of cap grants deferred	259,118	
Restated Balance at 1st April	(131,271)	

Group Balance Sheet as at 31 March 2010

	Notes	2008/09		2008/09 restated		2009/10	
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets							
Operational Assets	8/9						
- Other Land & Buildings		14,809		14,809		15,049	
- Vehicles, Plant & Machinery		36,826		39,018		43,958	
- Infrastructure Assets		396,169		396,169		395,504	
- Community Assets		16,084		16,084		16,855	
Non Operational Assets		21,688		21,688		60,655	
Long Term Investments		1		1		1	
			485,577		487,769		532,022
Prepayments		340		340		340	
Long Term Debtors		-	340	-	340	-	340
Total Long-Terms Assets			485,917		488,109		532,362
Current Assets							
- Stock		3,165		3,165		3,444	
- Debtors	12	16,944		16,944		18,984	
- Short Term Investments		164,421		164,421		92,102	
- Cash		26,341		26,341		19,427	
			210,871		210,871		133,957
Current Liabilities							
- Creditors	13	(19,575)		(22,506)		(33,179)	
- Short Term Borrowing	10	(38,142)		(38,142)		(1,438)	
			(57,717)		(60,648)		(34,617)
Total Assets Less Current Liabilities			639,071		638,332		631,703
Long Term Borrowing	11	(183,365)		(183,365)		(145,560)	
Provisions for Liabilities & Charges	14	(3,151)		(3,151)		(9,563)	
Deferred Capital Grants	15	(260,849)		(260,849)		(279,739)	-
Pension Liability		(76,871)	(524,236)	(76,871)	(524,236)	(93,940)	(528,802)
Total Assets Less Liabilities			114,835		114,096		102,900
<i>Being represented by:</i>							
Capital Adjustment Account			(125,041)		(127,233)		(134,741)
Revaluation Reserve			(10,449)		(10,449)		(10,449)
Financial Instruments Adjustment Account			41		41		303
Usable Capital receipts reserve			-		-		-
General Fund Reserve			(43,382)		(40,451)		(38,512)
Earmarked Reserve			(12,875)		(12,875)		(13,441)
Pension Reserve			76,871		76,871		93,940
Total Balances & reserves			(114,835)		(114,096)		(102,900)

*Balance Sheet has been restated for IFRIC 12 changes and a prior year adjustment for re-classification of capital grants deferred.

Treasurer's Certificate

I certify that the accounts set out on pages 73 to 85 present a true and fair view of the financial position of the Tyne and Wear Integrated Transport Authority as at 31 March 2010. These financial statements replace the unaudited financial statements authorised at the meeting of the ITA on the 28 June 2010

Signed

[Signature box for Deputy Clerk and Treasurer]

[Signature box for Chair of the Authority]

Deputy Clerk and Treasurer
Date: 23 September 2010

Page 115
Chair of the Authority
23 September 2010

Group Cash Flow Statement for Year Ended 31 March 2010

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

	Notes	2008/09 £'000	2009/10 £'000
Net cash flow from revenue activities	16	(20,196)	(31,207)
Servicing of finance			
Payments			
Interest and Lease Payments		11,742	7,967
Receipts			
Interest on Revenue Balances		(9,380)	(8,271)
Net cash flow from servicing of finance		2,362	(304)
Taxation			
Capital Activities			
Payments			
Purchase of Fixed Assets		21,559	61,017
Other capital cash payments		-	3,206
Receipts			
Sale of Fixed Assets		(41)	(17)
Grant Finance Raised		(12,290)	(26,163)
Other capital cash receipts			(4,524)
Net cash flow from capital activities		9,228	33,519
Net cash flow before financing		(8,606)	1,820
Management of Liquid Resources			
Temporary Investments		12,350	74,000
Net cash flow from management of liquid resources		12,350	74,000
Financing			
Payments			
Repayments of Amounts Borrowed		44,403	(77,884)
Receipts			
New Loans Raised		(54,240)	-
Net cash flow from financing		(9,837)	(77,884)
(Increase)/Decrease in Cash and Equivalents	17	(6,093)	(1,877)

Disclosure Notes to the Group Core Financial Statements

- 1 These accounts have been prepared by merger accounting conventions, combining the Tyne and Wear Integrated Transport Authority and Nexus. They have been merged as at 31 March 2010.
- 2 Further detail to these accounts may also be found within the previous section (single entity accounts) and within the Nexus accounts. Any item without a specific disclosure note below is purely calculated as the sum of the values in the single entity accounts.

3	Net Expenditure 2008/09 £000	-	Net Expenditure 2009/10 £000	-
Analysis of General Fund Services				
Central ITA Costs:				
- Supplies & Services	329		236	
- Central Support Services	351		326	
New Tyne Crossing preliminary costs	40		40	
District Grants (LTP)	113		-	
Metro - Operating	14,936		18,416	
- Capital and Provisions	7,923		7,411	
Ferry	966		1,052	
Rail	4,411		4,483	
Bus Services	11,471		10,410	
Bus Infrastructure	3,182		3,385	
Transport Promotion and Information	2,590		2,414	
Deregulation and Pensions	5,596		5,612	
Concessionary Travel	45,765		48,157	
Current Pension cost adjustment	(5,260)		(6,460)	
Exceptional Item	(168)		-	
	92,245		95,482	

4	Net Expenditure 2008/09 £000	-	Net Expenditure 2009/10 £000	-
Exceptional Item				
Proceeds from disposal of Air-space	-		-	
Recovery of deposits	168		-	
Total	168		-	

The Recovery of deposits refers to a further dividend of 2.5 % received from BCCI (in liquidation).

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

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

	2008/09		2009/10	
	£'000 ITA	£'000 Nexus	£'000 ITA	£'000 Nexus
Current service cost	-	3,800	-	3,850
Past service costs	-	-	-	-
Curtailments / settlements	-	-	-	-
Amount charged to net service cost	-	3,800	-	3,850
Expected return on pension scheme assets	(1,290)	(9,790)	(970)	(7,360)
Interest on pension scheme liabilities	1,930	11,640	1,970	12,020
Amount credited to other income finance	640	1,850	1,000	4,660
Total revenue charge before deduction	640	5,650	1,000	8,510

Fees Payable to Audit Commission

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

	2008/09 £'000	2009/10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	116	125
Fees payable in respect of other services provided by the appointed auditor	-	-
	116	125

7 Integrated Transport Authority Lead Officers

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

<u>Responsibility</u>	<u>Title</u>
Policy / Legal / Administration:	Clerk - <i>Barry Rowland</i>
Financial advice:	Deputy Clerk and Treasurer - <i>Paul Woods</i>
Engineering:	Director of Strategic Housing, Planning & Transportation - <i>Harvey Emms.</i>

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

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

Disclosure Notes to the Group Core Financial Statements

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

8 Fixed Assets

Movements in fixed assets during the year were as follows:

Operational Assets	2009/10					Total £'000
	Land & Buildings £'000	Vehicles, Plant, etc £'000	Ferry £'000	Infra-Structure £'000	Other Assets £'000	
Cost or Vested Value						
Value at 31 March 2009	16,966	118,068	6,249	855,444	24,751	1,021,478
add back vehicles - IFRIC 12		2,192				2,192
Adjusted balance as at 31 March 2009	16,966	120,260	6,249	855,444	24,751	1,023,670
Additions				20		20
Disposals					(143)	(143)
Transfers	488	9,646		9,873	2,369	22,376
Depreciation						
Value at 31 March 2008	(2,157)	(81,242)	(2,101)	(463,423)	(8,667)	(557,590)
Disposals					143	143
Depreciation for Year	(248)	(4,707)	(233)	(10,325)	(1,596)	(17,110)
Impairment						-
Revaluations						-
Net Book Value at 31 March 2010	15,049	43,958	3,915	391,589	16,856	471,366

Non-Operational Assets	2009/10					Total £'000
	Land & Buildings £'000	Vehicles, Plant, etc £'000	Ferry £'000	Infra-Structure £'000	Other Assets £'000	
Value at 31 March 2009						21,688
Additions						61,343
Transfers						(22,376)
Disposals						-
Revaluations						-
Impairment						-
Depreciation						-
Net Book Value at 31 March 2010	-	-	-	-	-	60,655

The primary assets of the Group are the Tyne Tunnels and the Metro network. The Metro infrastructure is valued at depreciated historic cost, and a net book value of £286.515m is included within infrastructure. The remaining assets of Nexus are shown at original cost or vested valuation less accumulated depreciation, and have a net book value of £70.4m. The assets of the ITA are valued in accordance with the SORP.

9 Total Capital Expenditure funded by ITA

	2008/09 £'000	2009/10 £'000
Nexus - grant	3,505	3,541
Nexus loan	1,239	-
Tyne & Wear Districts - Local Transport Plan	2,212	2,510
Tyne Tunnels	-	-
New Tyne Crossing	2,256	33,054
	9,212	39,105

10 Short Term Borrowing

Source of Loan	2008/09 £'000	2009/10 £'000
Public Works Loan Board	(18,130)	-
Market Loans	(20,012)	-
Accrued Interest	-	(1,348)
	(38,142)	(1,348)

11 Borrowing

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

12 Debtors

Amounts falling due within one year:	2008/09 £'000	2009/10 £'000
Trade Debtors	1,315	2,166
Tyne & Wear Dis- tricts	-	-
Tax to be Recov- ered	522	495
Other debtors and prepayments	15,107	16,233
	16,944	18,894

13 Creditors

Amounts falling due within one year:	2008/09 £'000	2009/10 £'000
Trade Creditors	(5,654)	(5,154)
Tyne & Wear Districts - LTP Claims	(949)	(1,309)
Tyne & Wear Districts - Other	(184)	(26)
Prepayments	-	(593)
Loans repayable by instalments	(4,541)	(4,409)
Accrued Payments to Pension Fund	(66)	(74)
Newcastle City Council Income	-	-
New Tyne Crossing advisors	(283)	(243)
Other Accruals	(7,602)	(15,366)
Payments Due To TT2	(296)	(274)
Accounting Adjustment re PFI	(2,931)	(5,731)
	(22,506)	(33,179)

14 Provision for Liabilities and Charges

	2008/09 £'000	2009/10 £'000
Deferred Taxation	1,338	1,541
Provision for Pensions	78	85
Provision for Uninsured Losses	766	392
Land Acquisition, Compensation and Contractors	969	367
Provision for NESTI	-	7,178
	3,151	9,563

15 Deferred Capital Grants

	2008/09 £'000	2009/10 £'000
Value at 1 April	259,118	260,849
Additions	11,658	30,219
Amortisation to revenue account	(11,327)	(11,329)
Value at 31 March	260,849	279,739

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

	2008/09	2008/09 restated	2009/10
	£'000	£'000	£'000
Deficit / (Surplus) for the year			
General Fund (after grants & before taxation)	(19,697)	(20,345)	(7,977)
Items in another classification in the cash flow statement			
Servicing of Finance			
- Payments	(12,628)	(12,628)	(9,932)
- Receipts	13,293	13,293	6,579
Financing			
- Payments	(5,831)	(5,831)	(13,269)
Non-Cash Transactions			
- Depreciation	(16,792)	(19,328)	(17,109)
- Movement on Deferred Capital Grants	15,645	15,645	24,598
- Movement on Provisions	632	1,627	969
- Movement on Pensions	3,869	3,869	1,901
- Losses on Disposal	36	36	17
- Other adjustments	(330)	(330)	-
Items on an Accruals Basis			
- Movement in Debtors	3,148	3,148	(6,135)
- Movement in Creditors	(1,554)	635	(11,128)
- Movement in Stock	13	13	279
- Deferred Income	-	-	-
Net Cash Flow on Revenue Activities	(20,196)	(20,196)	(31,207)

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

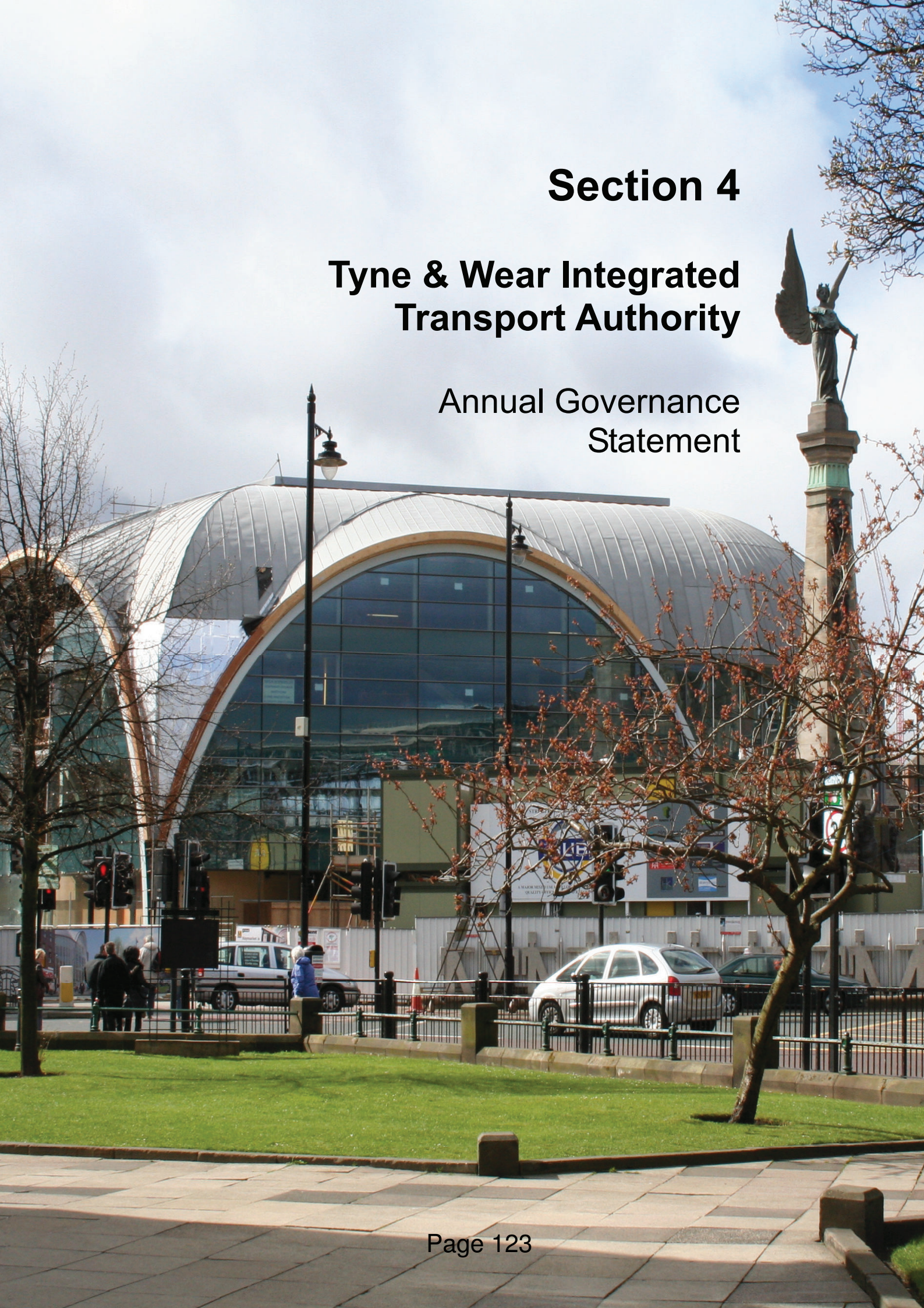
	2008/09	2009/10	
	Balance 31.3.09	Balance 31.3.10	Change
	£'000	£'000	£'000
Cash & Bank	(26,341)	(19,427)	6,914
Overdraft Facilities			0
Investments	(38,158)	(47,136)	(8,978)
	(64,499)	(66,563)	(2,064)

This page is intentionally left blank

Section 4

Tyne & Wear Integrated Transport Authority

Annual Governance Statement



Annual Governance Statement 2009/10



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:

the governance of our affairs and

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 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:

identify and prioritise the risks to the achievement of our policies, aims and objectives; and

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 2010 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 are set out in the Passenger Transport Policy Statement, published every three years. This sets out the ITA's priorities and targets for action in the coming years and records its key achievements in the preceding year providing the context for service delivery throughout the period.

The Passenger Transport Policy Statement is reviewed every three years, with ongoing monitoring provided to members twice a year. We are currently in the process of reviewing, refreshing and developing a new vision and high level objectives for the ITA which will see the Passenger Policy Statement replaced. We are moving from a passenger transport focused approach to a fully integrated approach. We will be consulting with Members, residents and stakeholders on our draft vision and objectives over the summer and autumn of 2010.

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

The ITA has produced a short summary outlining its vision and new direction of travel, explaining the progress of the former PTA into becoming the ITA.

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

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

The Passenger Transport Policy Statement was reviewed every three years, with ongoing monitoring provided to members twice a year. In 2009 we aligned our key output measures closely to the National Indicators used for Local Area Agreements and members will be informed of progress annually. The Passenger Transport Policy Statement will change in nature and will be incorporated into the broader ITA vision.

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 established 3 new 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 also agreed to establish a Metro Sub Committee.

We have been closely involved in the review of transport governance across the Tyne and Wear City Region which has strengthened the role of the ITA in developing transport strategy and policy at the City Region level.

The role of Standards and Audit Committee has been embedded over the last year. The Scrutiny Committee has an agreed annual work programme which has been implemented around the goals of the Delivering a Sustainable Transport System . Stakeholder consultations, the Community Engagement Strategy, the Corporate Communications Plan and close working relations with key partners also ensure that the ITA continues to reflect upon its priorities and governance arrangements. We have undertaken a partnership governance review of the Local Transport Plan.

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

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

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

Service level agreements with the Lead Authority (Newcastle City Council) are in place, and regularly monitored, to ensure value for money is being achieved. These are reviewed and updated annually. An ITA Officer Statement was submitted to Members in July 2009, outlining roles and responsibilities and progress of ITA Officers.

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

Performance is reported to the ITA.

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

CORE PRINCIPLE 2: MEMBERS AND OFFICERS HAVE CLEARLY DEFINED ROLES AND RESPONSIBILITIES

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

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

There is a clear scheme of delegation to officers.

The roles of Scrutiny and Standards and Audit Committees are set out within their Terms of Reference. The role of Standards and Audit Committee was reviewed in 2008/9 and the new terms of reference are being embedded within the ITA.

Membership of the ITA Scrutiny Committee was reviewed in September, 2009 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.

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

Policy and decision making is undertaken by the ITA and its advisory groups. Officers from the ITA, the districts and Nexus are starting to develop transport policies for the next Local Transport Plan.

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 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 for receiving and investigating complaints from the public

The ITA has an agreed whistle-blowing policy.

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

CORE PRINCIPLE 5: DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS TO BE EFFECTIVE

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

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

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

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 to the Tyne Tunnel, Haymarket Metro development and Sunderland Station development.

CORE PRINCIPLE 6: ENGAGING WITH LOCAL PEOPLE AND STAKEHOLDERS

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

Meetings are held in public

The consultation and involvement strategy sets out how Nexus on behalf of the ITA are engaging with their partners and stakeholders. The ITA website contains all Committee papers so that the public can access them. The Nexus website encourages people to submit questions and offer feedback.

As part of the broadening remit of the ITA, a communications plan will be reviewed and refreshed by the media and PR department of the Lead Authority..

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

We have strengthened partnerships with city region colleagues through the Transport Governance Review with ITA officers playing a significant role in the development of an emerging City Region Transport Strategy. We continue to work with and liaise with individual Local Strategic Partnerships in the districts to raise the profile of the ITA.

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

The ITA has a partnership with TT2 Ltd to operate the existing Tyne Tunnel and the construction of a New Tyne Crossing.

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. The ITA is leading on this. A collaboration agreement between the ITA and other authorities is currently being drawn up.

SECTION 4: ANNUAL REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK

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

The review is informed by :

- (a) The executive managers within the ITA who have responsibility for the development and maintenance of the governance environment
- (b) The views of our internal auditors which are regularly reported to Standards and Audit Committee through regular progress reports and through the Annual Internal Audit Opinion.
- (c) An annual review of the effectiveness of our Internal Audit arrangements (as required by Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2006).
- (d) The views of our external auditors, regularly reported to Standards and Audit Committee through regular progress reports and through the Annual Audit and Inspection Letter, Annual Governance Report and through regular meetings with officers.
- (e) The independent views of inspection agencies.

(e) The independent views of inspection agencies.

(f) The governance and internal control arrangements of our significant partnerships, contractors and group arrangements:

- The Local Transport Plan Partnership (responsible for delivering the Local Transport Plan)
- Nexus (the passenger transport executive responsible for the planning, provision and promotion of public transport). The ITA has appropriate representation within Nexus which provides an ongoing source of assurance
- TT2 Ltd (responsible for the construction and effective operation of the Tyne Tunnels and New Tyne Crossing) and internal arrangements in place to support and monitor the contract.

(g) The Value for Money Self-Assessment which assesses our performance and the services we provide

(h) The ITA's Strategic Risk Register, which captures the most significant risks associated with delivery of the ITA's objectives

(i) The Lead Authority's own annual review of its Governance Framework

(j) The views of members through the ongoing work of the Standards and Audit Committee and the ITA

(k) The work of the ITA Officer Co-Ordination Group – this group consists of Lead Authority officers who meet monthly to monitor ongoing performance issues and governance arrangements

SECTION 5: SIGNIFICANT GOVERNANCE ISSUES

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

2008/09

The following were identified as significant within the 2008/09 Annual Governance Statement and have been successfully resolved or have undergone improvements to the extent that they did not constitute significant weaknesses during 2009/10:

Information Governance	In 2009/10 work to improve information security, particularly the secure disposal of office waste and facilities to encrypt high priority mobile devices and e-mails, was completed and in place for the majority of the year.
------------------------	--

The review did not highlight any new issues as significant weaknesses in governance or internal control during 2009/10.

SECTION 6: SIGNIFICANT IMPROVEMENTS NEEDED TO GOVERNANCE AND INTERNAL CONTROL

The review also identifies:

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

(i) Business Continuity, Planning and Testing: this is linked to the Lead Authority’s arrangements - We continue to make progress with the development of business continuity planning across the organisation but this has been slower than expected as a result of needing to take account of major organisational changes. Particular work will be needed on the training and validation of plans to ensure they are fit for purpose and owned by the services in question. However, due to a change in personnel the delivery of this work may be affected, it will be important that during the transition momentum is not lost and managers continue to view this work as important.

(b) Issues that have improved during 2009/10 and no longer represent significant improvements needed to our governance and internal control arrangements. These are:

- (i) Scrutiny Processes
- (ii) Action Planning
- (iii) Standards and Audit Committee

Section 7: Conclusion

We consider the governance and internal control environment operating during 2009/10 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. A number of weaknesses and issues have been identified and these are set out in Section 5 above. Implementing the action plans is a priority.

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

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

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

Barry Rowland Clerk	Councillor David Wood Chair of the ITA	Paul Woods Treasurer and Deputy Clerk
Date: 23rd September 2010	Date: 23rd September 2010	Date: 23rd September 2010

This page is intentionally left blank



Tyne and Wear Integrated Transport Authority

Paul V Woods,
PTA Treasurer and Deputy Clerk
Chief Executive's Office
Civic Centre, Newcastle upon Tyne, NE99 1RD
Tel: 0191 232 8520 ext: 26503 Fax 0191 211 4901
e-mail: paul.woods@newcastle.gov.uk
www.newcastle.gov.uk

Our Ref: PVW/453/ML
To: Mr Steve Nicklin
District Auditor
Audit Commission
Nickalls House
MetroCentre
GATESHEAD
NE11 9NH
08 September 2010

Dear Mr Nicklin.

Tyne & Wear Integrated Transport Authority - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other members of the Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended March 2010.

All representations cover the Authority's accounts, and Group Accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and performance of the Authority and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For investments I confirm:

- the appropriateness of the measurement method;
- The basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- Subsequent events do not require adjustment to the fair value measurement.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and

- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Authority no additional significant adjusting post balance sheet events, other than the revision of the FRS 17 figures to reflect more reasonable assumptions , have occurred which would require additional adjustment or disclosure in the financial statements.

Since the date of approval of the financial statements by the Authority there has been one additional significant non adjusting post balance sheet events, which requires disclosure in the financial statements. This is the changes announced by the Chancellor in his emergency budget on 22 June 2010 that from April 2011, increases to public sector pensions will be linked to the Consumer Price Index rather than the Retail Price Index this will in the future affect the FRS 17 figures.

Specific representations:

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Signed on behalf of Tyne and Wear Integrated Authority

I confirm that this letter has been discussed and agreed by the Authority on the 23 September 2010.

Signed

Name Paul V Woods

Position Deputy Clerk and Treasurer

Date

This page is intentionally left blank



Tyne and Wear Integrated Transport Authority

TITLE: REPORT TITLE 2010/11 NON-METRO CAPITAL PROGRAMME – FIRST QUARTERLY REVIEW

Date: 23rd September 2010

REPORT OF THE CLERK OF THE AUTHORITY / DIRECTOR GENERAL OF NEXUS

Reasons for confidentiality (if confidential)

District Implications

1. Summary / Purpose of Report

- 1.1 The purpose of this report is to advise members of the overall performance of the 2010/11 Capital Programme including delivery to the end of the first quarter (ending 30th June 2010). This report includes Nexus major schemes but does not include Metro schemes, which will be reported through the ITA Metro Sub Committee separately.

2. Recommendations

- 2.1 The ITA is recommended to;
- Note the position with regard to the 2010/11 capital Programme, as per Appendix A
 - Approve the scheme changes as detailed in Appendix B

3. Introduction / Background

- 3.1 The ITA approved a capital programme for 2010/11 in July 2010 totalling £55,765k. A review of the capital programme has been undertaken at the end of the first quarter, resulting in a revised capital programme of £58,799k.
- 3.2 As at the end of the first quarter actual spend is £972k (1.65%). Commitments are estimated to be £43,079k (73.26%). The main reason for the low level of actual expenditure is due to the Tyne Tunnel scheme which will not incur the bulk of its expenditure (construction contributions) until October 2010. Therefore,

excluding the Tyne Tunnel, expenditure of £713k to the end of the first quarter represents 4.15% of the programme.

- 3.3 The variations reported in this first quarterly monitoring report are mainly due to the increase of £3,388k in the Ticketing and Gating scheme which has been re-profiled to reflect the current delivery position and the funding available, the additional Tyne Pedestrian and Cyclist Tunnels scheme of £500k and the impact of the LTP funding reduction as reported to ITA in July 2010.

4. Information

- 4.1 The ITA approved a Capital Programme for 2010/11 of £55,765k in July 2010. This includes Nexus major schemes but excludes metro schemes which will be reported separately to the ITA via the ITA sub committee.
- 4.2 A review of this programme has been completed at the end of the first quarter, ending 30th June 2010. The information contained in this report is based on information received from Project Managers responsible for the schemes, and the Tyne Tunnel Project Director.
- 4.3 Following the first quarterly review of the capital programme a number of changes have been identified. These can be seen in Appendix B and in summary below:-

Revised 2010/11 Capital Programme as reported July 2010		£55,765k
New Schemes	£500k	
Variations to Major Schemes	£3,402k	
Other Variations	(£868k)	
Revised 2010/11 Capital Programme		£58,799k

4.4 New Schemes

The only new schemes approved during quarter 1 relates to:-

- £500k for the Tyne Pedestrian and Cyclist Tunnels scheme which was approved at ITA in July 2010.

4.5 Variations – Major Schemes

Major scheme variations reported in this quarter total an increase in the 2010/11 capital programme of £3,402k made up almost entirely from within the Ticketing and Gating scheme which has been re-profiled to reflect the current delivery position and the funding available. This means an increase in the 2010/11

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

capital programme of £3,388k and equivalent decreases in the 2011/12 and 2012/13 capital programme for this scheme.

4.6 Other Variations

- Following an announcement from central government in June 2010 of a 25% reduction in the LTP Public Transport allocation, the ITA approved a reduction in the Non Metro LTP allocation of £1,425k. A new funding allocation of £550k has been approved by the DfT for the Smart Ticketing scheme in 2010/11. This results in a decrease in the 2010/11 capital programme of £868k for other variations.

4.7 The revised ITA capital programme for 2010/11, excluding metro schemes, is summarised below and detailed in Appendices A and B:-

	Approved Programme 2010/2011 £000	Revised Programme 2010/2011 £000	Change During First Quarter £000
Bus Infrastructure	1,510	1,204	(306)
Business Improvements	2,097	1,717	(380)
Ferry	92	92	0
Major Projects	10,829	14,049	3,220
Passenger Improvements/Info.	112	112	0
Nexus Capital Programme	14,640	17,174	2,534
New Tyne Crossing	41,125	41,625	500
Total Capital Programme	55,765	58,799	3,034

4.8 At the end of the first quarter the actual spend is £972k (1.65%). Commitments are estimated to be £43,079k (73.26%). The main reason for the low actual expenditure is due to the Tyne Tunnel schemes which at the first quarter had only spent £259k (0.6% of the Tyne Tunnel project budget). The allocated budget for this scheme is largely (91%) for the construction contributions which are payable starting in October 2010.

4.9 This total revised Capital Programme for 2010/2011 is £58,799k. The funding of this is from a number of different sources. The funding available in 2010/11 is as follows:-

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

	2010/11 Approved Funding	2010/11 Revised Funding	Variance
	£000	£000	£000
LTP Minor Schemes	1,875	789	(1,086)
Over-programming	613	364	(249)
Grants and Contributions	8,261	12,452	4,191
Prudential Borrowing	1,632	1,178	(454)
Reserves	2,259	2,391	132
Total Nexus Funding	14,640	17,174	2,534
New Tyne Crossing	41,125	41,625	500
Total Capital Funding	55,765	58,799	3,034

4.10 The major changes to the funding above are as follows:-

- The reduction in LTP Grant was reported to the ITA in July 2010 and this review of the non Metro capital programme resulted in a reduced non Metro over-programming level. The non Metro over-programming is currently 14% which is within the authorised level.
- Grants and Contributions have increased by £4,191k in 2010/11 due to the re-profiling of the Ticketing and Gating grant spend profile. The overall Ticketing and Gating S31 grant allocation has not changed. The DfT have awarded a grant of £957k to fund the development of the NESTI Smart Card scheme in 2010/11. This grant is for both revenue and capital purposes. The current estimated capital element of this grant is £550k and has been included into the capital programme for 2010/11.
- The requirement for prudential borrowing has reduced in 2010/11 to allow the maximisation of the Metro Rail Grant.
- There is a £132k variation in reserves, which is largely due to the increased reserve requirement in 2010/11 for the Ticketing and Gating scheme, to reflect the re-profiled scheme anticipated expenditure and funding requirement.

5. **Next Steps**

6. **Further comments by the:**

- **Clerk** (if any);
- **Treasurer** (if any);

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

5

- **Legal Advisor** (if any);
- **Director General** (if any).

7 Background Papers

8 Contact Officer (s)

8.1 Carol Bainbridge, Head of Capital and Project Finance (0191) 2033244
Diane Scott, Capital Accountant (0191) 2033410

APPENDIX A

**Nexus Capital Programme Monitoring Report
2010/11 as at 30th June 2010**

Summary

	App Estimate	Actual to date	Cited	Uncited	Revised Estimate	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Bus Infrastructure	0	0	0	0	0	0
Business Improvements	1,510	30	249	955	1,204	-306
Ferry	2,097	144	377	1,340	1,717	-380
Major Projects	92	0	55	37	92	0
Passenger Information	10,829	539	2,343	11,706	14,049	3,220
New Tyne Tunnels	112	0	0	112	112	0
	41,125	259	40,055	1,570	41,625	500
Grand Total	55,765	972	43,079	15,720	58,799	3,034

Nexus Capital Programme Monitoring Report 2010/11 as at 30th June 2010

	App Estimate	Actual to date	Cited	Uncited	Revised Estimate	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Bus Infrastructure						
BA001	140	4	29	29	58	-82
BA002	50	0	0	30	30	-20
BA004	50	0	29	21	50	0
BA005	160	3	8	152	160	0
BA006	337	2	126	194	320	-17
BA007	150	3	13	99	112	-38
BA008	313	12	33	286	319	6
BA009	100	0	5	95	100	0
BA010	10	0	0	0	0	-10
BA012	35	0	0	0	0	-35
BA017	40	0	0	30	30	-10
BA018	125	6	6	19	25	-100
Total	1,510	30	249	955	1,204	-306

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

	App Estimate	Actual to date	Cited	Uncited	Revised Estimate	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Business Improvements						
BA302	504	43	207	297	504	0
BA701	200	9	49	151	200	0
BA702	250	26	26	174	200	-50
BA704	60	0	0	60	60	0
BA717	50	50	50	0	50	0
BA718	100	0	0	0	0	-100
BA719	81	7	28	53	81	0
BA720	57	9	17	40	57	0
BA721	15	0	0	15	15	0
BA803	780	0	0	550	550	-230
Total	2,097	144	377	1,340	1,717	-380
Ferry						
BA502	92	0	55	37	92	0
Total	92	0	55	37	92	0

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

	App Estimate £'000	Actual to date £'000	Cited £'000	Uncited £'000	Revised Estimate £'000	Variance £'000
Major Projects						
BA014	189	1	7	0	7	-182
BB002	208	28	29	193	222	14
BB005	1,631	454	1,580	52	1,632	1
BB006	8,801	56	727	11,461	12,188	3387
Total	10,829	539	2,343	11,706	14,049	3,220
Passenger Information						
BA301	112	0	0	112	112	0
Tyne Tunnel Crossing						
	41,125	259	40,055	1,570	41,625	500
Grand Total	55,765	972	43,079	15,721	58,799	3,034

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

APPENDIX B

	2010/11 £ 000	2011/12 £ 000	2012/13 £ 000
Capital Programme Agreed by ITA July 2010	55,765	58,508	3,177
Reduction in LTP Funding – approved at ITA July 2010	(1,425)	(220)	185
New Schemes Identified			
Tyne Pedestrian and Cyclist Tunnels – this new scheme was approved at ITA in July 2010	500	5,500	
Variations to Major Schemes			
Ticketing and Gating – The majority of the variation relates to the re-phasing to match the programme and funding availability. In addition there is an increased cost of £538k mainly due to increased design costs due to the number of product ranges, additional equipment and project management costs. This will be subject to a separate report.	3,388	(1,978)	(872)
Variations to Other Schemes			
Smart Ticketing – this scheme has secured capital funding from the DfT to develop the NESTI Smart Card scheme in 2010/11.	550		
Minor Changes – Additional changes less than £30k.	21		
TOTAL CHANGE TO PROGRAMME	3,034	3,302	(687)
REVISED CAPITAL PROGRAMME	58,799	61,810	2,490



Tyne and Wear Integrated Transport Authority

DATE: 23 September 2010
TITLE: Dinnington Bus Services Petition
REPORT OF: DIRECTOR GENERAL OF NEXUS

Reasons for confidentiality (if confidential)

District Implications – Newcastle

1. Summary / Purpose of Report

- 1.1 To provide a Nexus response to a petition presented to Newcastle City Council by Councillor Tom Laidler of Dinnington Parish Council.

2. Recommendations

- 2.1 Members of the Authority are recommended to note the report, and refer the petition to the Commercial Manager of Arriva North East for further consideration.

3. Introduction / Background

- 3.1 A petition from residents of Dinnington, Brunswick and the surrounding area was presented to the City Council at its meeting of 01 September by Councillor Brenda Hindmarsh, and was referred to the Integrated Transport Authority and the relevant Executive Member for consideration.

4. Information

- 4.1 The petition signed by a total of 785 residents, highlights their concerns about the withdrawal of the commercial Arriva 45 service, which occurred on the 30th May 2010, and calls for the restoration of the bus link between Dinnington and the surrounding villages.
- 4.2 Prior to the changes, Dinnington was served by the number 45 service, which ran every 15 minutes during the day via Brunswick and Wideopen to Newcastle.

- 4.3 As part of the recent network changes to their North Tyneside and Newcastle network, Arriva made the decision to withdraw the link between Brunswick and Dinnington for commercial reasons, as the previous 45 service carried on average 5 passengers per day between the 2 villages.
- 4.4 However, it should be noted that Dinnington continues to be served by 4 buses an hour, with the 3 service providing a link to Hazlerigg and Wideopen, and the X44 a fast service to Newcastle.
- 4.5 In addition to the petition, the Director General has also received requests from the local MP, Parish Council and City Councillors, seeking financial support from Nexus to support the introduction of a secured service.
- 4.6 Given the figures supplied by Arriva for the previous 45 service, 5 passengers per day, together with the fact that Nexus already provides and gives financial support to the existing service 3, they have all been informed, that at this stage, Nexus would not consider the securing of any additional services, as good value for money.
- 4.7 Nevertheless, members are aware that Nexus, working with the City Council, have just completed a major public consultation exercise on our plans for a new and improved accessible bus network for the whole of Newcastle. The petition and correspondence regarding Dinnington and Brunswick has therefore been passed to the Network Design Team for their consideration as part of the overall consultation exercise.

5. **Next Steps**

- 5.1 Whilst the concerns of residents of Dinnington and Brunswick are recognised, the decision to withdraw the 45 between the 2 villages was made by Arriva North East for commercial reasons. It is therefore recommended that the petition to reinstate the bus route, as requested by the petitioners, be forwarded to their Commercial Manager for consideration.

6. **Further comments by the:**

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

7 **Background Papers**

- 7.1 Petition signed by residents

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

8 Contact Officer (s)

8.1 John Usher – Head of Transport Integration Tel. 0191 203 3291

This page is intentionally left blank



Tyne and Wear Integrated Transport Authority

DATE: 23 September 2010
TITLE: High Speed Rail – Remit from Scrutiny Committee
REPORT OF: DIRECTOR GENERAL OF NEXUS

Confidential:

District Implications: None

1. Purpose of Report

- 1.1 To advise the Authority of a concern raised at the Scrutiny Committee relating to progress with the promotion of the extension of the high speed line to the North East.

2. Recommendation

- 2.1 The Authority is recommended to:

2.1.1 note the concern raised at the Scrutiny Committee;

2.1.2 note the establishment of the All Party Parliamentary Rail in the North Group;

2.1.3 agree, through the Director General, to provide regular briefings to Ian Mearns MP on rail issues in Tyne and Wear.

3. Background

- 3.1 The Scrutiny Committee on 15 July received a report updating the Committee on the plans for the development of High Speed Rail in the UK. The report explained that the Coalition Government had confirmed that it would promote a high speed network for the UK, although given financial constraints this would need to be carried out in phases commencing from the London terminal. It was also noted that at this point in time there is no commitment to extend any High Speed Rail proposal to the North East.

- 3.2 During discussion on the report, members of the Scrutiny Committee expressed the view that the ITA should lobby MPs making the case for ensuring that plans for High Speed Rail included the North East.
- 3.3 The Committee was not aware that an All Party Parliamentary Rail in the North Group was established in July 2010 precisely to lobby for rail improvements in the North. The Group is chaired by Angela Smith, MP for Penistone & Stockbridge and Ian Mearns, MP for Gateshead is one of the vice-chairs of the Group.
- 3.4 The work of the Group is sponsored by the five northern PTEs, the Northern Way, North West Rail Campaign and Network Rail.
- 3.5 The Terms of Reference of this new Group includes support for “High Speed Rail to the north and connections to London” and therefore will offer the ITA, through Ian Mearns MP, the opportunity to promote the importance of including the North East within future High Speed Rail development plans.
- 4 **Contact Officer (s)**
- 4.1 Bernard Garner, Director General, Nexus.

BGG/TJH/highspeedrail/09.09.10



Tyne and Wear Integrated Transport Authority

DATE: 23 September 2010
TITLE: ITA Members' Visit
REPORT OF: DIRECTOR GENERAL OF NEXUS

Confidential:

District Implications: None

1. Purpose of Report

- 1.1 To report back on the Members' inspection to Wabtec in Doncaster and various transport initiatives promoted by Nottingham City Council.

2. Recommendation

- 2.1 The ITA is recommended to:
- 2.1.1 note the itinerary for the visit;
 - 2.1.2 receive any comments from Members attending.

3. Background

- 3.1 The annual members' inspection took place on 26/27 August and comprised visits to Wabtec in Doncaster and Nottingham City Council. The visit party comprised Councillors James Blackburn, John Scott, Peter Wood, Gerry Keating, David Wood, Frank Lott and David Ord together with Bernard Garner, Ken Mackay and Lynne Robinson, Nexus.
- 3.2 Wabtec Rail Ltd is part of Wabtec Corporation and has been appointed by DBTW Ltd to undertake the Metrocar refurbishment works, an integral part of the Metro Reinvigoration project. The ITA group were met at Wabtec by members of the senior management team and by Adrian Shooter and Richard McClean, the Chairman and Managing Director respectively of DBTW Ltd.

- 3.3 The first Metrocar was delivered to Wabtec on 21 June and was now in the process of being stripped down in order that the work necessary to specify in detail the refurbishment programme can be properly scoped and designed. Wabtec representatives briefed on this process and explained that the first car would be returned to Metro in June 2011 and the programme involves further deliveries at approximately monthly intervals. The group were then invited to tour the facilities at Doncaster and to see the work in progress on the first Metrocar.

- 3.4 The second day of the inspection comprised briefings and site inspections of various initiatives being undertaken by Nottingham City Council. Of particular interest to ITA members were the bus based park and ride sites; the free bus services jointly funded between the City Council and the PCT serving various out of centre employment and hospital sites; the operation of the Nottingham tram ('NET'); and the implementation of smartcard technology.
- 3.5 Cllr Brian Parbutt, the relevant Cabinet Member from Nottingham City Council, had also arranged an update on the Workplace Parking Levy scheme due to be introduced in Nottingham in 2011 which offers a revenue stream which would support many of the transport initiatives that the Council wishes to bring forward.

4 **Contact Officer (s)**

- 4.1 Bernard Garner, Director General, Nexus.

BGG/TJH/visitaug2010_feedback/09.09.10

This page is intentionally left blank



Tyne and Wear Integrated Transport Authority

23 September 2010

New Tyne Crossing - Progress Report

REPORT OF NTC PROJECT DIRECTOR

District Implications : North Tyneside, South Tyneside

1. Summary

- 1.1 This report provides an overview of progress made on the construction and the preparation for certain key events to come since the last meeting of the TWITA. Progress photographs will be available at the meeting.

2. Recommendations

- 2.1 The Authority is recommended to note progress made.

3. Background

- 3.1 Construction of the NTC began on 22 April 2008. Key dates as set out in the Project Agreement signed on 23 November 2007 are as follows:-

PTU1	15 December 2010 (Revised to 4 February 2011)
PTU2	3 December 2011
Completion	3 December 2011

4. Progress – Since July 2010

4.1 Programme

The construction programme issued on 2 April 2009, following the special Project Board Meeting on 10 March 2009, was revised to account for significant re-planning and programming of the works. This revised the original date for PTU 1 to 4 February 2011. Another revised programme was issued on 13 October 2009 but this did not affect the key dates. Since then work on SCL2 was deferred by the contractor to January 2010 and was completed on 4 May 2010. A further revision to the programme was made to accommodate the progress on SCL2. This programme did not change the key dates indicated in para 3.1.

Overall, progress on the project is on target to meet the key dates set out in para 3.1.

4.2 North Approach Works

Works to fitting out the tunnel continues with the installation of the fixed fire suppression system, the fire hydrant main, the electrical containment and ventilation systems, the laying of the base courses for the carriageway, kerb-laying and drainage installation are ongoing. Work on the construction of the toll plaza, canopy and Howdon Plaza offices are nearing completion. Earthworks are progressing well on the formation of the mound on the North Tyneside Council land immediately to the north of the toll plaza and construction of the swale drainage pond to the south of the portal is well advanced. The permanent reinstatement of Tyne View Terrace is complete except for the wearing course to the footpaths. The fitting out of the Howdon Service Building is nearing completion. The A19 northbound continues to operate on one lane to allow the ongoing construction of the toll plaza, road surfacing, high mast lighting, crossovers and earthworks adjacent to the north portal. Work on the refurbishment of the existing Tyne Tunnel offices including the single storey extension is progressing with the fit-out well advanced. TT2 continue to occupy temporary offices at Howdon Supply Base while this work is ongoing. The exception being that the control room is still functioning in the old offices.

Overall these works are currently on target to achieve the key dates set out in para 3.1.

4.3 Immersed Tube Works

The internal concrete works to the immersed tube section are now substantially complete. However, some remedial works are required to the closure joint between tunnel elements TE3 and TE4. This work is ongoing. The roadworks are well advanced with the base course for the carriageway installed together with kerbs and concrete verge. The infilling of the escape passage and construction of the floor slab is ongoing. Fitting out of the M&E services is progressing with the drainage pipework and pumps for the mid-river sump, containment systems within the service gallery and escape passage, mist system and fire hydrant peipework. Work has commenced to Howdon Basin with the removal of the temporary works including the steel piles and the commencement of the infilling of the basin with material won from the site during the course of the tunnel construction.

Overall these works are currently on target to achieve the key dates set out in para 3.1.

4.5 South Approach Works

The construction of all the main structural elements of the tunnel are now complete including roof slabs, internal walls and all sections of SCL. Internal finishing works are ongoing between the south transition structure and High Street. The roadworks

are well advanced with the laying of base course to the carriageway, installation of kerbs and concrete verge. The infilling of the escape passage and construction of the floor slab is ongoing. Fitting out of the M&E services is progressing with the installation of containment systems within the service gallery and escape passage, drainage, mist system and fire hydrant pipework.

Backfilling of the tunnel between Salem Street and Tyne Street is substantially complete.

Salem Street is currently closed whilst High Street has been re-opened to traffic.

Overall these works are currently on target to achieve the key dates set out in para 3.1.

4.7 South Junction Works

Construction of the new South Extract Building including the service gallery linking to the south portal is nearing completion of the fitting out of M&E services. The Jarrow Junction Offices have been completed and have been occupied by TT2. The sub-structure of the existing roundabout, which support the southern half of the existing roundabout, have been exposed and construction of new end walls and installation of lightweight fill within the existing roundabout have been completed. The construction of the retaining wall between the loop-bridge and Howard Street bridge is well advanced. Earthworks to the south of the junction have commenced to prepare for the installation of the drainage pond and outfall. Traffic management arrangements remain in place and the layout continues to perform well and is maintaining hourly throughput at levels comparable to and even slightly better at times to those achieved prior to the start of construction of the new tunnel. As the work to the existing roundabout area progresses, during the course of September, the traffic management will need to be amended. This includes diverting tunnel bound traffic from the A185 via Church Bank to allow access for construction. This will improve northbound traffic flow on the A19.

Overall these works are currently on target to achieve the key dates set out in para 3.1.

5. Masterplanning

- 5.1 The final landscape masterplan drawings have been submitted to North and South Tyneside Councils for approval. Additional information has been provided to the councils relating to planting schemes and approvals are now expected to be in place by the end of September 2010.

6. Land

- 6.1 Arrangements relating to hand-back of land continue to be discussed in detail between the relevant parties on the basis of the landscape masterplans submitted for approval. The land occupied by the new tunnel structure itself is being acquired

using the General Vesting Declaration powers conferred by the River Tyne (Tunnels) Order 2005. This process is now complete.

7. Communication

The web-sites (NTC & TT2) continue to be updated almost daily. Drop-in-sessions continue to be held weekly on both sides of the river and Ward Councillors are given regular 'activity' schedules so that they are briefed on forthcoming events/developments. The Helpline is maintained and staffed 24/7.

- 7.1 Publicity and school visits were undertaken to advise schoolchildren of the dangers of construction sites prior to the beginning of the school holidays.
- 7.2 During the weekend of 6 – 9 August 2010 temporary traffic management and road closures in the area of Straker Street, Howard Street and Priory Road were put in place to allow road surfacing works to be undertaken. A successful communication plan was implemented in advance of the works including; posters, leaflet drops and social media messaging.
- 7.3 The construction activity and progress continues to stimulate considerable demand for visits from a wide variety of organisations. TWITA/BYTP (UK)/TT2 share the load on this issue to accommodate requests as much as possible.

Contact Officer: P Fenwick, phone: (0191) 211 6058



Tyne and Wear Integrated Transport Authority

Date: 23 September 2010

TITLE: STRATEGIC RISK UPDATE
REPORT OF THE CLERK OF THE AUTHORITY
Not Confidential
District Implications across Tyne and Wear

1. Summary / Purpose of Report

- 1.1 This report provides an annual update on ITA strategic risks and opportunities as set out in the ITA Strategic Risk Strategy.
- 1.2 The formal risk process adopted by the ITA aims to provide assurance that significant risks and opportunities associated with the delivery of ITA business (as expressed in the Passenger Transport Policy Statement) are continually being identified, and appropriately managed and monitored to derive optimal performance.
- 1.3 The risk register has been fully reviewed by ITA Policy Officers and material changes / issues are summarised within this report.
- 1.4 Risks fall into two general areas:
 - a) Significant threats, barriers or weaknesses that could cause substantial negative impacts on the delivery of ITA business / prevent the achievement of aims and objectives (and which therefore require attention to avoid or reduce); and / or
 - b) Significant opportunities that could cause substantial positive impacts on the delivery of ITA business / secure the delivery of aims and objectives (and which may require planning to exploit or enhance).

2. Recommendations

- 2.1 To review and challenge the outcomes of the strategic risk review.
- 2.2 To identify any further significant risks or mitigating actions for consideration.

3. Strategic Risk Update

- 3.1 This update concentrates on:

- (a) Summarising current activities and further mitigation in response to the highest priority risks and opportunities facing the ITA.
- (b) An overview of all strategic risks and opportunities (as presented in **Appendix A**).

3.2 Since the last review of the strategic risk register (April 2010, reported to ITA Standards and Audit Committee) a number of key events have occurred that have mitigated (or changed the focus) of several of the ITA strategic risks. Of note is the announcement by the Coalition Government in June 2010, supporting the Metro Reinvigoration Project and enabling the project to continue as planned. In addition, work continues on the development of the next Tyne and Wear Local Transport Plan (LTP3) with a period of consultation to commence shortly with final sign off required by March 2011.

3.3 The risks highlighted by the potential reduction in public sector finance following the Comprehensive Spending Review in October 2010 continue to be examined and mitigating actions planned.

4. **Next Steps**

4.1 The ITA Strategic Risk Register is regularly monitored and fully reviewed/reported to ITA Standards and Audit Committee every 6 months to ensure risk ratings reflect emerging risks and progress is being made in reducing current risks. The ITA will also continue to receive strategic risk updates on an annual basis.

5. **Further comments by the:**

- **Clerk** (none)
- **Treasurer** (none)
- **Legal Advisor** (none)
- **Director General** (none)

6. **Background Papers**

6.1 ITA Strategic Risk Register – Available from contact officers below.

7. **Contact Officer (s)**

7.1 Les Cain, Strategic Risk Advisor, Newcastle City Council (0191 211 6515)

Scott Vincent, ITA Senior Policy Officer, Newcastle City Council (0191 211 5679)

SUMMARY OF ALL STRATEGIC RISKS (September 2010)

ITA Risk at a glance

Strategic Risks		
Description	Priority	Direction of travel
Policy Delivery and Integration		
Ineffective stakeholder management and ITA leadership on development of next Local Transport Plan (LTP3).	Amber 9	Improving
<p>There continues to be a strong focus and ongoing engagement with LTP Partners and stakeholders in the development of the LTP3.</p> <p>The draft LTP is to undergo a public consultation period between October and December 2010, with final amendments and sign off process to take place between December 2010 and March 2011.</p> <p>Strong partnership working continues through various member and officer structures, including:</p> <ul style="list-style-type: none"> • ITA • ITA LTP Working Group • LTP Senior Officer Group (Chaired by the ITA Clerk) • Joint Transport Steering Group • Joint Transport Working Group 		

SUMMARY OF ALL STRATEGIC RISKS (September 2010)

Performance Management	
Ineffective performance management leading to ineffective decision making and inappropriate use of resources.	<p>Green 6</p> <p>Improving</p> <p>With the move to a new Local Transport Plan a coherent set of revised local transport indicators are being developed. This development offers the opportunity to streamline monitoring and performance arrangements at the Tyne and Wear level with a single monitoring framework reflecting the ITA's new vision, strategic objectives, LTP policies and interventions.</p>
Financial	
Future spending restrictions, impacting on key ITA projects and ability to deliver policy objectives.	<p>Red 12</p> <p>Static</p> <p>The Government decreased the amount of capital resources, resulting in Local Transport Plan funding being reduced in 2010/11.</p> <p>Affordability studies have been reported to the ITA for 2010/11 with work underway on reviewing year 2 (2011/12) and year 3 (2012/13).</p>
Joint Service Budget priorities may not fully support current ITA activities, leading to additional and unexpected financial demands on the ITA and the five Councils.	<p>Amber 9</p> <p>Static</p> <p>Work continues on identifying and addressing emerging issues.</p> <p>Nexus and the ITA continue to consider minimising levy increases and maximising interest gain.</p>

SUMMARY OF ALL STRATEGIC RISKS (September 2010)

<p>Insufficient funding for Concessionary Fares resulting in restricted ITA ability to fund other transport services, reduction in some services and adverse publicity.</p>	<p>Amber 9</p>	<p>Static</p>	<p>Work continues to press for a formula change in concessionary fares. Proposed changes are being put to the CLG and Dept for Transport. Funding for April 2011 onwards will be reviewed as part of Nexus budget. On affordability and practical grounds, the extension of the discretionary scheme to allow Tyne and Wear residents in receipt of an English National Concessionary Travel Pass bus travel in the rest of the UK is not pursued at this time.</p>
<p>Efficiency Targets 2008/2011 set at unrealistic levels.</p>	<p>Amber 9</p>	<p>Static</p>	<p>There continues to be a strong focus on delivery of efficiency savings in all aspects of Nexus activity.</p>
<p>Major Projects</p>			
<p>Failure to provide effective challenge and governance to the Metro Re-invigoration Project.</p>	<p>Amber 9</p>	<p>Static</p>	<p>The Coalition Government re-affirmed its support for the Metro Reinvigoration Phase II capital and revenue programme in June 2010. ITA continues to receive updates on programme progress from Nexus, and has set up an ITA Metro Sub Committee to consider Metro issues in further detail.</p>

SUMMARY OF ALL STRATEGIC RISKS (September 2010)

<p>Impacts of NTC construction being poorly managed or perceived as being poorly managed resulting in damage to community relations and reputation damage to the ITA.</p>	<p>Amber 9</p>	<p>Static</p>	<p>The New Tyne Crossing Programme has been modified to take into account actual progress in the year. Opening of the new tunnel is planned for February 2011 and the reopening of the existing tunnel, following renovation, is December 2011. Completion of the NTC programme remains December 2011.</p>
<p>Inability to bring forward A19 junction schemes within Regional Funding Allocations to coincide with New Tyne Crossing completion, resulting in lost opportunities.</p>	<p>Amber 8</p>	<p>Static</p>	<p>In June 2010, a statement made by the Secretary of State for Transport effectively suspended works on those major transport schemes without formal funding. A new framework and process for funding and prioritising major transport schemes will not be established until after the Comprehensive Spending Review (CSR) has taken place in October.</p>
<p>Equalities</p>			
<p>Equalities issues not fully considered in policy formulation and other activities of the ITA, resulting in potential legal challenge and/or failure to deliver ITA vision and objectives.</p>	<p>Green 6</p>	<p>Static</p>	<p>An Equalities Impact Assessment is being carried out as part of the LTP3 development process. ITA E&D Working Group established to consider equalities issues in further detail. R Reviewing the ITA Policy Statement and Equalities Schemes to ensure that they comply with equalities legislation.</p>

SUMMARY OF ALL STRATEGIC RISKS (September 2010)

ITA Opportunities at a glance

Strategic Opportunities		
Description	Direction of travel	Summary of progress
Opportunity to deliver maximum benefits to bus users as a result of Local Transport Act 2008 provisions.	Improving	Work continues on the development of formal proposals for procuring bus networks in order to deliver objectives set out in the proposed LTP 3.
Opportunities presented by Smart Ticketing Initiative (NESTI)	Improving	The first public transport service to carry NESTI enabled smart ticketing equipment began on 6 th June 2010. Work is underway to develop the opportunities for using the NESTI scheme to deliver efficiencies to Local Authorities.
Opportunity for the ITA to play stronger role in Tyne and Wear Local Transport matters and demonstrate strategic leadership.	Improving	ITA is leading on LTP3 development in partnership and consultation with districts and Nexus. Also providing input to other regional and national transport activities including Delivering a Sustainable Transport System (DaSTS) and development of a City Region Transport Strategy. A review of the Authority's Policy Statement will reiterate the ITA's wider role, responsibilities, vision and key objectives for transport in Tyne and Wear.

SUMMARY OF ALL STRATEGIC RISKS (September 2010)

<p>Opportunity to further develop processes and arrangements for scrutiny.</p>		<p>Static</p>	<p>There continues to be a strong focus on aligning the ITA and ITA scrutiny forward programme to ensure relevant items and issues are considered by scrutiny committee and value is added to the process.</p>
--	--	---------------	--



Tyne and Wear Integrated Transport Authority

Date: 23 September 2010

TITLE: LTP3 DEVELOPMENT

REPORT OF JOINT TRANSPORT STEERING GROUP

Reasons for confidentiality: Not confidential

District Implications: All

1. Summary / purpose of report

- 1.1 This report summarises progress and achievements that have been made since our last report in July 2010 and identifies progress and achievements planned for the next period (September – October 2010).

2. Recommendations

- 2.1 ITA Members are recommended to note the report.

3. Timescales

- 3.1 Since our last report in July when we noted that the draft LTP would undergo a 12 week public consultation period starting in September, the Chief Executive of Newcastle (in his role as clerk to the ITA) chaired a meeting of the newly-formed Senior Officer Group on 28 July 2010 to discuss the T&W City Region Strategy and LTP3. At that meeting it was agreed Leaders should be given at least 2-3 opportunities to review and influence the plan between now and 1 April 2011.
- 3.2 The implication of this is that the draft LTP has to be taken to T&W Chief Executives on 30 September and T&W Leaders on 7 October before being made available for public consultation. Keeping to the same programme for finalising LTP3 (December 2010, January 2011) and approvals (February, March 2011) means a period of only 8 rather than 12 weeks is available for public consultation.
- 3.3 Advice from Government Office for North East is that although 12 weeks is best practice for public consultation, it is permissible to shorten the process if necessity dictates. Key to this is that people have the chance to contribute and influence development. So with this in mind if there are pressures on the

programme timetable the proviso being that we must satisfy ourselves that we have been inclusive and afforded people and organisations opportunities and a suitable time frame in which to express opinions and contribute to the process (and be in a position to produce a justifiable robust rebuttal if challenged). Further detail of the plans for public consultation are given in Section 6.

3.4 A revised timescale for providing updates on the draft LTP3 is set out below:

- 9 September 2010 – ITA LTP Working Group
- 16 September 2010 – ITA Scrutiny Committee
- 23 September 2010 – ITA Committee
- 24 September 2010 – Senior Officers Group
- 30 September 2010 – T&W Chief Executives
- 7 October 2010 – T&W Leaders
- 18 October 2010 – start of public consultation for 8 weeks

4. Draft LTP3

4.1 LTP3 is currently being developed by partners. It is being drafted in separate documents:

- Strategy 2011-2021
- Strategy Appendices 2011-2021
- Delivery Plan 2011-2014
- Consultation Summary & Questions

4.2 Limehouse software is being used to develop LTP3 and manage the consultation process. V1 of the pre-consultation draft was placed on Limehouse on 20 August and comments received from JTWG and JTSG until 1 September. The comments were used to develop V2. The consultee list for V2 has been broadened from V1 to include ITA Members, LTP theme groups etc. V2 is available for comment from Monday 20 September until Friday 8 October.

4.3 The contents of the draft strategy and the draft delivery plan will be tabled.

4.4 An outline of the consultation summary leaflet will be tabled.

4.5 A 'tour' of the consultation website is available upon request.

4.6 A presentation and report was taken to ITA LTP WG on 9 September. Comments received included:

- need to remove People in Motion logo from Limehouse consultation portal and replace it with ITA logo

- consideration be given to outlining funding reductions of -10%, -20%, -30%, -40%, -50% in the delivery plan (-25% and -50% in Version 1)
- ensuring any proposed allocations are heavily caveated given the level of uncertainty
- briefing note for elected Members on forthcoming public consultation to be provided
- key stakeholders (e.g. bus, taxi) to be offered individual meetings during consultation period
- Members to be kept updated re comments made on V2 so aware of likely changes for final document

4.7 A verbal update will be given on feedback from ITA Scrutiny Committee.

5. **Stakeholder Workshop**

5.1 A stakeholder workshop was held in the Mansion House on 13 July. It was attended by over 40 people representing, amongst others:

- Our partners
- Community groups and charities
- Universities
- Health sector
- Youth Parliament
- Government Office for the North East and the Association for North East Councils
- Taxi operators

5.2 Following an introduction to LTP3 and setting out the vision / objectives, each of the five DfT goals was discussed in turn under the three main headings of:

1. Economic development and regeneration
2. Climate change commitments
3. Safe and sustainable communities.

5.3 The workshop then broke into smaller group sessions where possible solutions to each of the challenges were discussed.

6. **Public Consultation**

6.1 At the Senior Office Group in July it was agreed that it is important to avoid confusion between different transport consultation processes (LTP3, City Region Transport Strategy, DaSTS etc). It was suggested that a team of

communications officers from constituent LTP areas be tasked with developing a set of common messages for briefing members and stakeholders. This work should be led by a director level communications officer with clear responsibility for driving this forward.

- 6.2 Admiral PR have been appointed to assist the plan partners in the public consultation process. They are currently working on the Be Air Aware campaign and have been recently appointed as part of the team with WSP and JMP to develop the T&W City Region Transport Strategy.
- 6.3 Admiral recommends that the majority of consultation is undertaken online, and that promotion should therefore focus on driving traffic to the LTP website
- 6.4 We also recognise the importance of engaging with those who are not 'on-line'. Articles are being placed in council magazines to advertise the process and material will be provided in hard copy upon request.
- 6.5 Stakeholders will be advised of the process by distribution of a covering letter and consultation summary. Individual meetings with key stakeholders (for example bus operators) will be offered upon request.
- 6.6 The following channels are recommended core marketing communications activities.
- 6.6.1 **Marketing material:** c12 page A4 consultation summary (including questions) of the LTP for stakeholders and distribution in public places (from 18th October when statutory consultation begins)
- 6.6.2 **Website:** A new LTP website has been set up. The LTP site will link to the official 'Limehouse' consultation site and contain contextual information. Limehouse software is used by over 250 public sector organisations and provides a shared place to bring together users, contributors, etc in real time. Members can access the relevant web site at <http://tyneandwearltp-consult.limehouse.co.uk/portal>
- 6.6.3 **Social network optimisation:** Admiral will establish pages on social networking sites such as Facebook and Twitter. A campaign phrase such as "Keep Tyne and Wear moving" will be used. Subscribers will be directed to the LTP website to make formal comment.
- 6.6.4 **Regional media:** Admiral will run an editorial campaign in partnership with local press, namely The Journal/Chronicle, South Shields Gazette and Sunderland Echo. The Comprehensive Spending Review will be announced early in the consultation process, and this will provide a natural opportunity to engage media on the subject of transport and its relationship to social mobility, health and the environment.

7. Statutory Assessments

- 7.1 Atkins have been appointed to undertake:
- Strategic Environmental Assessment
 - Habitats Regulation Assessment

- Health Impact Assessment
- Equalities Impact Assessment

7.2 The combined Scoping Report was made available for the statutory 5 week consultation period between 7 June and 12 July 2010. During the consultation period a Scoping Workshop was held on 15 June. Invitees included Members, Natural England, English Heritage, Environment Agency, Primary Care Trusts, transport, planning, equalities officers.

7.3 Feedback from the Scoping Report and Workshop is being used in the drafting of the Environmental (and other) reports, currently underway. The reports will be made available for public consultation at the same time as the draft LTP3.

8. Background Papers

8.1 Guidance on Local Transport Plans, DfT, July 2009. Available from <http://www.dft.gov.uk/pgr/regional/ltp/guidance/localtransportplans>

9. Contact Officer (s)

9.1 Gary MacDonald, Chair of the Joint Transport Working Group, 0191 277 8971
Jessica Anderson, LTP Core Team Leader, 0191 211 6139

This page is intentionally left blank



Tyne and Wear Integrated Transport Authority

Date: 23 September 2010

TITLE: PRIORITY LANES IN TYNE AND WEAR

REPORT OF JOINT TRANSPORT STEERING GROUP

Reasons for confidentiality: Not confidential

District Implications: All

1. Purpose of Report

1.1 The report sets out an approach for the implementation of new priority lanes across Tyne and Wear. This will not affect existing provision of priority lanes.

2. Recommendations

2.1 Members are asked to approve the following:

- **Hours of Operation**

All new priority lanes to operate for a 12 hour period (7am to 7 pm). Note, however, there are some cases where a priority measure has to operate for 24 hours (e.g. bus gates)

- **Types of Lane**

There should be two standard types of priority lane –

- Bus Lanes (with all the permitted variants) the default option for new priority lanes
- No Car Lanes
- Where new priority lanes along a particular length of road are introduced, partners will seek to ensure they are consistent with existing provision.

- **Surface Treatment of Lane**

No obligation to provide in local authorities but if a coloured surface is to be used it should be red.

- **Exemptions**

Each local authority will retain autonomy to determine the need for exemptions from the default position. However, they will discuss the need for the exception with the ITA prior to implementation.

- **Signing**

All future signing strategies associated with priority routes will conform to currently recommended national guidelines as set out in the Traffic Signs Manual.

- **Guidelines**

A consistent approach between partners will be informed by reference to agreed protocols and guidelines relating to time of operation (as set out in appendix 1), vehicle type (appendix 2) and introduction of No Car Lanes (appendix 3).

3. Background

- 3.1 Priority Lanes have been a feature of Tyne and Wear's transport system for many years. Their aim is to assist in the efficient management of the highway network by giving priority to more sustainable modes of travel, in line with Local Transport Plan policies and government guidance. They enable buses, in particular, to operate more quickly and reliably and thus help to make public transport an attractive alternative for passengers. By reducing congestion and carbon emissions, they contribute to some of our key strategic objectives.
- 3.2 Previous reports have set out the complexities involved in trying to reach a consistent position regarding priority lanes; these are set out in paragraph 3.4 below.
- 3.3 The issue of enforcement is also one that has been difficult to rectify. Due to the apparent inconsistencies across the conurbation, Northumbria Police have indicated that they find enforcement more difficult than it needs to be across Tyne and Wear.
- 3.4 The contentious issues that have prevented progress in the past are summarised as:
- the requirement that all priority lanes operate 24 hours at all times (whilst accepting that specific exemptions may occasionally apply);
 - Difficulties in enforcement;

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

- Legal and operational issues regarding No Car Lanes.

4. The Way Forward

- 4.1 Following the meeting of ITA in May, Members asked that officers did further work to progress a consistent approach to priority lanes. The issue of hours of operation was seen by Members as the key issue to be solved, in order to move this forward. Not all Tyne and Wear partners have supported the 24 hour operation approach, as some feel that there are particular locations where a 24-hour restriction would prove to be inflexible and may be detrimental to traffic circulation and the local economy.
- 4.2 A 12-hour operation (with exemptions) is considered to be the better method of approach, whilst recognising that some elements of priority lanes, such as bus gates, need to be 24-hour in operation. There will also be local exemptions that could be applied in consultation and co-operation between the Districts and the ITA.
- 4.3 Guidelines which inform the decision-making process are set out in Appendix 1. Each partner would still need to retain autonomy to determine the need for further site-specific exemptions, although it is anticipated that this would be a rare occurrence.
- 4.4 Officers have considered which is the most appropriate type of priority lane. They have considered that the approach of two types of priority lane, i.e. Bus lanes and No-car lanes, offers a way forward which allows for local flexibilities but will be subject to certain caveats. Bus lanes are considered to be the default option for any new priority lane, however it is recognised that certain exemptions and local circumstances could apply, and in these instances the introduction of no car lanes would be considered. Districts would liaise and consult with the ITA on any plans or proposals.
- 4.5 Although the bus lane standard may permit use by cycles and/or taxis, the selection of which vehicle type is permitted to use a bus lane should be based on a consistent approach throughout Tyne and Wear. It is suggested that an agreed protocol be prepared which will encompass a view on coaches. It will also review the emerging motor cycle issue, will seek to establish a definitive and legally defensible recognition of the rights of private hire vehicles in relation to taxis and will make reference to high occupancy vehicle (HOV) lanes. The protocol has been prepared by Gateshead Council in consultation with partners and is set out in Appendix 2.
- 4.6 A guidance note regarding No-Car Lanes has been prepared by Newcastle City Council on behalf of the partners and is provided at Appendix 3. This provides further information regarding the introduction and use of 'No-Car Lanes'.
- 4.7 All partners are in agreement with the recommendation concerning surface treatment of lanes.

4.8 All future signing strategies associated with priority routes will conform to currently recommended national guidelines as set out in the Traffic Signs manual. Any anomalies will be rectified as future work streams are developed.

4.9 Where there is more than one priority lane along a particular length of road or in close proximity, the type of priority lane, the permitted exemptions and the time of operation should be consistent, where possible, to avoid driver confusion. Partners have sought and will continue to seek to achieve such consistency and minimise any exemption to this good practice.

5. Further comments by the:

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

6.. Contact Officer (s)

6.1 Nick Clennett, Chair of the Joint Transport Steering Group, 0191 433 2526

Ian Gibson, Traffic Planning Manager, Gateshead Council, 0191 433 3100

Harvey Emms, Director of Strategic Housing, Planning & Transportation, Newcastle City Council, 0191 211 6036

7. Background Papers

7.1 ITA Committee Meeting, 27 May, 2010

Appendix 1

Priority Lanes – Hours of Operation

The implications and issues relating to the imposition of 7am to 7pm operating hours and the alternative of 24-hour operation are set down below for consideration.

7am to 7pm Operation

- It is likely that fewer exemptions from 7am to 7pm operation would be sought when compared with a 24-hour operational standard;
- A more flexible and accessible approach allows additional parking facilities to be provided during the evening; and
- 7am to 7pm operation allows the full width of the road to be used when traffic flows within the lanes would otherwise be light.

24-Hour Operation

- A clear message which is readily understood would be presented to road users. There would be less potential for conflict and therefore greater potential for road safety;
- There would be a safer environment for cyclists as the priority lane would remain in place at all times;
- Contra flow bus lanes, bus gates and bus only streets are required to be 24-hour operation. The establishment of 24 hour operation results in a more consistent approach;
- 24-hour operation allows easier integration with bus gates and signalised exits from priority lanes; and
- 24-hour operation continues to restrict use of the full width of a road even at times when traffic flows within the lanes would otherwise be light and there are arguably no operational or strategic reasons for maintaining a restriction. Conversely, of course, the full width of the road is not needed at times when traffic flows are light.

General

- Loading will normally be banned although there may be occasions where it needs to be allowed, such as off peak loading facilities in certain areas.
- It is acknowledged that 'one size does not fit all' and exemptions to a standard approach will be permitted, subject to adherence to an agreed protocol.

Appendix 2

Bus Lane Exemption Protocol

Tyne and Wear standard priority lane

Within Tyne & Wear it has been agreed that all lanes will operate for 12 hours (7am – 7pm) or 24 hours and that cycles and taxis may also be permitted to use bus lanes.

Exemptions

Each district will retain autonomy to determine the need for exemptions to their bus lane orders to permit certain other vehicles to use the facility. A consistent and defensible approach will be taken however with reference to the content of this protocol.

Use of bus lanes by other vehicles

It may be appropriate to permit other classes of vehicle to use a bus lane. Issues which should be considered in this context include:

- Road Safety
- The operation of the bus lane, including potential delays to buses
- Delays to other traffic
- The legality of the definition of the vehicle class
- Enforcement
- Any impact on modal split

Vehicle classes which may be permitted to use a bus lane include pedal cycles, motor cycles, taxis, private hire vehicles, goods vehicles, and Dial-A-Ride services for disabled people, although it is not usual for all these classes to be included.

Pedal cycles

Pedal cyclists are allowed to use with-flow bus lanes because they are more likely to be involved in an accident if required to ride in the main traffic lane with buses passing on their nearside. The Government is encouraging authorities to make special provision for cyclists and if there are no cycle lanes or tracks on a suitable alignment the presumption is that cyclists will be allowed in the bus lane unless there is a very good reason for excluding them. The signing should accommodate this.

Pedal cycle protocol for Tyne and Wear is that cyclists are allowed within bus lanes unless it can be shown that the provision is not required due to the existence of other facilities or that it would be unsafe to do so, which has been indicated in a safety/cycle audit.

Motorcycles

Motorcycles can be allowed to use bus lanes but the Highway Authority must make a request for special authorisation, to use signs to diagrams NP 958.4 and 959.4. Requests need to be sent to the Traffic Signs Policy Branch, with a copy to the relevant Government Office. The application letter should describe the location and extent of the relevant bus lanes.

Motorcycle protocol for Tyne and Wear is that Bus Lanes should be at least the minimum preferred width of 4 metres or more, wherever possible, to allow motorcycles to use the lane without forcing either vehicle to encroach into the general traffic lane. A narrow bus lane with high bus flow rate increases this problem. The introduction of motorcyclists into such a bus lane could make the situation worse and increase the possibility of a motorcyclist moving into the general traffic lane to pass a bus, thus increasing the potential for conflict. Frequent bus stops can encourage last minute lane-changing by motorcyclists, resulting in a potential conflict with moving traffic in the general traffic lane. An assessment of bus stop positions should be carried out if this is a problem. Consideration should be given to bus stop lay bys and the potential conflict caused by some bus drivers pulling out of these without seeing a vehicle in the bus lane.

Taxis

Taxis are an important part of the public transport system.

Taxi protocol for Tyne and Wear is that, where their average occupancy in any particular area is higher than other vehicles during periods the bus lane is in force, it may be appropriate to allow them to use bus lanes.

Private Hire Vehicles

Private Hire Vehicles (PHVs) are not generally allowed to use bus lanes as, unlike a Taxi, they may not be readily identified for enforcement purposes. A number of authorities have been authorised by the Department of Transport to allow PHVs into their bus lanes as 'authorised vehicles'; however. Gateshead Council are investigating the implications of seeking such authorisation (which would require amendment to signage). Further information will be circulated in due course.

Goods Vehicles

Goods vehicles carrying high-value goods, or goods which are important to the national economy, could, it is agreed, benefit from using bus lanes. However, the value of time of an average goods vehicle is no higher than that of other traffic, and the benefits to goods vehicles of using a bus lane are thus likely to be offset by delays to other traffic. There are, of course, some types of time-sensitive traffic where a case for priority could be made, but these would be almost impossible to identify clearly for signing and enforcement purposes.

In some situations, where bus flows are too low to justify a lane exclusively for

buses it may be that a combined bus and heavy goods vehicle lane would be worthwhile. In such circumstances introduction of the alternative 'No-Car Lane' option would be the preferred way forward.

Goods Vehicle protocol for Tyne and Wear would, if justified, lead to the creation of a No-Car Lane and the use of a 'No-Car Lane' sign following agreement of the DfT in respect of the experimental order and signing required.

Dial-A-Ride

Dial-A-Ride Services for Disabled People are provided in some areas using mini-buses where seats have been removed (or not fitted) in order to accommodate wheelchair users.

The protocol for Tyne and Wear for this type of vehicle is that, while some of these vehicles will not fall within the definition of a bus because they do not have enough seats, they should be permitted to use with-flow bus lanes if they can be defined adequately in the Order and recognised for enforcement purposes.

Coaches

Coaches are generally allowed within bus lanes as they provide an important long distance sustainable transport mode.

Tyne and Wear protocol for Coaches is that coaches will be allowed in the bus lane unless it can be shown that the provision is not required or that it would be unsafe to do so which has been indicated in a safety audit.

High Occupancy Vehicles

High Occupancy Vehicles (HOVs) carrying, say, three or more occupants have been provided with special lanes on freeways in the United States; in most locations there are grade-separated junctions and no frontage access. A limited number of lanes have been introduced into the UK including the M62/M606 between Leeds and Bradford.

The merits of introduction are briefly discussed in the DfT's Local Transport Note 1/97. It is stated therein that 'HOV lanes have generally been most successful where they have been constructed as an additional traffic lane, rather than reallocating an existing lane. The main advantage obtained from HOV lanes in the USA has been that they have encouraged car sharing by people who previously travelled by car alone, thus reducing the total amount of traffic. In the UK an HOV lane may encourage the rather different result of a switch to car sharing by public transport passengers. A clear understanding of the definition of an HOV and easy recognition of such a vehicle would be essential for enforcement purposes.'

There is concern that, during peak periods, the presence of HOVs may cause problems for bus operation and may result in an average increase in delay for commuters. The implications of introduction of an HOV lane should be rigorously

assessed prior to any introduction.

HOV Tyne and Wear protocol is that, while there can be no general case for allowing HOVs to use bus lanes, there may be special situations where an HOV lane would be warranted. A comprehensive justification should be prepared in this circumstance and a policy on how such vehicles would be identified to allow enforcement would need to be agreed by all the Highway Authorities and Northumbria Police.

Appendix 3

No-Car Lane Guidance Note

Synopsis

This guidance note is intended for those Local Authorities considering the introduction of No-Car Lanes as a means of prioritizing traffic movements on their Public Highways. It will provide some background to the development of this type of Priority Lane, the mechanisms for their introduction and their enforcement.

Background

No-Car Lanes evolved from a requirement to provide priority to a range of traffic types in line with Newcastle City Council's current UDP. This created a hierarchy of priority based upon need and included public transport, essential servicing traffic and cycling.

The Country's first "Priority Vehicle Lane" was introduced in Barras Bridge in 1995 and provided a dedicated lane for Buses, Heavy Goods Vehicles and Cycles.

Following this it was agreed to extend the concept to include additional categories of traffic, particularly taxis (including Private Hire Vehicles) and other servicing traffic (light goods). Subsequent discussions with DfT over the design of appropriate signs led to the concept of the "No-Car Lane", which effectively allows anything other than private cars to use them.

Legal Orders

No-Car Lanes are created through the introduction of a Traffic Regulation Order.

The legal order enabling the introduction of a No-Car Lane is based around defining what is not allowed to use the lane rather than what is allowed. It defines cars as "*a mechanically propelled vehicle, not being a motor cycle or an invalid carriage or a licensed hackney carriage or private hire vehicle or being constructed or adapted for use for the conveyance of goods or burden of any description, which is constructed itself to carry not more than seven passengers and their effects and of which the weight unladen does not exceed 3050 kilograms.*"

There are other specific definitions regarding hackney carriages and private hire vehicles, but in all other respects it is a standard traffic regulation order and follows the same statutory implementation procedures. Copies of orders executed by Newcastle City Council are available if required.

Signing and Lining

The signing and lining associated with any No-Car Lane must be specially authorised by the Department for Transport. There are no plans at present to formalise the specially authorized signs used in Newcastle and any authority seeking to introduce such measures should seek their own authorization prior to making the legal orders.

In Newcastle, authorisation was given to use the signs and lines as necessary within the boundaries of the Local Authority area, which meant there was no necessity to seek individual approvals for every length of lane or subsequent proposals. If other Authorities propose to use this type of priority lane it is suggested that a similar authorisation is sought.

The “No Cars” sign used to give effect to the restriction is an authorised variant of TSR&GD Sign Ref 622.4 (No Articulated Vehicles).

A copy of the Department for Transport’s Authorisation and approved signing and lining arrangements is available from Newcastle City Council.

Times of Operation

In most cases No-Car Lanes have been introduced to operate between 7am and 7pm. There are specific sites where it is necessary to maintain an all-day restriction; however these are currently very limited.

Enforcement

Recent changes in legislation have made it possible for the civil enforcement of Bus Lanes by those Authorities who have adopted Civilianised Parking Enforcement powers.

However legal advice is that this option of civil enforcement does not apply to No-Car Lanes. Consequently, until legislation changes to enable the civil enforcement of all moving traffic offences, enforcement of No-Car Lanes can only be undertaken by the Police.

In Newcastle, the experience has been that there is a low level of abuse of No-Car Lanes, particularly where they extend over a reasonable length of carriageway. There are also clear indications that, despite the restrictions only operating 7am to 7pm, cars tend to stay out of the No-Car Lane at all times.

This page is intentionally left blank



Tyne and Wear Integrated Transport Authority

22 July 2010

(10.00 - 11.50 am)

Present:

Councillor: D Wood (Chair)

Councillors: Blackburn, Green, Hall, Hanson, Hodson, Keating, Lott, McElroy, Ord, Scott, Stone and P Wood

In Attendance:

B Garner	Director General, Nexus
J Fenwick	Director of Finance and Resources, Nexus
T Hughes	Director of Strategy, Nexus
P Woods	Deputy Clerk and Treasurer, Newcastle City Council
S Ovens	Head of Legal Services, Newcastle City Council
P Fenwick	New Tyne Crossing Project Director, Newcastle City Council
H Emms	Head of Planning and Transportation, Newcastle City Council
S Vincent	ITA Policy Team, Newcastle City Council
R Gill	ITA Policy Team, Newcastle City Council
E Goodman	Finance and Resources, Newcastle City Council
M France	Finance and Resources, Newcastle City Council
L Cain	Finance and Resources, Newcastle City Council
N Whitefield	Press Office, Newcastle City Council
R Simpson	Bradley O'Mahoney, TWITA
D Carr	Democratic Services, Newcastle City Council (observing)
V Demchenko	Democratic Services, Newcastle City Council

25. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors McMillan, Maughan, and Taylor.

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

- The following members declared a personal interest in agenda item 7 and agenda items 24 and 25 in relation to concessionary travel:

Blackburn, Green, Hanson, Hodson, Lott, McMillan, Scott and D Wood.

- Councillor P Wood declared a personal interest in agenda item 17 in relation to the topic of taxis.

27. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 27 May 2010 were approved as a correct record and signed by the Chair subject to the inclusion of Councillor Hodson into the councillors' attendance list.

Matters Arising:-

(a) Appointment to Committees/Working Groups 2010/11

Local Government Association

(Minute 35 refers).

In a response to a member's question, it was explained that information on the Local Government Association was still awaited.

(b) Minutes of the Meeting held on 25 March 2010

Sunderland Station

(Minutes 5(b), 8 and 38(a) refer).

In response to a member's question about the timetable of works at Sunderland Station, it was explained that there were two sets of timetables for different types of works. The engineering works had almost concluded. The art works were in progress and would be completed in September.

(c) Minutes of the Meeting Held on 25 March 2010

Tyne and Wear City Region Transport Governance Review

(Minute 38(b) refers).

It was clarified that there would be further meetings of the City Region Executive Board. However, the Officer Group meetings for the Governance Review had stopped as the process had been concluded.

(d) The Priority Lanes Strategy

(Minute 46 refers).

The Chair confirmed that a comprehensive report on priority lanes had been requested for the September 2010 meeting of the ITA.

28. **FERNEYHOUGH HALL RESIDENTS' PETITION**

Submitted: Report of the Director General of Nexus (copy attached to Official Minutes).

B Garner presented the report which outlined information about the Nexus response to a petition presented to the ITA via the Deputy Leader of South Tyneside Council from residents of Ferneyhough Hall and the surrounding area of Hebburn.

Questions/Comments

- A member indicated that whilst he supported the recommendations by Nexus, he thought that it was important to consider the impact on users.
- A member indicated that there were changes to the bus service 33 which also needed to be addressed. This matter would be followed up.
- It was important to continue to support residents in expressing their views.

RESOLVED – That:

- (i) the report be noted;
- (ii) the petition be referred to the South Tyneside Better Bus Partnership Board.

29. **WEST ALLOTMENT AND FOREST HALL RESIDENTS' PETITION**

Submitted: Report by the Director General of Nexus (copy attached to Official Minutes).

B Garner presented the report, which provided information about the Nexus response to a petition presented to the Chairman of the ITA from residents of West Allotment and Forest Hall.

Questions/Comments

- A member indicated that whilst he supported the recommendations by Nexus, he thought that it was important to consider the impact on users.
- It was important to continue to support residents in expressing their views.

RESOLVED – That:

- (i) the report be noted;
- (i) the petition be referred to the Commercial Manager of Arriva North East.

30. **2009/10 CAPITAL PROGRAMME - OUT-TURN REPORT**

Submitted: Report by the Director of Finance and Resources (copy attached to Official Minutes).

J Fenwick presented the report which advised members on the out-turn position of the Capital Programme for the year ended 31 March 2010 and the impact this had on the three year Capital Programme.

Questions/Comments/Discussions

- In respect of figures in Appendix C, J Fenwick explained the impact of delays and compensatory payments.
- A member asked for a common approach when reporting figures, for consistency. It was confirmed that “thousands” should be used for future reporting.
- It was confirmed that slippage into the following year would increase over-programming but that this was still at an acceptable level.

RESOLVED – That:

- (i) the position with regard to the 2009/10 Capital Programme be noted;
- (ii) the position regarding the 2010/2011 to 2012/2013 Programme as detailed in Appendix A for non-Metro Asset Renewal Plan schemes and Appendix B for Metro Asset Renewal Plan schemes be approved; it should be noted that another item on the agenda concerning the non-Metro capital programme would reflect further changes in response to the Government’s recent funding cuts;
- (iii) the changes to schemes as detailed in Appendix C be approved;
- (iv) future reporting of figures be carried out using a common format.

31. **CONCESSIONARY TRAVEL OUTSIDE ENGLAND**

Submitted: Report of the Director of Finance and Resources, Nexus (copy attached to Official Minutes).

J Fenwick presented the report which provided information about the current availability of the English national concessionary travel pass and the position with regard to travel in the rest of the United Kingdom, including the findings of research carried out by Nexus.

- A member expressed positive comments in relation to the fact that the issue of free travel into other parts of the United Kingdom had been given adequate

attention and assessment, the results of which provided some confidence in relation to possible opportunities for expansion in the future.

- In response to a member's question, it was confirmed that Nexus would attempt to obtain more information on costs estimation in relation to free travel, by the end of the year, such that this could be taken into account during the budget setting process.

RESOLVED – That:

- (i) the report be noted;
- (ii) it be accepted that on affordability and practical grounds the extension of the discretionary scheme to allow Tyne and Wear residents in receipt of the English National Concessionary Travel Pass free bus travel in the rest of the United Kingdom would not be pursued at this time.

32. **CAPITAL PROGRAMME**

Submitted: Report by the Director of Finance and Resources, Nexus (copy attached to Official Minutes).

J Fenwick advised members about the impact on the three year Capital Programme of the recent decision by the Government to reduce capital resources and invited members to agree the revised programme for 2010/11.

It was confirmed that the Metro Rail Grant for the Metro Asset Renewal Plan was unaffected at this stage, which was conditional upon the 10% local contribution being protected.

It was explained that in protecting the local contribution for the Metro Asset Renewal Plan, cognisance had been taken of the disproportionate effect of savings required elsewhere in the programme such that £780,000 which had been earlier committed to assist with funding of smart ticketing, had been removed from the NESTI budget.

RESOLVED – That:

- (i) the position with regard to the potential impact on the capital resources be noted;
- (ii) the revised programme for 2010/11 be agreed.

33. **PUBLIC TRANSPORT TRENDS 2009/10**

Submitted:

- (i) Report of the Director General of Nexus (copy attached to Official Minutes).

(ii) The Nexus Business Intelligence Annual Report 2010 (circulated at the meeting).

B Garner presented the report which outlined the key trends in public transport usage in Tyne and Wear during the financial year 2009/10. He also advised on a new report produced for District Leaders outlining Nexus' activities at a district level.

Questions/Comments/Discussions

- It was confirmed that the use of public transport had increased in 2009/10 when compared to the previous year. The breakdown of journeys by mode of transport in 2009/10 including bus, Metro, rail and ferry was outlined, as presented in Section 3.1 of the report.
- It was confirmed that there was an increase in children's travel on buses.
- The Annual Report for District Leaders 2009/10 included information about funding sources and spend under various budget heads.
- It was also confirmed that the concessionary travel had increased and, as a result, it was important for the Concessionary Travel Project to go forward.
- In respect of the take up rates of the Concessionary bus pass in Newcastle, which was 78%, it was noted that the reasons behind this level would need to be identified and actions developed to improve it.
- In response to a question about taxis, it was explained that taxis were not included in the report as there was currently no access to data held by taxi firms.
- There was a link between the public transport use and the state of the economy.
- A member queried the economic paradox outlined in Section 4.9 of the report. It was explained that whilst the same trend was observed across the country, different areas had different additional factors influencing the trend. A member requested further information on this matter.
- A member queried the seemingly increasing confidence in relation to the season ticket usage. This matter would be researched and reported back.
- It was emphasised that the levels of fraudulent travel had reduced. In response to a member's query in relation to measuring fraud, it was explained that there were a number of systems in place, such as the inspection of tickets and subsequent extraction of relevant data.
- It was further noted that the ticket inspection officers were equipped with the electronic address verification machinery.
- The Chair reminded members that the Tyne and Wear Integrated Transport Authority was a highly commended authority, which on a national level was second only to Manchester.

RESOLVED – That:

- (i) the report be noted;
- (ii) further information be sought on the trend in relation to season tickets, as requested;
- (iii) further information be sought on the economic paradox in relation to the analysis of patronage and economic trends, as in Section 4.9 of the report to the Authority;
- (iv) the issue of the take up rates of the Concessionary bus pass in Newcastle be researched and an action plan developed.

34. **SUPEROUTES**

Submitted: Report of the Clerk to the Authority and the Director General of Nexus (copy attached to Official Minutes).

T Hughes advised members about the key challenges associated with continuation of the Tyne and Wear Superoute initiative and about the new collaboration and partnership arrangements, which had superseded the initiative.

In response to a member's question it was confirmed that the work on developing and improving relationships between partners would continue, as necessary, to ensure that partners continued making decisions jointly.

RESOLVED – That

- (i) the report be noted;
- (ii) the formal discontinuation of the Superoute partnership be agreed.

35. **MAJOR TRANSPORT SCHEMES**

Submitted: Report of the Clerk of ITA and Director General of Nexus (copy attached to Official Minutes).

H Emms presented the report and provided information about the emerging position with regard to Local Government major transport schemes.

It was emphasised that any major transport schemes should not be progressed until the Government's Comprehensive Spending Review had taken place in the autumn 2010 and subsequent replacement guidance for major transport schemes had been issued.

In response to a member's question about the works at Sunderland Station, H Emms explained that as far as possible the works that had already been committed to should

continue. However, any further commitment to major transport schemes would be at risk.

It was further noted that, as soon as the new guidance had been received, it would be necessary to re-examine all specific schemes and proposals in Tyne and Wear.

RESOLVED – That the report be noted.

36. **ITA KEY OUTPUT MEASURES**

Submitted: Joint Report of the Clerk to the ITA and the Director of General of Nexus (copy attached to Official Minutes).

S Vincent presented the report, which informed the Authority about the current performance against the key output measures, which had been approved by the ITA on 22 January 2009. It was noted that the forthcoming national approach to performance monitoring provided an opportunity to review local transport indicators as part of the Local Transport Plan (LTP3) development process.

Questions/Comments/Discussions

- A member suggested that information on taxis should be included in the performance report. Officers confirmed this would be considered for future reports; however, there was very limited information available from the taxi and private hire operators.
- In relation to Section 4.7 of the report (NI 188), the sentence, which was missing in the report, should have read “This indicator measures progress on assessing and managing climate risks and opportunities over 5 levels 0-4”. It was confirmed that performance in relation to planning to adapt to climate change was ‘on target’.
- In respect of the indicator relating to access to services and facilities (NI 175), a member reiterated the importance of effective communication between partners; in particular, the NHS, Local Authority and the ITA to ensure that access to hospitals and health facilities was adequate. T Hughes explained that work in this direction was already ongoing and gave relevant examples.
- A member suggested that actions were needed to ensure that buses were running on time and private operators should be approached with this suggestion. T Hughes clarified that although there was a reduction in the performance (NI 178), this could be the result of a number of variables, which could include road works, general congestion and other long standing issues. Works were continuing with the bus companies on improvements and were part of the Action Plan of the Bus Strategy.

RESOLVED – That:

- (i) the current progress against the ITA’s Key Output Measures be noted;

- (ii) a review of local transport indicators be carried out as part of the Local Transport Plan (LTP 3) development process.

37. **NEW TYNE CROSSING - PROGRESS REPORT**

Submitted: Report of the New Tyne Crossing Project Director (copy attached to Official Minutes).

P Fenwick provided an overview of progress made on the construction of the New Tyne Crossing, indicating that the project was progressing well and on target. The progress was well communicated and generated interest from various groups.

Members Questions and Comments

The Chair on behalf of the ITA asked for a thank you to be communicated to all staff and elected members, who were involved in the project and engagement and communication with the local community. Members commended the communication of the project.

RESOLVED – That the report be noted.

38. **TYNE PEDESTRIAN AND CYCLIST TUNNELS - INVESTMENT PROPOSALS**

Submitted: Report by the New Tyne Crossing Project Director (copy attached to Official Minutes).

P Fenwick presented the report which outlined proposals for the improvement of the Tyne Pedestrian and Cyclist Tunnels (TPCT) in order to secure their future and support a sustainable link across the River Tyne.

P Fenwick explained difficulties experienced with the equipment and different options for overcoming them, recommending Option 5 as the most preferable. A visual presentation of Option 5 was available at the meeting (a brochure circulated at the meeting and copy attached to Official Minutes). It was confirmed that the main responsibility for sustaining and improving the Tyne Pedestrian and Cyclist Tunnels was with the ITA.

Questions/Comments/Discussions

- A member queried the current and potential usage of the Tunnels and whether Option 5 was good value for money. P Woods confirmed that the option was good value for money and explained that the project investment was not potentially competing with any other schemes. Various aspects of funding were outlined, including the fact that the suggested funding could only be used for improvements to the Tyne Tunnels. Importantly, the ITA was responsible for making improvements to access. It was also noted that these proposals were the opportunity to increase the usage of the Tunnels. There would be additional short-term economic benefits as a result of the investment. A member suggested

that it was important to improve the Tunnels but acknowledged difficulties with the ratio between the level of investment and the usage of the Tunnels.

- A member commented that the expense would not be a one-off. The maintenance of the Tunnels would require further investment in the future.
- It was confirmed that lifts were more efficient in terms of their running costs when compared to escalators.
- A member commented positively on the use of the 'U' letter as a logo for the Tyne Tunnel Cyclist and Pedestrian Crossing.
- It was important to have good signage and directions to the Tyne Tunnels to support usage. A member acknowledged the opportunities for the promotion of the Tunnels for cyclists, walkers and tourists.
- A member agreed that the Tunnels were great assets and should be maintained.

RESOLVED – That:

- (i) Option 5 to replace an existing wooden escalator on each side of the river with an inclined list and other improvement works as described in paragraph 6 of the 22 July 2010 report to the ITA be approved;
- (ii) the signage and logo design proposals as designed in paragraph 6.6 of the 22 July 2010 report to the ITA be approved;
- (iii) a budget of £6million for the Tyne Pedestrian and Cyclist Tunnels improvement works to be funded from an external grant (if available) and prudential borrowing, with borrowing costs met using a revision to the New Tyne Crossing financial model over a thirty-year period as set out in paragraph 8 of the 22 July 2010 report to the ITA be approved.

39. **REVENUE BUDGET MONITORING REPORT (APRIL 2010 - JUNE 2010)**

Submitted: Report of the Deputy Clerk and Treasurer (ITA) (copy attached to Official Minutes).

P Woods presented the report which provided members with the Revenue Budget Monitor information for the period April 2010 to June 2010.

The report included current financial information relating to the ITA administration and financing of the Tyne Tunnels. The report also set out expenditure to date and compared it with the original estimate presented to the ITA on 28 January 2010. The ITA borrowing and lending information was also outlined.

RESOLVED – That the financial position as at 30 June 2010 as set out in the 22 July 2010 report to the ITA and Appendices 1 and 2 be noted.

40. **LOCAL TRANSPORT PLAN 3 DEVELOPMENT**

Submitted: Report of the Clerk to the ITA (copy attached to Official Minutes).

R Gill presented the report which advised members on the progress of the Local Transport Plan (LT3) development, including engagement with stakeholders.

RESOLVED – That the progress made in relation to the Local Transport Plan (LTP3) development be noted.

41. **TYNE AND WEAR TAXI STUDY UPDATE**

Submitted: Report by the Joint Transport Steering Group (previously circulated and copy attached to Official Minutes).

R Gill presented the report on the outcome of the discussion that had taken place at the last meeting of the ITA Local Transport Plan (LTP) Working Group in relation to the study into the Tyne and Wear Hackney Carriage and Private Hire trade.

It was confirmed that representatives of the trade generally felt that they were not fully recognised as part of the Public Transport Network and had asked for improvements. It was suggested that the next Policy Seminar should consider the subject.

Councillor P Wood declared a personal interest in the topic of taxis.

Questions/Comments/Discussions

- A member noted the issue of data access and suggested that it was important to engage with the taxi firms and encourage data sharing to ensure that taxis were incorporated into the policy development process.
- A member emphasised the importance of robust and reliable data.
- A member requested further information on the annual number of passengers.
- Whilst a member acknowledged that the ITA should encourage partner integration, he called for a careful approach. The Authority should fully consider all issues and implications before any firm decision could be made.
- The Chair confirmed that the trade representatives had requested a representation. He suggested that this matter and the question of standards, which had also been raised by the trade representatives, should be discussed at a Policy Seminar. The objective of the discussion would be to gain commonality of standards across Tyne and Wear.
- It was also noted that a report would be submitted to the ITA in September 2010 in relation to priority lanes, which would include consideration of taxis.

RESOLVED – That

- (i) the report be noted;
- (ii) the subject of the Tyne and Wear Taxi Study be discussed further at the ITA Policy Seminar at the next possible opportunity with the objective to propose standard approaches across Tyne and Wear.

42. **SUBSTITUTE MEMBERS FOR METRO SUB-COMMITTEE 2010/2011**

Submitted: Report of the Clerk (copy attached to Official Minutes).

S Ovens introduced the report which provided advice on the introduction of substitute members for the ITA Metro Sub Committee, as requested by the Chair and Vice-Chair of the Authority.

RESOLVED – That:

- (i) the Authority formally agree that for 2010/2011 the Metro Sub-Committee has:
 - two substitute members from the majority political group, listed in priority order:
 - 1st Substitute: - Councillor Ann Hall
 - 2nd Substitute: - Councillor Audrey McMillan
 - two named substitutes from the Liberal Democrats political group, listed in priority order:
 - 1st Substitute: - Councillor Derek Ord
 - 2nd Substitute: - Councillor Gerry Keating
 - one substitute member from the Conservative political group:
 - Councillor Peter Wood;
- (ii) that the Sub-Committee's Terms of Reference be amended to reflect this arrangement;
- (iii) that the substitutes be formally appointed.

43. **FUNDING FOR THE METRO REINVIGORATION PROJECT**

Submitted: Report of the Director General of Nexus (copy attached to Official Minutes).

B Garner presented the report which advised the ITA about the new Government's position with regard to the Metro Reinvigoration Project, Phase II.

It was confirmed that Phase III which dealt with programmes and operating concessions beyond 2019 was scheduled for future consideration and would be submitted separately.

RESOLVED – That the ITA welcome the Chancellor of the Exchequer's specific commitment to Metro Reinvigoration, as in the Budget statement of 22 June 2010.

44. ITA MEMBERS' VISIT

Submitted: Report of the Director General of Nexus (copy attached to Official Minutes).

The report provided information about suggested visits for the ITA members on 26 and 27 August 2010.

RESOLVED – That the proposed visits to Wabtec in Doncaster and Nottingham City Council be agreed.

45. NESTI PROGRESS UPDATE

Submitted: Report by the Clerk of the Authority/Director General of Nexus (copy attached to Official Minutes).

T Hughes presented the report and updated members about the development of the NESTI programme, including funding, governance and branding.

The financial structure of the Partnership was explained. It was noted that to date almost all Local Authorities had contributed to the NESTI Fund.

The Collaboration Agreement was being developed and would need to be signed by all participating Local Authorities.

In response to a member's question, it was confirmed that there were proposals to introduce a specific name for the smartcard; the name would be confirmed at a later date.

A member suggested that there should be an opportunity to use the card for other related purposes and these should be discussed. For example, the card could be used for paying tolls at Tyne Tunnels.

RESOLVED – That the progress made to date be noted.

46. DATE AND TIME OF NEXT MEETING

RESOLVED – That the next meeting will be held on Thursday, 23 September 2010 at 10.00 am.

47. **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That the Press and Public be excluded from the consideration of Agenda Items 24 and 25 on the following grounds:-

Business	Paragraph of Schedule 12A to the Local Government Act
Confidential Minutes of the Previous Meeting	3
Negotiated Concessionary Travel Settlement with Operators	3



Tyne and Wear Integrated Transport Authority

28 June 2010
(10.00 - 10.30 am)

Present:

Councillor: D Wood (In the Chair)

Councillors: Blackburn, Hanson, Hodson, Keating, Lott, Ord, Stone, Taylor and P Wood

In attendance:

K Laing	Finance and Resources, Newcastle City Council
E Goodman	Finance and Resources, Newcastle City Council
R Elliott	Planning and Performance, Newcastle City Council
R Gill	TWITA, Transport Policy, Newcastle City Council
J Dafter	Audit Commission
M Young	Audit Commission
V Demchenko	Democratic Services, Newcastle City Council

21. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors McElroy, Green, McMillan, Maughan, Hall and Scott.

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

Members declared a personal interest in any potential discussions relating to concessionary travel.

23. **ANNUAL REPORT AND ACCOUNTS 2009/10 (PRE-AUDIT)**

Submitted: Report by the Deputy Clerk and Treasurer (copy attached to Official Minutes).

K Laing presented the Annual Report and Accounts 2009/10 and drew the Authority's attention to some of the key issues.

It was noted that the Annual Report and Accounts 2009/10 had also been considered by the Standards and Audit Committee on 25 June 2010 and there were no significant issues arising from that meeting.

Questions and Comments

- In response to a member's question relating to the North Tyneside contribution to the North East Smart Ticketing Initiative (NESTI) programme, it was explained that the North Tyneside contribution had been received after 31 March 2010 and for that reason was not shown in the Annual Accounts.
- A member queried why the amounts for contributions to NESTI shown in the Related Party Transaction note on page 59 of the agenda did not include all of the Local Authorities in the partnership. It was explained that this note only showed the contributions received to 31 March 2010, and did not include the ITA's own contribution to NESTI.
- It was noted that not all Local Authorities had as yet contributed to the NESTI fund.
- K Laing explained the summary of actual spending against the revised budget for 2009/10. The NESTI capital grant had been used to fund capital expenditure on the New Tyne Crossing, and a provision set up for NESTI from the Tyne Tunnel reserves. This provided more flexibility in the use of funds as it allowed the contributions to be used for revenue expenditure.
- K Laing explained the figures in the Analysis of Revenue Expenditure against Budget.
- It was confirmed that the Tyne and Wear Integrated Transport Authority (TWITA) and Tyne Tunnels' reserves were now shown separately, as previously requested.
- The 2008/2009 Income and Expenditure figures for Tyne Tunnels and the Fixed Asset figures relating to Vehicles, Plant, Furniture and Equipment had been restated. This was due to a change in accounting treatment required by the move to International Financial Reporting Standards.
- It was explained that the increase in the pension deficit was based on information provided by the actuaries using assumptions of 3.8% inflation and salary growth of 5.05%. The Treasurer had challenged these assumptions as they were seen as unrealistic, and revised figures were being produced by the actuaries. These would be included in the final version of the accounts to be agreed in September.
- In response to a member's question, it was confirmed that the deficit equalled to approximately 14%, although this was largely due to the accounting treatment of the NESTI contributions and accounting changes required in relation to the Tyne Tunnel. The member asked if the percentage figure could be presented in further reporting. This would be addressed in the September report.
- In response to a member's question, K Laing provided explanation about the SORP and its guidance, the move towards International Financial Reporting Standards, the NESTI project and attempts to improve flexibility of the resources, and how this had impacted on the reserves and the ITA's total spend figures.

- It was noted that at the last meeting of the Local Transport Plan Working Group, the Chair of the Group had asked for a report on the LTP Payments to recognise the historic spend in future prioritisation and to ensure that no local authority was financially disadvantaged.
- A member thought that the Chairman's Foreword and Introduction should include a reference to taxis as an important part of the transport network. The Chair explained that the subject of taxis formed a part of the discussion at the last meeting of LTP Working Group and there were plans to pursue this matter further.
- It was suggested that a reference to energy consumption and carbon efficiency of the ITA should also be incorporated in the Chairman's Foreword and Introduction. The Chair supported this suggestion.
- It was suggested that a reference to relationships between the ITA and Nexus should be added to the Clerk's Foreword. This suggestion was supported by the ITA Chair.

RESOLVED – That:

- (i) the report and comment made at the meeting be noted and addressed as appropriate;
- (ii) the Statement of Accounts shown at the appendix to the Annual Report and Accounts 2009/10 (Pre-Audit) be approved and the Chair be authorised to certify the approval of the accounts, subject to the inclusion of:
 - a reference to energy consumption and carbon efficiency measures of the ITA into the Chairman's Foreword and Introduction, and
 - a reference to relationships between the ITA and Nexus into the Clerk's Foreword;
- (iii) the Deputy Clerk and Treasurer be delegated to make any non-material amendments to the accounts as appropriate; any material changes be reported back to the ITA for approval.

24. ANNUAL GOVERNANCE STATEMENT 2009/10

Submitted: Report by the Clerk and Deputy Clerk (copy attached to Official Minutes).

R Elliott presented the report on the annual review of the effectiveness of the ITA governance and internal control arrangements and invited members to approve the Annual Governance Statement to that effect, within the ITA Annual Report and Accounts.

In response to the Chair's question about the change in personnel and its impact on the business continuity, planning and testing (as in section 5.4 of the report), it was

clarified that the staff who were leaving would be replaced but this change might slightly slow down the process of training and validation of plans.

RESOLVED – That:

- (i) the inclusion of the Annual Governance Statement provided in Appendix A of Appendix 1 in the draft Annual Report and Accounts 2009/10 be agreed;
- (ii) the following be noted: the Annual Governance Statement must be up to date at the time of final publication which does not take place until the Accounts have been audited and finalised in September 2010. Therefore, if necessary, the Annual Governance Statement could be updated and submitted to the ITA for final consideration in September 2010;
- (iii) the updated Local Code of Corporate Governance provided in Appendix B of Appendix 1 be approved for publication on the ITA external website.

By virtue of paragraph(s) 2, 3, 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank