



Tyne and Wear Integrated Transport Authority

**Meeting to be held at The MANSION HOUSE, Fernwood Road, Jesmond, Newcastle upon Tyne
on Thursday 24 September 2009 at 10.00 am
(Labour Group meeting at 9:00am) (Opposition Group meeting at 9:30am)**

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1. Apologies for absence	
2. Declarations of Interest of Council Members , Co-opted 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 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.	
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10. Local Democracy, Economic Development and Construction Bill & Strengthening Local Democracy Consultation: An update	53 - 56

11. Possible Cooption of Independent Members onto the Scrutiny Advisory Committee

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

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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 July 2009
(11.30 am - 12.45 pm)

Present:

Councillor: D Wood (In the Chair)

Councillors: Keating, Taylor, A Austin, J Blackburn, J.S. Green, Hanson, Lott,
P Maughan, J McElroy, A McMillan, J Scott, R Symonds and P Wood

IN ATTENDANCE:-

S Ovens, R Hibbert, P Fenwick, K Laing, M France, S Vincent, P Staines, J Curran

Representing Nexus:

B Garner, T Hughes, J Fenwick

STATEMENT FROM THE KEEP METRO PUBLIC CAMPAIGN

Representatives from the Keep Metro Public campaign were present and with the agreement of the Authority read out a statement expressing their opposition to the bidding process.

The campaign expressed the view that Metro management and staff should continue to run the service and felt that the whole process undermined the elected members of the ITA as they would not be voting on the outcome of the preferred bidder. They felt that the shortlisted bids should be made available to the travelling public to express a view on their preference and following the decision the information should be made open to the public to ascertain whether Nexus had chosen fairly and correctly.

49. **DECLARATIONS OF INTEREST**

The following members declared an interest in agenda items 18 and 20 (concessionary travel).

Councillors Blackburn, Hanson, Lott and Green.

50. **MINUTES**

(a) **Tyne & Wear Integrated Transport Authority of 28th May 2009**

The minutes of the Tyne and Wear Integrated Transport Authority of 28 May 2009 were confirmed as a correct record.

Matters Arising:-**(a) Sunderland Station**

(Minute 32(a) refers.)

A member expressed his concern that the escalator at Sunderland Station was still not working. On the 22 July 2009 at various times during the day, it had either been working or not working and occasionally fenced off. He asked when passengers would be able to rely on this escalator to be fully working. B Garner had not been aware of these problems and explained that this matter would be followed up as soon as possible.

A contractor had been appointed to undertake the main remedial works to Sunderland Station escalators and survey work was to start over the next few months.

(b) Metro Reinvigoration Update

(Minute 31 refers).

B Garner explained that the next key stage in the process was the submission of bids from the four shortlisted bidders which were due in on 27 July 2009.

(c) Update on Concessionary Travel

(Minute 32(e) refers).

The 9.30 limit on concessionary travel was to be removed during July and August. An approach for a similar gesture had been made to the bus operators and one of the companies, Go Ahead had agreed to charge 50p per journey with £1.00 for cross boundary journeys.

(d) ITA/Nexus Support for the Local Economy

(Minute 41 refers).

B Garner explained that a bid had now been submitted for matched funding towards the recruitment of 18 work placements to work on Metros. This work would involve basic maintenance to stations.

(e) ITA/Nexus Award Nominations

(Minute 42 refers)

B Garner reported that members and officers had attended the awards ceremony on 22 July 2009 and he reported that Nexus had received an award for the Quaylink service. The award would be displayed at the next ITA meeting.

(b) Special Tyne & Wear Integrated Transport Authority of 29th June 2009

The minutes of the Special meeting held on 29 June 2009 were considered as a correct record, subject to the addition of Councillor Taylor's apologies.

(c) **Policy Seminar Notes of 25th June 2009 (For Information)**

The notes of the ITA Policy Seminar held on 25 June 2009 were noted. It was noted that S Vincent was not a Councillor.

Matters Arising:-

(a) **Smart Ticketing Progress**

Members congratulated Nexus on the progress made in the Smart Ticketing initiative and looked forward to a report from the Authority in September. In response to a query, B Garner explained that the only comparative system was London overground system and he suggested organising a visit for members to look at this in the autumn.

51. **REVENUE BUDGET MONITOR**

Submitted: Report to the Deputy Clerk and Treasurer (copies attached to official minutes)

K Laing introduced the report which gave an update on the Revenue Budget Monitor for the period April – June 2009.

RESOLVED – That the financial position as at 30 June 2009 as set out in the report and attached appendices be noted.

52. **NOTTINGHAM DECLARATION /NEXUS ENVIRONMENTAL STRATEGY**

Submitted: Joint report of the Clerk to the ITA and the Director General of Nexus (copies attached to official minutes).

S Vincent introduced the report which set out the key aspects of the Nottingham Declaration on Climate Change and Nexus Environmental Strategy and reasons why Tyne and Wear Integrated Transport Authority should sign up to the Nottingham Declaration.

Questions/Comments:-

- A member welcomed this report stressing the importance of the Climate Change Agenda. She added it was not enough to simply sign the Nottingham Declaration it was important that Nexus set an example and efforts were made to engage with the private sector. It was particularly important to work with bus companies on this issue.
- Referring to paragraph 7.2 of the report, a member outlined a number of initiatives already under way in Tyne and Wear which supported the objectives of the Nottingham Declaration and provided a starting point for the development of

the Climate Change Action Plan, she felt that the use of low carbon vehicles ie more electric vehicles, should be part of the Strategy.

- She expressed some disappointment with the target for energy consumption with a reduction of 20% by 2020. She felt intermediate targets were required.
- T Hughes explained that emissions from buses was covered in the Bus Strategy. The Strategy including adopting the Euro 4 Standard as a minimum for buses operating in Tyne and Wear.
- In commenting on low carbon vehicles, T Hughes explained that there were discussions ongoing with One North East around adopting a programme for the use of these vehicles. Work was ongoing looking at the use of electric/hybrid vehicles. He referred to the Quay Link service as a good example of this.
- Work was also ongoing to ensure that all new projects achieved a BREEM rating. In relation to energy consumption, work was ongoing looking at energy bills trying to separate what was used to generate traction and what was not.
- The guidance on carbon reduction was still in draft and subject to change.
- In response to a query on NI 118, S Vincent explained that this set the levels relating to Action Plan development outputs rather than outcomes. Once the Authority had signed the declaration, its progress in developing an action plan would be monitored against the levels set by NI 188.
- The Chair asked that there be a more detailed presentation made on the Authority's Awayday in September and there be a formal signing of the Declaration on this day.

RESOLVED – That

- (i) the report and the Nexus Environmental Strategy be received and noted; and
- (ii) approval be given to signing the Nottingham Declaration on Climate Change at the Authority's Awayday in September.

53. PROPOSALS FOR NEW ADVISORY GROUPS

Submitted: A joint report of the Clerk to the Authority and the Director General of Nexus (copies attached to official minutes)

R Hibbert introduced the report which followed on from the Local Transport Act 2008 which gave ITA the duty of powers for wider responsibilities and outlined the proposals for the three new working groups including terms of reference and membership.

A member queried the position of the Superoutes Working Group in the new arrangement. He was concerned that this would become part of the new Bus Strategy Working Group.

Opposition representation on the Working Groups would be as follows:-

LTP	Councillor P Wood
Equality and Diversity	Councillor P Maughan
Bus Strategy	Councillor G Keating

In addition to this the Chair and Vice Chair would be members of each Group.

RESOLVED – That the three new working groups be established with the membership as agreed.

54. **ITA OFFICER STATEMENT**

Submitted: Report of the Clerk to the ITA (copies attached to official minutes)

S Vincent introduced the report which outlined the levels of service provided by the Lead Authority the Newcastle City Council in terms of advice on policy, legal and financial governance and technical issues.

Members welcomed the Statement.

RESOLVED – That the report be received and the Statement noted.

55. **TRANSPORT GOVERNANCE REVIEW UPDATE**

Submitted: Report of the Clerk to the Authority (copies attached to official minutes)

R Hibbert introduced the report explaining that Phase 2 had now been completed and a series of recommendations made for future working arrangements in the City region. He referred in detail to the timescale explaining that the ITA Working Group would consider the development of ITA working arrangements in accordance with the provisions of the Transport Act 2008 and make recommendations in September taking into account the Governance Review.

A member referred to a report on the Outcomes Phase 2 Report received at the Joint Lead Members Transportation Group and felt it would be useful if a future policy seminar was arranged to look at the new governance arrangements in detail. The Chair stressed the need for members to know what strategic powers the ITA had and how it would interact with outside agencies such as City Region Board. He asked for this information before the next meeting.

RESOLVED – That the report be received and noted.

56. **REGIONAL TRANSPORT UPDATE**

Submitted: A joint report of the Clerk to the PTA and the Director General of Nexus (copies attached to official minutes)

R Hibbert introduced the report which provided ITA members with an update on regional transport issues.

A member stressed the need to resolve the situation regarding the Interim Regional Transport Board and ongoing programming issues around the A19 junction schemes. Strategic decisions needed to be taken for the whole region and this Board needed to be properly constituted with its roles and responsibilities clearly set out. The Chair felt it was important that this message went out from the Authority and he undertook to communicate this view to leaders.

RESOLVED – That

- (i) the report be received and noted;
- (ii) the Chair was to write to the leaders of relevant local authorities and to the relevant Government Ministers as outlined during discussion.

57. **NEW TYNE CROSSING UPDATE**

Submitted: Report of the New Tyne Crossing Project Director (copies attached to official minutes)

P Fenwick introduced the report which gave an update on progress on the construction since the last meeting of the Authority in May 2009. He circulated a book which was entitled 'New Tyne Crossing Construction Progress' which illustrated the progress.

RESOLVED – That the report be received and progress noted.

58. **PEDESTRIAN AND CYCLE TUNNELS**

Submitted: Report of the new Tyne Crossing Project Director (copies attached to official minutes)

P Fenwick outlined the problems arising from the need to modernise existing lifts to secure the service for users following the recent failure on the South Bank of the river at Jarrow. In response to a query, P Fenwick confirmed that 20,000 people used the Tunnels per month. This was divided between the pedestrian and the cycle users.

RESOLVED – That approval be given to a budget of £330,000 for the modernisation of the existing two lifts on the north and south banks of the river as outlined in para. 4 of the report.

59. **SUSTAINABLE TRAVEL CITY**

Submitted: Joint report of the Clerk to the PTA and the Director General of Nexus (copies attached to official minutes)

R Hibbert introduced the report which outlined Tyne and Wear's bid to become a sustainable travel City which was submitted to the Department for Transport on 17 July 2009. Copies of the final submission document were available if Councillors wished to take one. This was a Tyne and Wear wide bid. He briefly outlined the project which aimed to ease congestion, reduce CO² emissions and increase physical activities through a range of smarter choices.

RESOLVED – That the report be received and noted and the Tyne and Wear Sustainable City Travel bid be endorsed.

60. **ITA KEY OUTPUT MEASURES**

Submitted: Joint report of the Clerk to the PTA and the Director General of Nexus (copies attached to official minutes)

S Vincent and T Hughes introduced the report which was to inform members of the 2007/08 baseline figures for the key output measures and identify progress made in 2008/09 where performance information was available. The report also set out the timescale to review the Authority's policy statement to affect changing responsibilities of the ITA.

Referring to the issue of congestion, a member noted evidence elsewhere of a modal shift being achieved, yet there was a suggestion that should be generally be accepted that it would take longer for journeys to complete. He queried the targets and statistics collated. R Hibbert explained this was a subject of ongoing debate. He explained how the 'master data' in relation to traffic across Tyne and Wear was collated using various devices, including the information from commercial organisations, operating fleets and company cars. Measurements were made of vehicles and groups of vehicles on the road to advise and inform radio bulletins. Thousands of visits and trips were monitored on various roads in Tyne and Wear including 16,000 routes into the various conurbations. He explained how the calculations were made. Work was also undertaken comparing journeys in cars to those on public transport in terms of cost and length.

RESOLVED – That

- (i) approval be given to the timescales and intentions to review the policy statement; and
- (ii) the key output measures baseline information be noted and the suggested targets for future years endorsed.

61. **TYNE & WEAR BUS CORRIDOR IMPROVEMENT SCHEME - PHASE 2**

Submitted: Report of the Director General of Nexus (copies attached to official minutes).

The report advised members of progress in the preparation of the Tyne and Wear Bus Corridor Improvement Programme Phase 2.

RESOLVED – That the report be received and noted.

62. **RAIL UPDATE - NORTHERN FRANCHISE - ADDITIONAL VEHICLES**

Submitted: Report of the Director General of Nexus (copies attached to official minutes)

The report gave details of recent developments arising from discussion between the PTE and the Department for Transport Rail Division regarding a number of additional trains required to meet overcrowding on Northern Rail services and gave an update on the current situation regarding the East Coast Mainline franchise.

A member expressed concern about the East Coast Mainline Rail franchise as it seemed that two companies had been unable to provide this service and there was a risk that this would become an inferior service, although it was essential to the North East generally. B Garner stressed there had been a commitment from National Express and Government to ensure that this service was maintained and all existing ticket obligations would be honoured. The Chair expected this matter to be discussed in detail at the PTE Special Interest Group meeting next week.

RESOLVED – That the report be received and noted.

63. **BUSINESS INTELLIGENCE**

Submitted: Report of the Director General of Nexus (copies attached to official minutes)

T Hughes introduced the report explaining that the strategic summary had just been received and there were copies available, although not enough for everyone. He summarised the key issues and environmental factors which explained the trends in terms of public transport and he went on to outline the key issues highlighted by the report. A full report would be published within the next week.

T Hughes explained that use of public transport was continuing to increase especially the use of buses. The Concessionary Travel Initiative had led to an increase in elderly and disabled people using buses. The decline in fare paying passengers had temporarily halted. There had been fifteen months of growth in fare paying patronage.

RESOLVED – That the high level findings of the report as set out in Section 3 of the report be noted.

64. **ITA ANNUAL VISIT**

Submitted: Report of the Director General of Nexus (copies attached to official minutes)

RESOLVED – That the itinerary and date be approved.

65. **CONCESSIONARY TRAVEL SCHEME**

Submitted: Report of the Director General of Nexus (copies attached to official minutes)

J Fenwick introduced the report which advised on the government's consultation on future administration arrangements for the Concessionary Travel Scheme.

RESOLVED – That

- (i) the submissions by PTEG and Nexus in response to the Department for Transport's consultation on the administration of the Concessionary Travel Schemes (Section 3.1 of the report) be noted;
- (ii) the concessionary ridership by both children and the elderly and disabled continued to grow (Section 3.2 of the report) be noted; and
- (iii) the issuing of companion cards to existing members to expire on 31 March 2010 with proposals for the opening of the Companion Scheme to new members to be presented to the ITA as part of a report on the review of Taxi Card of the September meeting (Section 3.3 refers) be approved.

Urgent Item

PETITION – NO 15 BUS SERVICES – WYCLIFFE AVENUE

In accordance with the Provisions of the Local Government Access to Information Act 1985 the Chair agreed to accept this as an urgent item.

The Director General had received this petition from Newcastle City Council. Members were asked to receive it and to agree that a report be brought to the ITA to avoid any delay.

RESOLVED – That the report be received and noted and a report be submitted to the next meeting of the ITA.

RICHARD HIBBERT

The Chair and members noted that this was Richard Hibbert's last meeting of the ITA and wished to place on record their thanks to him for his hard work and invaluable input over the years. Mr Hibbert responded accordingly.

66. **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That the Press and Public be excluded from the meeting during consideration of the following item on the grounds indicated.

Business

Paragraph of Schedule 12A to the Local Government Act 1972

Negotiated concessionary travel
settlement with operators

3



Tyne and Wear Integrated Transport Authority

DATE: 24th September 2009

TITLE: Appointment of Clerk to the Authority

REPORT OF: The Legal Advisor And Monitoring Officer To The Authority

Not confidential

District Implications: All of Tyne and Wear

1. **Purpose of Report**

1.1 This report recommends the appointment of Mr B Rowland as Clerk to the Authority.

2. **Recommendations**

2.1 Members are asked to agree the appointment of Mr B Rowland as Clerk to the Authority, and also as one of the ITA's representatives on the Nexus board

3. **Background and Reasons for Proposal**

3.1 At its meeting of 27 November 2008, the ITA agreed Mr B Rowland be its Acting Clerk following the departure of Mr I Stratford. In that capacity Mr Rowland also replaced Mr Stratford as the ITA's representative on the Board of the PTE.

3.2 It is long agreed and established practice that the Clerk to the Authority be the Chief Executive of Newcastle City Council, as the lead authority on ITA matters. It is also customary that its Clerk be one of the non-executive directors of Nexus appointed by the Authority.

Mr B Rowland has recently been appointed as Chief Executive of Newcastle City Council. It is therefore proposed that he be formally appointed Clerk to the Authority, as well as one of its representatives on the PTE board by virtue of that position.

4. **Further comments by the:**

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

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

5. **Background Papers**

5.1 PTA Papers, 27 November 2008

<http://www.twpta.gov.uk/wps/wcm/resources/file/eb730c4cf0cf662/5%20Report%20on%20Appt%20of%20Clerk.pdf>

6. **Contact Officer (s)**

6.1 Stuart Ovens, Legal Advisor to the ITA, 0191 277 7122



Tyne and Wear Integrated Transport Authority

Date: 24 September 2009

TITLE: OFFICE OF FAIR TRADING MARKET STUDY OF LOCAL BUS SERVICES

REPORT OF: DIRECTOR GENERAL OF NEXUS

Not Confidential

District Implications - All

1. **Summary / Purpose of Report**

1.1 To advise members of the outcome of a market study by the Office of Fair Trading (OFT) into local bus services.

2. **Recommendations**

2.1 That the report is noted.

3. **Introduction / Background**

3.1 The OFT has published its market study into the supply of local bus services and proposes to refer the sector to the Competition Commission (CC) for more detailed investigation. In a five-month study into the £3.6 billion industry, the OFT found evidence to suggest that limited competition may be leading to higher prices and lower quality for bus users. The study has identified a number of features of local bus markets that could prevent, restrict or distort competition in the sector. These relate both to commercial services and services subsidised by local transport authorities. Issues include:

- a situation where the majority of local routes are operated by a small number of large bus companies
- higher fares in those areas where operators with a strong market position are not challenged by a large, well-resourced rival
- many complaints alleging predatory behaviour of incumbent firms designed to eliminate competition from new entrants, and

- low numbers of bids for supported service contracts in many areas, with just one bidder for a quarter of tenders.

4. **Information**

- 4.1 The OFT looked at all regions of local bus services in the UK for its study, but found no call to look at a competition referral for the London or Northern Ireland markets. The OFT estimates that the total size of local bus markets in Great Britain, excluding London, to be £3.6 billion of which £1.2 billion is public subsidy (the figures relate to 2007-08). The OFT is seeking comments on its provisional decision to refer these markets. Interested parties have until 15 October 2009 to submit their views. If a reference is made, the CC will conduct a detailed public investigation and reach its own conclusions. The CC can compel parties to submit particular evidence, and also has the power to impose remedies which go beyond the outcomes available from an OFT market study.

5. **Next Steps**

- 5.1 At this stage, there is no certainty as to whether the OFT will refer the issue to the Competition Commission, and even if the referral takes place the investigation will take some time to come to fruition. Pteg has made the following statement that summarises the current position and how it should be addressed.

'The evidence that the OFT have found of higher fares where there are local monopolies, and of smaller operators being subject to anti- competitive behaviour by larger operators, is symptomatic of all that has been wrong about twenty years of bus deregulation.

However this is an area where the Competition Commission's cure could be worse than the disease - if they seek to promote more on- road competition as a solution. The best way forward is to use the powers in the Local Transport Act to ensure that local authorities have more influence over local bus services in order to protect passengers' interests.'

- 5.2 As stated above, the powers afforded by the Local Transport Act 2008 offer the best way forward for the bus industry and local transport authorities. The ITA/Nexus Bus Strategy sets out how these powers might be used in terms of partnerships and Quality Contracts. Discussions with bus operators with regard to the development of partnerships are continuing, and it is to be hoped that the operators continue to take a positive view of this option.

6. **Further comments by the:**

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

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7 Background Papers

7.1 'Local Bus Services: Report on the market study and proposed decision to make a market investigation reference' published by the Office of Fair Trading, August 2009.

8 Contact Officer (s)

8.1 Ken Kemp, Interim Services and Integration Director, Nexus, 203 3657.

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Tyne and Wear Integrated Transport Authority

Date: 24 September 2009

RAIL UPDATE

**REPORT
OF**

Joint Report of the Clerk to the ITA and the Director General of Nexus

Reasons for confidentiality: Not confidential

District Implications: None

1. **Summary / Purpose of Report**

1.1 To provide information on recent developments on the heavy rail network.

2. **Recommendations**

2.1 The ITA is recommended to;

- Note the contents of the report.
- Consider making direct representation to HS2 on the benefits of High Speed Rail to Tyne & Wear and the region in context of delegated LTP and wider economic aspirations.

3. **Summary of Key issues**

3.1 The report covers the following issues:

- progress towards the establishment of a High Speed Rail network,
- discussions regarding the need for above-ground improvements at Sunderland station,
- potential access improvements at Newcastle Central station,

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- Network Rail's proposal for a Northern Route Utilisation Strategy, and
- commencement of a fourth daily train between Sunderland and London operated by Grand Central.

4. Information

High Speed Rail

- 4.1 Feasibility work is continuing nationally along several fronts to identify the proposed scale and route of the second line of a national high speed rail network: the first line being that between St. Pancras International and the Channel Tunnel. The government's company High Speed Two (HS2) Ltd has been set up to consider the case for new high speed services between London and Scotland. The company's initial focus is upon the nation's busiest stretch of line between London and the West Midlands. By the end of 2009 a preferred route will be identified, and the accompanying report will also provide advice on potential development of a high speed line beyond the West Midlands, at the level of broad corridors.
- 4.2 Public interest consortium Greengauge 21 is also continuing to make the case for a national network of high speed lines. Five potential corridors have been identified, including one between London and the North East. Greengauge 21 is working alongside HS2 Ltd on project definition and planning work.
- 4.3 The Leader of Newcastle City Council has been involved with the development and formulation of a lobbying group based on the Core Cities Group (which includes Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield) to influence the outcome of the development work on high speed lines. The launch of this lobbying group, to be called HSR UK, will take place on 9th September where city leaders will meet with Lord Adonis to make the case for high speed rail.
- 4.4 On 26 August, Network Rail added to the debate when it produced its own analysis of the case for new lines. Four corridors were identified, and Network Rail concluded that the strongest business case was demonstrated by a route between London and Scotland via Preston, with branches to Birmingham, Liverpool and Manchester, offering up to 16 trains per hour in each direction. The analysis concludes that a branch between Manchester and the North East via Leeds would not provide significant journey time benefits over the existing London route via the East Coast Main Line (ECML).
- 4.5 Network Rail's conclusions are extremely disappointing for the North East; however they must be taken in the context of being just one of several pieces of work being carried out to inform the high speed rail debate. The official body charged with preparing the government's case for high speed rail is HS2, who will publish their recommendations in January 2010.

The ITA may feel it appropriate to make direct representation to HS2 on the

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benefits of High Speed Rail to Tyne & Wear and the region in context of delegated LTP and wider economic aspirations.

Sunderland Station

- 4.6 Former Virgin Trains Chief Executive and non-executive Network Rail director Chris Green, and President of the Town and Country Planning Association Sir Peter Hall have been adopted as 'station champions' by Secretary of State Lord Adonis, with a brief to review station standards, and to identify 'quick wins' and better station management proposals. In this context, Nexus has supplied them with information relating to the current condition of Sunderland railway station.
- 4.7 Members will be aware that the main phase of below-ground refurbishment works is now under way, with completion expected during summer 2010. These works will transform the passenger environment at platform level, but do not include any improvements at concourse and street level. The station is owned by Network Rail, which has consistently claimed that a business case does not exist for such works. This is despite the efforts of Nexus and Sunderland City Council over a prolonged period to secure an upgrade to finally rid the station of its dowdy reputation, and to ensure that it matches the standard of both the platform-level works and the surrounding city-centre regeneration. It is hoped that the attention of the 'station champions' to this issue may help to resolve the current impasse.

Newcastle Central Station

- 4.8 In similar vein, 1NG Limited, NewcastleGateshead's city development company, is examining the feasibility of previous proposals to improve access to the environs of the Central Station. 1NG is tasked with the delivery of key economic and regeneration projects across the city centre. The station area is central to the redevelopment of the adjacent area; it is hoped that the company will be able to successfully progress the matter over time, with the support of the city council and Nexus.

Northern Route Utilisation Strategy

- 4.9 Network Rail has announced that a Route Utilisation Strategy (RUS) for Northern England is to be produced over the next two years. This will build upon the work of the East Coast Main Line (ECML) RUS. Its geographical coverage will be similar to the area served by the Northern Rail franchise and will provide a useful pan-Northern strategy to test the aspirations for future ECML, Transpennine, Northern Rail and freight services. The area covered by the RUS also sits well with the area covered by The Northern Way initiative. Nexus has accepted the invitation to take part in the production of this strategy, which will provide the opportunity to promote the Tyne and Wear rail network and to test options for service changes and improvements.

Grand Central

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4.10 Grand Central introduced a fourth daily train between Sunderland and London in each direction, with effect from 17 August, departing from Sunderland at 0918 and returning from Kings Cross at 1918. This brings the service up to the full complement originally planned.

5 **Further comments by the:**

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

6. **Background Papers**

6.1 None.

7. **Contact Officer (s)**

7.1 Gordon Harrison, Nexus 0191 203 3662



Tyne and Wear Integrated Transport Authority

24 September 2009

TITLE: 2009/10 CAPITAL PROGRAMME – FIRST QUARTERLY REVIEW

REPORT OF: THE DIRECTOR OF FINANCE AND RESOURCES

1. Summary / Purpose of Report

1.1 The purpose of this report is to advise members of the performance of the 2009/10 Capital Programme to the end of the first quarter (30th June 2009).

2. Recommendations

The ITA is recommended to;

- Note the revised position regarding the 2009/10 Programme as per Appendix A.
- Approve the scheme changes as detailed in Appendix B.
- Note the intention to include development costs in relation to future year schemes to be carried out within the 2009/10 capital programme. At this point in time, a value of £2.274m has been included within the first quarterly monitoring report and a list of indicative schemes is also included at Appendix C. This list of indicative schemes is still subject to further refinement as part of the development of the Asset Renewal Plan for Metro Reinvigoration Phase 2 and the ITA will be asked to approve this formally when it considers the second quarterly monitoring report in November.

3. Introduction / Background

3.1 The ITA approved a revised Capital Programme for 2009/10 in May 2009 totalling £57.248m. A review of the capital programme has been undertaken at the end of the first quarter, resulting in a revised capital programme of £51.788m.

- 3.2 As at the end of the first quarter the actual spend is £2.600m (5.0%) Commitments are estimated to be £20.199m (39.0%). This is comparable with the position that was reported at the end of the first quarter of 2008/09 (actual spend was 5.7% and commitments were estimated at 14.1%).
- 3.3 The variations reported in this first quarterly monitoring report consist of £6.129m slippage into future years, together with a reduction of £1.924m in other schemes either as a result of under-spends or a reduction in risk contingency. This is offset by the introduction of £2.593m of new schemes to the 2009/10 capital programme, including up to £2.274m of capital development costs (as outlined at Appendix C) where the intention is to commit resources in the current financial year in preparation of the delivery of the schemes included in the Asset Renewal Plan from April 2010, as part of Metro Reinvigoration Phase 2.
- 3.4 In essence, the proposals contained in this report are in response to managing what has become a dynamic capital programme given both the step change in the amount of available funding and also the transitional year that 2009/10 has become, with Nexus currently in the process of changing its approach to asset management and the delivery of its asset renewal plan as it pertains to Metro, which constitutes 92% of the overall Nexus capital programme for 2009/10.
- 3.5 The main points to note are :-
- Around one third of the slippage into 2010/11 relates to the Ticketing and Gating major scheme where the complexity of the transaction has meant a delay in the commencement of the contract; the major scheme business case is currently with DfT awaiting full approval.
 - For those schemes where a recovery plan will not enable delivery of schemes in time for completion this financial year, plans being developed for 2010/11 to 2012/13 are being prepared on the basis of accommodating this slippage.
 - The development of schemes that will be delivered as part of Metro Reinvigoration Phase 2 provides an opportunity to both maximise resources this financial year and also creates the necessary headroom to accommodate slippage into 2010/11.
 - Over programming is at 12.3% of the Nexus total programme; no external resources are forecast to be lost and whilst £0.125m of LTP funding will be relinquished, this will be available to the other LTP partners in line with the usual process.

4. Information

- 4.1 The ITA approved a revised Capital Programme for 2009/10 of £57.248m in May 2009.

- 4.2 A review of this programme has been completed at the end of the first quarter, ending 30th June 2009. The information contained in this report is based on information received from Project Managers responsible for the schemes, and a review of schemes carried out by the Nexus Asset Management 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 over:-

Revised Capital Programme as reported May 2009		£57.248m
• New Schemes Identified*	£2.593m	
• Amendments to major scheme budgets	(£2.969m)	
Other Variations	(£5.084m)	
Revised 2009/10 Capital Programme		£51.788m

- o *includes an indicative £2.274m of schemes as part of the development of the Asset Renewal Plan for Metro Reinvigoration Phase 2

4.4 New Schemes

Of the new schemes identified above, the most significant relate to:-

- MS Licensing £218k – report approved at Nexus Management Committee 12th May 2009 for the expenditure for procurement of Microsoft licenses to address the shortfall identified through a license audit.
- Development Costs £2,274k –a list of indicative schemes is included at Appendix C. This list of indicative schemes is still subject to further refinement as part of the development of the Asset Renewal Plan for Metro Reinvigoration Phase 2 and the ITA will be asked to approve this formally when it considers the second quarterly monitoring report in November.

4.5 Scheme Variations – Major Schemes

Major scheme variations total a reduction of £2.969m to the 2009/10 capital programme of which the two major changes are in relation to Sunderland Station Redevelopment and Ticket and Gating as detailed in 4.5.1 and 4.5.2 below:-

- 4.5.1 On 9 June, Nexus Management Committee approved the award of the contract for Phase 2 at Sunderland Station, together with an increase of £0.219m in the budget for this scheme, making the approved estimate £8.404m in total. The scheme is now expected to complete in May 2010 and £1.099m will slip into 2010/11. The programme on Sunderland Station Redevelopment remains unchanged in accordance with the contract award. The financial slippage is due to re-profiling to match this contract award.

4.5.2 The Ticketing & Gating scheme has now been formally approved by DfT but as a result of delays in approving the scheme and contract award, £2.038m will slip into 2010/11. The overall budget requirement has increased by £2.133m and £2.926m in 2010/11 and 2011/12 respectively but additional funding has been secured in order to progress this scheme.

4.6 Other Variations

Other scheme variations total a reduction in the 2009/10 capital programme of £5.084m. These variations are detailed in Appendix B and the major changes are listed below:-

4.6.1 Monkseaton Station Ramp reported slippage of £414k is due to planning consent refusal for the ramp and subsequent delays. The planning appeal is due to be heard in October 2009.

4.6.2 At Benton Station Footbridge, there are also delays relating to the obtaining the necessary planning consent which is reflected by the reported slippage of £256k.

4.6.3 The Car Wash Replacement scheme at the Depot is reporting £493k slippage. As part of the development of the specification of the metro operating concession, it is now considered appropriate to ensure that the successful operating concessionaire is fully engaged in the replacement of the Car Wash, hence the delay in this scheme.

4.6.4 The Escalator Replacement slippage of £1,067k is due to a 28 week lead time on procurement of escalators and internal resource constraints which has now subsequently been addressed and the 2010/11 programme should reflect this.

4.6.5 The Over Head Line Network scheme has also suffered delays as a consequence of internal workload demands resulting in £439k slippage. A decision was made to undertake works where an immediate need for investment had been identified but and the overall renewal programme will not now commence until 2010/11.

4.6.6 The Central Area Tunnel Refurbishment scheme is reporting an under-spend of £861k due to the return of tenders substantially below that anticipated. In addition, the risk contingency sum relating to f the scheme has also been reduced to reflect the value of the returned tenders.

4.6.7 Earsdon Road Bridge Repairs budget is reporting an under-spend of £268k reflecting the return of tenders, which were lower than anticipated. In addition, the risk contingency sum relating to f the scheme has also been reduced to reflect the value of the returned tenders.

- 4.6.8 The Plain Line Renewal budget has reduced by £1,007k. This reflects the transfer of £400k to the Rail Grinding scheme in order to allow this scheme to be monitored as an individual project and the reduction in the Plain Line Renewal risk contingency sum of £607k.
- 4.6.9 The creation of the Manors Enhancement Works budget reflects the requirement to amalgamate works on Point Machines, Trainstop Control Unit Replacements and Subsidiary Signals all under one project, as the method of delivery now requires these works to be carried out together.
- 4.7 The revised programme, together with changes made as a result of the quarter 1 review, are detailed below:-

	Approved Programme 2009/2010 £m	Revised Programme 2009/2010 £m	Change During first Quarter £m
Bus Infrastructure	1.893	1.679	(0.214)
Business Improvements	1.049	0.989	(0.060)
Ferry	0.165	0.166	0.001
Major Projects	14.298	11.338	(2.960)
Metro			
- Buildings, Depot, Equip & Plant	2.572	2.613	0.041
- Electrical & Mechanical Services	2.298	1.251	(1.047)
- Metrocars	0.535	0.504	(0.031)
- Power	1.052	1.052	0.000
- Signalling & Telecommunications	7.371	6.357	(1.014)
- Stations	0.935	0.494	(0.441)
- Structures	4.872	3.282	(1.590)
- Track	4.090	3.481	(0.609)
- Other	1.120	0.934	(0.186)
- ARP Development Costs	0.000	2.274	2.274
Passenger Improvements/Info.	0.105	0.105	0.000
Miscellaneous	0.021	0.013	(0.008)
New Tyne Crossing	14.872	15.256	0.384
Total Programme	57.248	51.788	(5.460)

- 4.8 As at the end of the first quarter the actual spend is £2.600m (5.0%). Commitments are estimated to be £20.199m (39.0%).
- 4.9 Full details of the above changes are shown in Appendices A and B.
- 4.10 This total revised capital programme for 2009/10 is £51.788m. The funding of this programme is from a number of different sources. The funding available in 2009/10 is as follows:-

	2009/10 Approved Funding	2009/10 Revised Funding	Variance
	£m	£m	£m
LTP Minor Schemes	3.892	3.767	(0.125)
Revenue Contribution to Capital	0.846	0.894	0.048
Over-programming	3.358	3.214	(0.144)
Grant and Contributions	27.274	23.375	(3.899)
Prudential Borrowing	4.716	3.667	(1.049)
Reserves	2.290	1.615	(0.675)
New Tyne Crossing Contribution	14.872	15.256	0.384
Total Funding	57.248	51.788	(5.460)

- 4.11 The major changes to the funding above are as follows:-
- 4.11.1. There is a reduction in the LTP allocation due to the Information Delivery Improvement scheme slipping to future years. This funding will go back to the central LTP districts allocation to cover the over-programming currently built in to the 2009/10 capital programme.
- 4.11.2. The reduction in grants and contributions funding is due to the slippage on the Ticketing and Gating scheme which has utilised Metro Rail Grant funding for enabling works on this project in 2009/10 and slipped the major scheme grant funding into 2010/11. There has therefore been no loss of grant funding, only a re-profiling of grant usage between years.
- 4.11.3. Prudential borrowing relates to the Sunderland Station project and has slipped in line with the current profile of expenditure. The Metro Rail Grant allocated to this project, as reported to Nexus Management Committee on 9 June 2009, has been re-profiled to utilise the full Metro Rail Grant allocation in 2009/10 and slip prudential borrowing to 2010/11.
- 4.11.4. Reserves have decreased primarily as a result of re-phasing schemes and maximising funding of Metro Rail Grant by transferring the expected outstanding costs at Haymarket Redevelopment (£0.669m).
- 4.11.5. The New Tyne Crossing Contribution has increased mainly due to the inclusion in the 2009/10 capital programme of £330k for lift replacement which was originally deferred pending a decision on pedestrian tunnels.

5. Next Steps

6. Further comments by the:

- Clerk (if any);

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

7. Background Papers

7.1

8. Contact Officer (s)

8.1 Carol Bainbridge, Head of Capital and Projects (0191) 2033244

Diane Scott, Capital Accountant (0191) 2033410

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

2009/10 as at 30 June 2009

Summary

	App Estimate £'000	Actual to date £'000	Cited £'000	Uncited £'000	Revised Estimate £'000	Variance £'000
Bus Infrastructure	1,673	35	257	1,202	1,459	-214
Business Improvements	1,269	330	360	794	1,154	-115
Ferry	165	2	30	136	166	1
Major Projects	13,956	538	1,521	11,850	13,371	-585
Metro Improvements	5,641	509	1,735	2,337	4,072	-1,569
Metro Maintenance	19,558	963	3,173	13,031	16,204	-3,354
Miscellaneous	9	1	1	0	1	-8
Passenger Information	105	0	0	105	105	0
New Tyne Crossing	14,872	222	13,122	2,134	15,256	384
Grand Total	57,248	2,600	20,199	31,589	51,788	-5,460

Nexus Capital Programme Monitoring Report

2009/10 as at 30 June 2009

		App	Actual to	Cited	Uncited	Revised	Variance
		Estimate	date	Estimate	Estimate	Estimate	
		£'000	£'000	£'000	£'000	£'000	£'000
Bus Infrastructure							
BA015	NORTHUMBERLAND PARK MULTI STOREY CAR PARK	139	1	2	137	139	0
BA021	CCTV ON BUS INFRASTRUCTURE	100	0	0	100	100	0
BA020	TICKET DATA RETRIEVAL SYSTEM	90	1	1	0	1	-89
BA019	PRIORITISATION SYSTEM	40	0	0	40	40	0
BA017	BUS STATION SIGNING	40	0	0	40	40	0
BA012	INFORMATION PROVISION AT HOSPITALS (TRAVEL	35	0	0	35	35	0
BA010	EAST BOLDON P & R	9	0	0	9	9	0
BA009	CCTV AT BUS SHELTERS	10	0	0	10	10	0
BA002	SUPERROUTE SHELTERS	70	0	45	25	70	0
BA018	INFORMATION DELIVERY IMPROVEMENTS	150	0	0	25	25	-125
BA001	BUS SHELTERS NEW BUILD	160	0	21	139	160	0
BA008	BUS STATION REFURBISHMENT	210	21	53	157	210	0
BA004	BUS SHELTER DEPARTURE BOARDS	50	0	0	50	50	0
BA005	REPLACEMENT BUS SHELTERS	120	0	57	63	120	0
BA006	SHELTER REFURBISHMENT PROGRAMME	300	12	47	253	300	0
BA007	BUS SHELTER LIGHTING POWER SUPPLY	150	0	31	119	150	0
Total		1,673	35	257	1,202	1,459	-214

	App	Actual to	Cited	Uncited	Revised	Variance
	Estimate	date	Estimate	Estimate	Estimate	
	£'000	£'000	£'000	£'000	£'000	£'000
Business Improvements						
BA704	16	0	0	15	15	-1
BA703	80	0	0	0	0	-80
BC849	96	18	18	78	96	0
BA717	0	136	136	82	218	218
BA716	23	17	17	23	40	17
BA715	30	0	0	0	0	-30
BA714	40	0	0	0	0	-40
BA712	20	0	0	0	0	-20
BA710	12	12	12	0	12	0
BA709	1	0	0	0	0	-1
BA803	220	0	0	220	220	0
BA302	166	3	3	186	189	23
BA708	21	3	3	18	21	0
BA702	200	16	16	137	153	-47
BA701	190	125	155	35	190	0
BA601	154	0	0	0	0	-154
Total	1,269	330	360	794	1,154	-115

p Actual to Cited Uncitted Revised Variance

App Estimate £'000 Actual to date £'000 Cited £'000 Uncitted £'000 Revised Estimate £'000 Variance £'000

Ferry

BA501	FERRY REPLACEMENT	0	1	1	0	1	1
BA502	NORTH SHEILDS FERRY LANDING	165	1	29	136	165	0
Total		165	2	30	136	166	1

Major Projects

BB012	SUNDERLAND DIRECT - ARTS	63	0	0	0	0	-63
BB005	SUNDERLAND STATION REDEVELOPMENT	5,699	105	713	4,219	4,932	-767
BC	DEVELOPMENT COSTS	0	0	0	2,274	2,274	2274
BB004	STEPHENSON CORRIDOR `S LINK	0	9	9	0	9	9
BB002	HAYMARKET DEVELOPMENT	1,892	406	707	1,185	1,892	0
BB006	TIM REPLACEMENT	6,176	11	35	4,103	4,138	-2038
BA014	ORPHEUS - BUS	126	7	57	69	126	0
Total		13,956	538	1,521	11,850	13,371	-585

	App Estimate £'000	Actual to date £'000	Cited £'000	Uncited £'000	Revised Estimate £'000	Variance £'000
Metro Improvements						
BC854	201	6	9	223	232	31
BC853	10	6	7	3	10	0
BC844	0	10	11	15	26	26
BC840	40	0	1	39	40	0
BC811	482	16	17	209	226	-256
BC819 &	14	0	19	1	20	6
BC855	183	32	32	151	183	0
BC556	25	9	9	191	200	175
BC623	222	56	108	118	226	4
BC517	263	0	0	263	263	0
BC795	3	0	0	0	0	-3
BC737	5	11	24	15	39	34
BC838	2	1	1	0	1	-1
BC895	1	0	0	0	0	-1
BC919	500	0	0	7	7	-493
BC908	12	0	7	5	12	0
BC856	12	0	0	12	12	0

	App Estimate	Actual to date	Cited	Uncited	Revised Estimate	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
BC924	1,080	0	0	13	13	-1067
BC907	12	3	7	5	12	0
BC910	100	0	0	100	100	0
BC906	50	7	25	25	50	0
BC758	75	6	55	20	75	0
BC884	150	9	10	293	303	153
BC882	15	0	0	15	15	0
BC878	92	0	0	92	92	0
BC874	1,525	298	1,215	310	1,525	0
BC864	408	2	2	212	214	-194
BC863	159	37	176	0	176	17
Total	5,641	509	1,735	2,337	4,072	-1,569

	App Estimate £'000	Actual to date £'000	Cited £'000	Uncited £'000	Revised Estimate £'000	Variance £'000
Metro Maintenance						
BC532	81	58	58	23	81	0
BC689	32	0	0	32	32	0
BC690	10	1	2	8	10	0
BC617	80	28	69	31	100	20
BC587	179	0	17	162	179	0
BC558	99	9	41	58	99	0
BC686	5	1	1	4	5	0
BC550	0	0	0	400	400	400
BC547	200	0	0	0	0	-200
BC546	110	0	0	70	70	-40
BC545	40	0	0	40	40	0
BB001	1,656	20	367	428	795	-861
BC539	50	0	3	47	50	0
BC519	9	0	0	0	0	-9
BC	0	0	0	880	880	880
BC693	242	0	0	242	242	0
BB003	342	35	71	170	241	-101

		App	Actual to	Cited	Uncited	Revised	Variance
		Estimate	date	Estimate	Estimate	Estimate	
		£'000	£'000	£'000	£'000	£'000	£'000
BC543	QEII BRIDGE REFURBISHMENT	34	0	2	32	34	0
BC931	PLATFORM ACCESS HATCHES	60	0	0	37	37	-23
BC745	VEHICLE INFORMATION SYSTEM	9	0	1	8	9	0
BC914	BENTON LANE 1107	60	0	0	60	60	0
BC915	BERTH DISPLAY SIGNALLING PANELS	146	0	0	49	49	-97
BC916	BRIDGE MAINT PAINTING	50	0	0	50	50	0
BC917	CABLE TROUGHING	156	0	0	156	156	0
BC918	CAR PARK AT MOG	10	0	0	10	10	0
BC920	CEN SOLIDS DIVERTER	28	0	0	35	35	7
BC921	DC FEEDER CABLE REFURBISHMENT	600	0	0	600	600	0
BC922	DIESEL SHUNTERS BATTERY LOCOS	250	0	0	250	250	0
BC923	DRAINAGE REMEDIAL WORKS	110	0	0	110	110	0
BC925	LV PANEL RENEWAL	38	0	0	38	38	0
BC926	MITIGATION MEASURES	75	0	10	65	75	0
BC928	N SHIELDS TUNNELS REFURBISHMENT	250	0	0	250	250	0
BC912	RETAINING WALL AT AIRPORT	100	38	46	54	100	0
BC937	STRUCTURAL MAINTENANCE - DENHOLME AND MAST	180	1	29	1	30	-150
BC944	SGF CABLE DEGRADATION	500	90	461	28	489	-11
BC943	IT HARDWARE (METRO)	3	2	6	0	6	3

	App Estimate	Actual to date	Cited	Uncited	Revised Estimate	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
BC942	36	0	0	36	36	0
BC941	26	0	0	26	26	0
BC940	128	0	0	128	128	0
BC929	975	1	3	308	311	-664
BC938	200	0	0	200	200	0
BC930	88	0	0	88	88	0
BC936	77	0	0	0	0	-77
BC935	70	0	0	70	70	0
BC934	222	0	0	222	222	0
BC933	105	0	0	0	0	-105
BC932	63	1	1	62	63	0
BC911	213	1	19	189	208	-5
BC939	53	0	0	0	0	-53
BC714	25	0	0	5	5	-20
BC799	694	15	92	188	280	-414
BC798	0	7	15	8	23	23
BC945	0	0	0	46	46	46
BC768	117	36	36	0	36	-81
BA	0	0	0	55	55	55

	App Estimate £'000	Actual to date £'000	Cited £'000	Uncited £'000	Revised Estimate £'000	Variance £'000
BC913	62	3	9	53	62	0
BC720	152	1	1	80	81	-71
BC804	2,661	22	357	2,304	2,661	0
BC709	307	2	2	0	2	-305
BC708	266	2	263	30	293	27
BC706	975	14	14	961	975	0
BC705	182	51	169	13	182	0
BC703	2,120	281	315	798	1,113	-1007
BC695	53	0	25	28	53	0
BC723	66	0	0	56	56	-10
BC851	2	0	0	0	0	-2
BC905	15	0	0	15	15	0
BC899	50	4	4	50	54	4
BC894	411	1	2	409	411	0
BC892	100	5	7	21	28	-72
BC887	679	4	17	394	411	-268
BC883	142	0	0	142	142	0
BC800	70	1	1	121	122	52
BC866	959	152	507	274	781	-178

	App Estimate	Actual to date	Cited	Uncited	Revised Estimate	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
BC802	0	8	13	0	13	13
BC825	125	0	0	55	55	-70
BC809	0	1	1	0	1	1
BC807	755	8	26	729	755	0
BC805	390	0	0	390	390	0
BC694	130	59	90	49	139	9
Total	19,558	963	3,173	13,031	16,204	-3,354
Miscellaneous						
BC862	9	1	1	0	1	-8
Total	9	1	1	0	1	-8
Passenger Information						
BA301	105	0	0	105	105	0
Total	105	0	0	105	105	0
New Tyne Crossing	14,872	222	13,122	2,134	15,256	384
Grand Total	57,248	2,600	20,199	31,589	51,788	-5,460

APPENDIX B

2009/2010 Capital Programme -Changes to the Capital Programme

	2009/10 £ m	2010/11 £ m	2011/12 £ m
Capital Programme Agreed by ITA May 2009	57.248	113.711	94.203
New Schemes Identified			
SHAREPOINT (MOSS) – approved at Management Committee 4 th August 2009 as part of the IT schemes review	0.055		
MS LICENCING – approved at Management Committee 12 th May 2009 for the procurement of Microsoft licenses to address the shortfall identified through a license audit.	0.218		
DEVELOPMENT COSTS FOR 2010/11 CAPITAL PROGRAMME - to commence the development of the capital schemes currently held within the 2010/11 programme to ensure delivery within the financial year 2010/11.	2.274		
ALTERNATIVE STORAGE FACILITY AT DEPOT - approved at Management Committee 7 th July 2009 for the expenditure to facilitate a move of Metro Operating stock to a suitable, safe and secure environment at the Depot	0.046		
TOTAL NEW SCHEMES IDENTIFIED	2.593	0.000	0.000
VARIATIONS TO MAJOR SCHEMES			
MAINTENANCE MANAGEMENT PROGRAMME – this slippage is for the additional Maximo licence requirement in 2010/11	(0.101)	0.101	
SUNDERLAND DIRECT ARTS – this budget has been transferred into the Sunderland Station Development scheme for artwork within the station.	(0.063)		
SUNDERLAND STATION REDEVELOPMENT – this variation relates to the re-profiling of expenditure as reported to Management Committee on 9 th June 2009 and the £63k Arts budget transferred from Sunderland Direct Arts budget above. The expenditure profile has been updated in accordance with current cash flow forecasts.	(0.767)	1.099	

	2009/10 £ m	2010/11 £ m	2011/12 £ m
TICKET AND GATING – this scheme was reported to Management Committee on 23 rd June 2009 for approval of contracts with regard to the supply, installation and ongoing management and maintenance of the new AFC system. As part of this report the anticipated profile of expenditure was approved, the impact being slippage of £2.038m into 2010/11 and an increase in budget requirement for 2010/11 of £2.133m and £2.926m in 2011/12	(2.038)	4.181	2.926
TOTAL VARIATIONS TO MAJOR SCHEMES	(2.969)	5.381	2.926
VARIATIONS TO OTHER SCHEMES			
INFORMATION DELIVERY IMPROVEMENTS – this scheme has slipped into 2011/12 due to the Transport Management System having to re-tender and identify a suitable supplier. Until this is achieved no progress can be made on this project.	(0.125)		0.125
TICKET DATA RETRIEVAL SYSTEM – this budget was approved because the previous supplier of this software was withdrawing their support of this software and a new system would be required, however the original supplier have decided to continue their support, therefore this budget is no longer required.	(0.089)		
BUSINESS INTELLIGENCE – this variation was reported to Management Committee as part of the IT review of the 2009/10 capital programme on 4 th August 2009.	(0.080)		
DOCUMENT IMAGING - this variation was reported to Management Committee as part of the IT review of the 2009/10 capital programme on 4 th August 2009.	(0.040)		
EMAIL ARCHIVING - this variation was reported to Management Committee as part of the IT review of the 2009/10 capital programme on 4 th August 2009.	(0.030)		
FURTHER ENABLING TECHNOLOGIES – this variation was reported to Management Committee as part of the IT review of the 2009/10 capital programme on 4 th August 2009. A list of defined schemes was also agreed within this report.	(0.047)		
TRAVELCENTRE DDA COMPLIANCE – this budget has been removed from the 2009/10 capital programme as no works can be undertaken until a retail strategy has been agreed.	(0.154)		

	2009/10 £ m	2010/11 £ m	2011/12 £ m
BENTON STATION FOOTBRIDGE – this scheme is anticipating problems with planning approvals and is expecting written objections from local residents which is reflected by the slippage request of £256k. Liaison with residents has been established and a meeting planned to address these issues	(0.256)	0.244	0.012
CAR WASH REPLACEMENT AT DEPOT – this scheme is reporting £493k slippage due to an anticipated procurement period of 6 months following award of contract and this award of contract requires input of preferred bidder to finalise the specification	(0.493)	0.493	
ESCALATOR REPLACEMENT - slippage of £1,067k is due to a 28 week lead time on procurement of escalators and a delay in starting work on this project as resources were required on the IT Server Room project. It is proposed to out-source work on this project to mitigate a significant amount of the delay	(1.067)	1.067	
ARCH BRIDGES ILFORD ROAD TO SOUTH GOSFORTH – work will be completed in 2009/10 and the reduced costs reflects the revised total cost to complete the scheme	(0.179)	(0.018)	
BERTH DISPLAYS IN SIGNALLING PANELS – this slippage is due to a delay in approving the initial development costs	(0.097)	0.097	
CENTRAL AREA TUNNEL REFURBISHMENT – this reduced budget requirement reflects the substantial reduction in the tender costs when they were returned	(0.861)		
DEPOT HEATING SYSTEM REPLACEMENT – the works have been delayed until May 2010 to eliminate disruption at the Depot and the works amended to renew elements of the heating system in line with the business case and the consultants designs	(0.072)	(0.703)	
EARSDON ROAD BRIDGE REPAIRS – the under-spend of reflects the return of tenders, which were lower than anticipated and reduction in risk requirement	(0.268)		
FELLING BRIDGE AND STATION – additional requirement is in regard to the CCTV system which was delayed due to planning permission and snagging works having to be undertaken by new contractor	0.034		
FLEET MAJOR EQUIPMENT RENEWAL – this reduction in required budget is due to suspending the saloon heating controller modifications	(0.040)		

	2009/10 £ m	2010/11 £ m	2011/12 £ m
GOSFORTH CONTROL CENTRE HVAC REFURBISHMENT – this reduction in 09/10 budget allocation reflects the delay in progressing the project due to other internal work commitments	(0.070)		
HELP POINTS – this budget increase was approved at Management Committee on 7 th July 2009 for the installation of help points	0.175		
LIGHTING UPGRADE – this re-profile is a consequence of the delay to the tendering process	(0.071)	0.080	0.080
LX ROAD MONITORING – the increase in cost is due to material costs of £63k, plus installation and contingency required for Fawdon and Kingston Park crossings	0.052	0.018	
MANORS ENHANCEMENT WORKS – this budget is an amalgamation of the Point Machine Replacement budget + Second Drives on Point Machines + Subsidiary Signals + Train stop Control Unit Replacement. All these works are to be carried out simultaneously at Manors along with multi-core/tail/power cable replacement	0.880		
MONKSEATON STATION RAMP – slippage is due to planning consent refusal for the ramp and subsequent delays	(0.414)	0.414	
OHL NETWORK - delayed as a consequence of internal workload demands	(0.664)	0.439	
PLAIN LINE RENEWAL - reflects the transfer of £400k to Rail Grinding to allow this expenditure to be monitored as an individual project and the reduction in the Plain Line Renewal risk budget of £607k	(1.007)		
POINT MACHINE REPLACEMENT – amalgamated into Manors Enhancement Works project above	(0.305)		
RADIO HANDSETS – this project has been suspended and the broader system is to be reviewed	(0.105)		
RAIL GRINDING – this is the transfer of £400k from the Plain Line Renewal budget above to allow this expenditure to be monitored as an individual project	0.400		
ROSTERING SYSTEM – this reduction in budget reflects an IT assessment of the work required to complete this project	(0.194)		
SECOND DRIVES ON POINT MACHINES – amalgamated into Manors Enhancement Works project above	(0.077)		

	2009/10 £ m	2010/11 £ m	2011/12 £ m
SOUTH GOSFORTH OFFICE WORKS – this scheme has gone out to tender and current projections reflect an additional budget requirement of £31k in 09/10 and £7k in 10/11	0.031	0.007	
STAFF MESSING FACILITIES – there is no intended work in this area for the rest of the financial year so the budget has been removed to reflect this current position	(0.081)		
STRUCTURAL MAINTENANCE DENHOLME AND MAST LANE – only design work to be completed this year and structural work to be carried out in 10/11 so budgets re-profiled to reflect the current position	(0.150)	0.240	
SUBSIDIARY SIGNALS – amalgamated into Manors Enhancement Works project above	(0.053)		
TRAINSTOP CONTROL UNIT REPLACEMENT - amalgamated into Manors Enhancement Works project above	(0.200)		
TUNNEL LIGHTING UPGRADE – scheme has been designed and tenders submitted with a resulting budget increase requirement to cover tender and internal costs	0.153		
NEW TYNE CROSSING – the increase in budget relates to the inclusion of the lift replacement which was originally deferred pending a decision on pedestrian tunnels and £38k for the Cycle Infrastructure	0.384		
MINOR CHANGES – Additional changes less than £30k.	0.096	0.015	(0.035)
TOTAL VARIATIONS TO OTHER SCHEMES	(5.084)	2.393	0.182
TOTAL CHANGE TO PROGRAMME	(5.460)	7.774	3.108
REVISED CAPITAL PROGRAMME	51.788	121.485	97.311

APPENDIX C

<u>CAPITAL DEVELOPMENT COSTS TO BE B/F FROM 2010/11</u>		
Work Area	Subject	Value
		£
PERMANENT WAY	Permanent way walkover and ballast sampling survey (CRD to NSH / SGF to JES) Review out put from survey and define scope Design - Form A (CRD to NSH / SGF to JES) Tender Documentation - contract specific Ballast sampling areas if required (provisional sum) S&C Units - Form A Signalling to support PW changes Technical Review of Contractors Proposals	382,694
OLE	Inspections - Phase 1 Further Testing & investigations (provisional) Functional System Specification/Employers Requirements (supply) Tender Documentation - contract specific Review of suppliers proposals Preliminary Design / Employers Requirements (Installation)Tender Documentation - contract specific Review of Installation Contractors Proposals	121,000
BRIDGES	Development of remedials scope and requirements for intrusive investigations Testing & investigations (CRD to TYN) Options Study (CRD to NSH) Design - Form A simple (CRD to TYN)	233,939
OTHER STRUCTURES incl CULVERTS AND RETAINING WALLS	Investigate (find) culverts and retaining walls (CRD to NSH / SGF to JES) Development of remedials scope and requirements for intrusive investigations (CRD to NSH / SGF to JES) Design - Form A (CRD to NSH / SGF to JES) Tender Documentation - contract specific (CRD to NSH / SGF to JES)	87,500
CIVIL WORKS AND DRAINAGE	Drainage Inspection/investigation (SGF to JES) Drainage Inspection/investigation (cuttings TYN to NSH) Options Study (SGF to JES / cuttings TYN to NSH) Design - Form A (SGF to JES) Technical Review of Contractors Proposals	120,000
STATIONS (above ground)	First 5 stations Inspections and scope definition Testing & investigations (provisional) Design Form A Design Form B Tender Documentation - contract specific Ongoing Technical support during implementation Next 7 Stations	405,000

Work Area	Subject	Value £
EARTHWORKS AND GEOTECHNICS	Mining study Earthworks management strategy Ground Investigation (Design, site works, interpretation) Geotechnical input into track bed sampling and testing Design - CHILLINGHAM ROAD TO TYNEMOUTH Design - SOUTH GOSFORTH TO JESMOND Ongoing Technical support during implementation Earthworks Management Strategy for Rest of System (Desk Study and Inspections)	140,665
SIGNALLING	Signalling migration strategy Preparation of signalling cable test specification Reed Track circuits Implementation of chosen Signalling Strategy (Provisional) Level crossing assessment Implementation (provisional)	283,276
DEPOT EQUIPMENT (assumes 1no. Contractor coordinates all equipment)	Draw up scope and spec for train wash ,Draw up scope and spec for wheel lathe Draw up scope and spec for paint spray plant Tender Documentation - contract specific Tender assessment and negotiation with contractor Ongoing Technical support during implementation	115,000
WORK BASE AND CONSTRUCTION PLANNING	Work base - initial studies Develop option for implementation of early railway works without work base Design development (provisional sum)	65,000
COMMUNICATIONS	Communications Key Stage 2 study IP Transmission Network sorting out existing issues and getting migration strategy for changeover to IP Functional Specifications Tender Documentation - contract specific Ongoing Technical support during implementation Radio Update option Report Scheme Design Development Performance Spec Tender Documentation Ongoing Support PTI System Functionality Definition Option Study Tender Documentation Ongoing support during implementation	320,000
	TOTAL SCHEME COSTS	2,274,074



Tyne and Wear Integrated Transport Authority

DATE: 24 September 2009

TITLE: DEVELOPMENT OF TAXICARD AND COMPANION CARD

REPORT OF: DIRECTOR GENERAL OF NEXUS

Not Confidential

District Implications - All

1. **Summary / Purpose of Report**

1.1 To advise members of the progress of the TaxiCard system, and of the Companion Card, and proposals to encourage further use.

2. **Recommendations**

2.1 That members endorse the proposals set out in the report.

3. **Introduction / Background**

3.1 The March 2009 meeting of the ITA received a report which provided an update on the progress of the new TaxiCard and the Companion Card system. The report noted that a survey of users had been commissioned to obtain views and comments, and that a further report would be brought to the ITA identifying any changes that might be needed to address issues raised in the survey.

4. **Information**

4.1 A very satisfactory 63% survey response rate was achieved. In relation to TaxiCard, perhaps the two key points to note are:

- The overall satisfaction score was an excellent 86%
- 82% considered it good value for money.

Other points of note include:

- 80% over 60 years of age
- 73% female
- 98% state they have some form of illness, disability or infirmity
- 24% of the sample no longer use the service; the most significant reason

was cost and/or more expensive than local taxi companies

- 71% use the service once a week
- 66% travel between 2 and 5 miles
- 39% travel on public transport at least once a week
- 14% also used the LinkUp service
- 38% of the sample had a Companion Card; of those:
 - 43% used their card at least once a week
 - 58% travel between 2 and 5 miles
 - 21% travel more on public transport since receiving their Companion Card
 - 54% always travel with a companion.

4.2 Usage this financial year has increased, and the forecast now is for 82,000 journeys over the full year compared with 32,000 journeys for 6 months in 2008/09. Research shows that total usage of the card is currently standing at about 40% of available capacity. Clearly, a higher rate of usage should be encouraged. Feedback from the survey indicates that some people find that the rules of the current scheme constrain their use of it.

4.3 In relation to the Companion Card, members are reminded that it is a discretionary version of the English national Concessionary Travel Scheme and allows the holder and a carer to travel for free, off-peak, on local buses in the area where they live. It is valid in the region and on other forms of local transport under the same conditions as other national cards, i.e. a Gold Card must be purchased for Metro travel. The user survey identified that:

- 43% used their card at least once a week
- 42% used it for shopping, 23% for health visits
- 58% travel between 2 and 5 miles, 29% over 5 miles
- 21% travel more on public transport since receiving their card.

4.4 Since its inception, the Companion Card has been restricted to members of the former TaxiLink scheme which terminated in the summer of 2008 and since then, the scheme to date has not been open for new members to join, a situation which is no longer considered to be appropriate. Existing members' passes expire on 30 September 2009 and at its July 2009 meeting, the Authority agreed for these to be re-issued to 31 March 2010.

5. Next Steps

TaxiCard

5.1 A review of the current system has been carried out to identify whether a means can be found of altering the scheme rules to encourage more usage, for example by addressing the issue of cost identified in the survey results. The review has identified the following proposal as offering a revised way forward:

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.

- Increase the maximum spend per person from £200 to £225 per year.
- Remove the current requirement for the scheme member to pay the first £1.50 for each journey.

Nexus to pay half of the fare up to a maximum total fare of £6.00.

- 5.2 These changes would take effect from April 2010 and can be contained within existing budgets, although this would need to be confirmed through the 2010/11 budget setting process.

Companion Card

- 5.3 It is proposed that membership of the Companion Card be revised in order to provide specific guidance for disabled persons to benefit from it. In order to qualify, an individual will have to be in possession of the higher level of Disability Living Allowance (care element) or Attendance Allowance.
- 5.4 All Companion Cards renewed or issued during the current financial year will have an expiry date of 31 March 2010. It is envisaged that there will be no additional cost to Nexus in 2009/10 in line with the fixed deal negotiated with operators for the reimbursement of concessionary travel. Affordability beyond 2009/10 will be determined as part of the ITA budget setting process for 2010/11 and beyond. Take-up will be monitored during the next six months and it is expected that this will inform future concessionary travel reimbursement arrangements with bus operators.

6. Further comments by the:

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

7 Background Papers

- 7.1 Agenda item 16, PTA 29 May 2008. Agenda item 15, ITA 26 March 2009.
Agenda item 18, ITA 23 July 2009.

8 Contact Officer (s)

- 8.1 Ken Kemp, Interim Services and Integration Director, Nexus, 203 3657.
Bill Harbottle, Concessionary Travel Manager, Nexus, 203 3277.

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Tyne and Wear Integrated Transport Authority

TITLE: **Date: 24 September 2009**

REPORT TITLE – Wycliffe Avenue Residents 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 the July 2009 meeting of the ITA, via Newcastle City Council, from residents of Wycliffe Avenue, and the surrounding area of Montagu Estate.

2. **Recommendations**

2.1 Members of the Authority are recommended to note the report

3. **Introduction / Background**

3.1 A petition from the residents of Wycliffe Avenue and the surrounding area of Montagu Estate, Newcastle, was presented to the City Council on 01 July 2009, by Councillor Bell, and was referred to members of the Integrated Transport Authority for consideration.

4. **Information**

4.1 The petition, signed by 57 residents, suggests that the bus company, Stagecoach, considers re-routing the existing service 15 to avoid the use of Wycliffe Avenue, thereby reinstating the previous route where vehicles operated along Milfield Avenue and onto The Crossway.

4.2 This particular service is operated on a commercial basis by Stagecoach, and the routing was revised a few years ago, to incorporate the traversal of Wycliffe Avenue. This route change was taken as a direct result of earlier problems the bus drivers were experiencing with unsuitable sightlines at the western end of

the Montagu Estate, in the vicinity of Burnfoot Way. At that time, buses were required to operate around a pair of double blind corners, which was considered to be wholly unacceptable for Health & Safety reasons.

4.3 The 15/15A provides a valuable link across the city, and to the RVI, for residents of the Montagu Estate, which has a substantial aged population, and includes Harehills Tower, John Chapman House and Creighton Avenue. All of these locations would be in excess of 400m from the proposed new route, which the petitioners have suggested operates via The Crossways, and would be in excess of the accessibility targets set by both Nexus and Newcastle City Council for accessing local bus services.

4.4 Following a thorough investigation of the road layouts within the Montagu Estate, Stagecoach have come to the conclusion that in order to maintain social inclusion and provide a safe and reliable service to the whole of the estate, they have no other option than to continue to operate vehicles along the length of the existing route.

5. **Next Steps**

5.1 However, the concerns of residents who live in Wycliffe Avenue have been recognised by the bus company and Nexus, and both organisations will continue to work with the local ward councillors and officers from the City Council, to look at ways in which the current highway arrangement could be improved. It is understood that the council are already consulting with the residents, with the aim of keeping the route clear by parking sensibly and not parking on the grass verges, in order to provide access for not only bus services, but emergency vehicles and refuse/servicing wagons, who all have difficulty in negotiating this particular section of carriageway.

6. **Further comments by the:**

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

7 **Background Papers**

7.1

8 **Contact Officer (s)**

8.1 John Usher, Head of Transport Integration

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

DATE: 24th September 2009

TITLE: Local Democracy, Economic Development and Construction Bill & Strengthening Local Democracy Consultation: An update

REPORT OF: The Clerk to the Authority and the Director General, Nexus

Not confidential

District Implications: All of Tyne and Wear

1. Purpose of Report

1.1 This report sets out an update for ITA Members on:

- the Local Democracy, Economic Development and Construction Bill; and
- the Government consultation on *Strengthening Local Democracy*.

2. Recommendations

2.1 Members are asked to note the content of the report.

3. Background

- 3.1 The Government published the *Local Democracy, Economic Development and Construction Bill* on 5 December 2008. The Bill is the next step in taking forward policies set out in the *Communities in Control White Paper* (July 2008) and proposals set out in the Government's Review of Sub-National Economic Development and Regeneration (SNR).
- 3.2 The Department for Communities and Local Government (DCLG) published a consultation paper entitled *Strengthening Local Democracy* in July 2009. The consultation explores whether local government has the powers it needs to meet today's challenges, as part of the Government's drive to renew Britain's democracy and build trust in the political system at all levels.
- 3.3 The following provides a summary of the Bill and consultation paper, highlighting key issues of relevance to the ITA.

4. Local Democracy, Economic Development and Construction Bill

- 4.1 This wide-ranging legislation seeks to give communities and local people new rights to have a say in their local services, strengthen local democracy, reform local and regional governance arrangements and implement measures to drive economic regeneration.
- 4.2 This Bill is currently before Parliament, and among its provisions are powers to create new Economic Prosperity Boards (EPBs). The purpose of EPBs is to improve economic development and the overall economic conditions at the sub-regional level. In doing so, an EPB could provide over-arching governance structures for city regions.
- 4.3 The Bill also allows for new Combined Authorities which could potentially absorb the responsibilities of both an ITA and an Economic Prosperity Board, thus bringing transport and economic planning functions together.
- 4.4 To set up an EPB or Combined Authority would require a local authority led review process. The recommendations arising could then be submitted to the Secretary of State who would consult on the proposal and a Parliamentary Order sought to create the new body.
- 4.5 However, unlike the Local Transport Act 2008, the Secretary of State will have no powers to force a review and it is not intended that the new bodies (an EPB or a Combined Authority) will have any levying or tax raising powers. The only exception to this would be that if a Combined Authority absorbed an ITA it would inherit its levying powers for transport.
- 4.6 There is no intention to have any element of direct election to these new bodies. However, the majority of members of the boards would need to be elected members nominated by constituent local authorities.
- 4.7 In addition to provisions regarding EPBs and Combined Authorities, the Bill also:
- sets out provisions covering the development of “Regional Strategies” in each English region outside London. These Regional Strategies will replace both Regional Spatial/Transport Strategies (RSS/RTS) and Regional Economic Strategies (RES);
 - allows for the creation of Local Authority Leaders Boards in each region, and the designation of “Responsible Regional Authorities” (Regional Development Agencies and Local Authority Leaders Boards), with responsibility for the new Regional Strategies; and
 - gives groups of local authorities the option of creating statutory Multi-Area Agreements (MAAs) (as opposed to existing non-statutory MAAs), placing them on a similar statutory footing to Local Area Agreements (LAAs).
- 4.8 The Bill is now scheduled for its 3rd Reading in the Commons on 13th October 2009, prior to its final stages and Royal Assent later in the year.

5. Strengthening Local Democracy Consultation

- 5.1 The *Strengthening Local Democracy* consultation paper sets out a range of proposals to promote democratic renewal and strengthen local government by:
- giving councils more scope to scrutinise the spending and decisions of local service providers;
 - exploring whether there are barriers to using existing powers and whether there are other powers which councils should have;
 - ensuring councils have the powers and responsibilities they need to tackle climate change;
 - exploring how the powers and responsibilities of sub-regional structures should be matched by clear and accountable leadership; and
 - exploring how to articulate, develop and support the relationship between central and local government so that respective functions are clear and transparent to citizens.
- 5.2 The sections relating to sub-regional working (ITAs, City Region partnerships etc) are perhaps of greatest interest to ITA Members. This includes consultation on:
- Whether sub regional partnerships should be subject to formalised scrutiny arrangements, including being accountable to joint overview and scrutiny committees;
 - Extending the duty to respond to petitions to sub-regional bodies;
 - Testing the accountability of current sub-regional arrangements to local people;
 - Possible models for making sub-regional arrangements more accountable; and
 - Offering the scope to give more powers and responsibilities to city-regions and sub-regions.
- 5.3 The consultation period for *Strengthening Local Democracy* closes on the 2nd October 2009.
- 6. Conclusion**
- 6.1 The provisions of the Local Democracy, Economic Development and Construction Bill provide significant opportunities for sub-regions to achieve greater strategic alignment between transport and economic development through the creation of Economic Prosperity Boards, statutory MAAs and the option to create Combined Authorities. ITA officers will continue to monitor progress of the Bill through Parliament and provide future updates to members as required.
- 6.2 The options and proposals set out in the *Strengthening Local Democracy*

consultation are of particular importance to the ITA, particularly the potential strengthening of scrutiny arrangements and accountability at the sub-regional level. ITA and Nexus officers are in the process of reviewing these proposals, and will be feeding into a joint PTEG submission to DCLG.

7. Further comments by the:

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

8. Background Papers

8.1 Local Democracy Economic Development and Construction Bill – available at <http://www.communities.gov.uk/communities/communityempowerment/localdemocracybill/>

Strengthening Local Democracy: Consultation – available at <http://www.communities.gov.uk/publications/localgovernment/localdemocracynsultation>

9. Contact Officer (s)

9.1 Roger Gill, ITA Policy Manager, 0191 211 4805

Tobyn Hughes, Director of Strategy, Nexus 0191 203 3246



Tyne and Wear Integrated Transport Authority

24 September 2009

TITLE: REVENUE BUDGET MONITORING REPORT (APRIL 2009 –August 2009)

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 2009 to August 2009.
- 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 and the original estimate presented to the Passenger Transport Authority at its meeting of the 22 January 2009
- 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 2009 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 2009 to August 2009 with the budget for 2009/10. Appendices 1 and 2 summarise the recorded spending position as at 31 August 2009
- 3.2 For the ITA, expenditure at £29.643m 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.
- Net Interest on Prudential Borrowing – A review of the interest paid and expected interest received has been carried out and at the end of August 2009 it is anticipated that the interest received on investments will meet the costs of borrowing and the projection will 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 2009/10 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 five months of 2009/10 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 3% of the budgeted net income for the first five months of 2009/10.
- Actual traffic is approximately 3.3% lower than for the first five months of 2008/09 which is reflected in the lower tolls income.
- Repairs and Maintenance expenditure relates to the major maintenance on the Pedestrian and Cycle Tunnel carried out by TT2 but rechargeable under the terms of the agreement to the ITA. This will be met from the Tyne Tunnel reserves.

Treasury Management Update – Borrowing and Lending

Borrowing

- 3.4 1. The ITA's approved Authorised borrowing limit for the 2009/10 year is £278million and its Operational borrowing limit is £273 million. The level of external borrowing as at 31 August 2009 is £163.56million. 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 4.21%.

Lending

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.

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 2009 was £59.60m. This was lent to 5 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 4.01 % so far this year. Interest rates on new investments are falling. The amount of money that the ITA is lending out has reduced in 2009/10 as a result of debt repayment in order to manage the risk of the credit crunch and will reduce significantly once contract payments start to be made to the New Tyne Crossing concessionaire in 2010.

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 2009

7 **Contact Officer (s)**

7.1 Marilyn France 0191 211 6670

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Appendix 1: ITA Revenue Budget Monitor for the Period April 2009 to August 2009

	Spend to 31st August 2009 (2009/10)
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	<u>Spend to</u> <u>31.08.09</u>	<u>Budget</u>	<u>Spend</u> <u>against</u> <u>Budget</u>	<u>Expected</u> <u>Spend (%)</u>	<u>Notes</u>
	£	£			
<u>Revenue Expenditure</u>					
Travel Costs	379	4,000	9%	42%	
Supplies & Services	34,441	105,410	33%	42%	
Support Services	15,024	444,050	3%	42%	Primarily year-end expenditure
PTA Website Charges	14,521	34,850	42%	42%	
PTA contribution to City region	0	0	0%	42%	
Pension Costs	135,432	510,000	27%	42%	
Grant to Nexus	28,164,600	67,595,040	42%	42%	
GA Subscription	40,036	41,030	98%	42%	Paid at commencement of year
Financing Charges	1,239,075	2,973,780	42%	42%	Based on estimate
	<u>29,643,508</u>	<u>71,708,160</u>	41%	42%	
<u>Income</u>					
Levy Income	(29,435,841)	(70,646,000)	42%	42%	
Interest on Balances	0	(114,100)	0%	42%	Primarily year-end expenditure
Net Gain On prudential borrowing	0	0	0%	42%	
Contribution from Reserves	(29,435,841)	(70,760,100)	42%	42%	
	<u>207,667</u>	<u>948,060</u>			

For further information or detail, please contact Marilyn France on 0191 211 6670

Appendix 2: Tunnels Revenue Budget Monitor for the Period April 2009 to June 2009

Spend to 31st August 2009 (2009/10)

Tyne Tunnels	<u>Spend to</u> <u>31.08.09</u> £	<u>Original Budget for</u> <u>Year</u> £	<u>Spend as a % of</u> <u>Original Budget</u> %	<u>Notes</u>
TT2 Contract				
Toll Income	(5,182,636)	(13,691,000)		
Payments to TT2	966,434.67	2,999,000		
Total	(4,216,201)	(10,692,000)	39%	See paragraph 3.3
Other				
Employee Costs	12,879	30,130	43%	Expenditure on target
Repairs & Maintenance	15,188			Monies relate to Pedestrian & cycle tunnel major maintenance
Other Expenses	12,397	17,600		Budget to be revised to reflect insurance costs
Community Fund	0	10,000	0%	No expenditure in current Year
Pension Costs	159,604	586,060	27%	Expenditure lower than Budgeted.
New Tyne Crossing support services	0	170,810	0%	Year-end expenditure
Financing Charges	845,433	2,029,040	42%	Based on estimate
Miscellaneous Income	(12,923)	(4,100)	315%	
Interest on Balances	0	-899,900	0%	Year-end expenditure
Total	1,032,577	1,939,640	53%	
Net Surplus on Existing Tunnels	(3,183,624)	(8,752,360)	36%	



Tyne and Wear Integrated Transport Authority

DATE: 24th September 2009

TITLE: REGIONAL TRANSPORT PRIORITIES

REPORT OF: Joint Report of the Clerk to the ITA and the Director General of Nexus

Not confidential

District Implications: All of Tyne and Wear

1. Purpose of Report

1.1 The purpose of this report is to inform members on recent developments in the Regional Funding Advice (RFA) programme, along with emerging processes for the identification and assessment of future regional transport priorities through Delivering a Sustainable Transport System (DaSTS).

2. Recommendations

2.1 Members are recommended to note the contents of this report.

3. Background

3.1 At the ITA meeting held 23 July 2009, members were provided with an update on regional transport issues, including a brief summary of the Government's response to the second round of regional funding advice for transport (RFA2). This update highlighted the following key messages:

- i) The increasing likelihood of reductions in public spending levels in light of current economic challenges;
- ii) The importance of climate change and increasing emphasis from Government on reducing CO₂ emissions;
- iii) The need for strengthened regional governance arrangements to ensure clear priorities can be agreed within allocated timescales; and
- iv) Government's acceptance of the region's programme of priority transport schemes. Of particular note were changes to delivery timescales for a number of A19 junction schemes, and the subsequent suspension of scheme development work for the A19 Seaton Burn and Moor Farm

junctions.

- 3.2 This report builds on the update provided at the last ITA meeting, setting out the key messages contained in the Government's RFA2 response to the region and the DfT's recently released guidance to regions on Delivering a Sustainable Transport System (DaSTS).
4. **RFA2 response from Government**
- 4.1 The region received two separate Government responses to its RFA2 submission - (i) a cross-departmental response regarding the wider RFA2 submission covering transport, economic development, housing and skills; and (ii) a more detailed response from DfT regarding the transport elements of the submission.
- 4.2 The general response from Government welcomed the region's advice, and recognised that it was prepared against a background of tough economic challenges. Public sector spending levels were highlighted as an important consideration for regions in planning for the medium to long term, and that even greater emphasis will be placed on maximising value for money in the future.
- 4.3 The DfT's more detailed response to the region provides further commentary on these issues, highlighting the importance of value for money and deliverability in schemes, and the increasing focus on CO₂ emissions as part of the scheme appraisal process. DaSTS is also mentioned throughout the response as being the key mechanism for regions to review and reprioritise their transport investment priorities for the period 2014 onwards.
- 4.4 The following key issues were highlighted in the DfT's response:
- 4.5 **Major schemes / local transport block balance** - DfT accepts the region's proposal to transfer £10 million from major schemes to the Integrated Transport Blocks of all the Local Authorities in the region in 2010/11, and is encouraged by the creative use of funding balance between major schemes and block allocations.
- 4.6 If the region wishes to offer further advice on the distribution of block grant it needs to do so by April 2010, in order to feed into the next 3-year local settlement.
- 4.7 **Future funding levels and prioritisation** - The 10-year RFA2 programme is provisional, with post 2014 investment levels likely to be less than originally advised in RFA2 guidance. Work carried out by regions for RFA2 provides a strong platform and context for future prioritisation work through DaSTS to inform Government investment post 2014.
- 4.8 Given the fiscal uncertainty going forward, regions should be aware that decisions made now will impact upon the funding available for future schemes and, potentially, future levels of local transport block funding. This highlights the importance of (a) developing schemes that are realistic and deliverable within timeframes; and (b) the need to prioritise within regional programmes to ensure

lower priority schemes do not place higher priorities at risk.

- 4.9 **Challenges of climate change** - CO₂ emissions will be an increasingly important consideration for Government when assessing future transport proposals. There is a need to significantly improve the CO₂ assessment / appraisal of schemes and put this at the heart of strategy making. For schemes to progress through RFA approval stages, they will need to comply with the Government's scheme appraisal guidance and assess/monetise greenhouse gas emissions impacts.
- 4.10 **A19 junction schemes** – DfT accepts the region's advice on re-profiling A19 junction schemes, and will suspend development work accordingly on the Seaton Burn and Moor Farm schemes given their delayed start times. Development work will continue without delay on the A19 Testos junction scheme, as well as for the A19 Coast Road junction given the minor nature of re-profiling proposed.
- 4.11 One North East and the Association of North East Councils (ANEC) have since responded to Government, expressing concern at the decision to suspend development work on the Seaton Burn and Moor Farm schemes given the A19 corridor's importance to the regional economy. It is important that schemes are able to proceed quickly in response to any programme changes, and the region has therefore asked that DfT maintain development of these schemes in order that they could be ready to proceed should there be failure of, or slippage, on other projects.
5. **DfT guidance to regions on DaSTS**
- 5.1 Alongside Government's RFA2 response, the DfT published its "Guidance to regions on delivering a sustainable transport system". As mentioned throughout the RFA2 response, DaSTS provides regions with the opportunity to review and reprioritise plans for transport investment over the medium to long term (2014 onwards). The process is also expected to result in much greater alignment between investment plans and regional/local transport strategies, and ensure that transport continues to play a significant role in supporting for economic growth and responding to the challenges of climate change.
- 5.2 The following key points are highlighted in the DaSTS guidance:
- The end product of DaSTS will be a programme with priorities for funding in each year from 2014 to 2019, along with less detailed proposals for 2019 to 2024. This will be within the context of a 30 year strategic plan..
 - Uncertainty of funding places a premium on flexible programmes, where delivery may be achieved as soon as affordability allows. Such programmes will often include relatively low-cost, high-value interventions which do not require lengthy and expensive preparation.
 - It is likely that some of the key challenges identified through DaSTS will need to be considered by the region as a whole, whilst some may be specific to sub-regions or smaller locations. Where appropriate, regions should consider 'devolving' option generation work to sub-regional groupings, such as City

Regions, Multi-Area Agreement (MAA) partnerships or individual authorities, recognising that the expertise needed is more likely to lie at this level.

- Regions are expected to have carried out their DaSTS options generation work by spring 2010, with a preferred set of regional priorities and advice back to Government expected in 2011.

5.3 In considering the region's DaSTS advice, DfT will look at the merits of individual packages, fit with DaSTS goals and challenges, overall balance of investment across regions and networks, as well as the wider policy landscape. This will be carried out through 2012, and DfT intends to allow regions to consider trade-offs between national and regional network investment as part of this process.

6. **Summary and conclusion**

6.1 The Government's response on RFA2, along with its guidance on DaSTS, clearly signals that post 2014 investment levels will be less than originally indicated. The 10 year transport investment programme is provisional, with post 2014 priorities needing to be reviewed and re-prioritised, taking greater account of value for money, deliverability and CO2 reduction objectives.

6.2 The DfT has signalled an opportunity for the region to provide advice on the distribution of block grant by April 2010 in order to feed into the next 3-year local settlement. Therefore the ITA, in coordination with local and City Regional partners, will need to give careful early consideration to its likely spending plans for the period 2011-14, as an early output of development of Local Transport Plan 3.

6.3 DaSTS provides the opportunity to carry out a medium to long term review of regional transport priorities, and there is a clear need for the ITA, in coordination with local and City Regional partners, to contribute to the process to ensure that Tyne and Wear's transport challenges and priorities are properly considered and reflected in future advice to Government. Likewise, it will be important to maximise synergies between DaSTS and other transport strategy/policy work in Tyne and Wear, including:

- Review/refresh of the ITA Policy Statement;
- Local Transport Plan 3 development; and
- Development of a high level City Region Transport Strategy and an accompanying prioritised list of schemes

7. **Further comments by the:**

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

8. **Background Papers**

8.1 Regional Funding Allocations, information available at
<http://www.dft.gov.uk/pgr/regional/strategy/rfa/>

Regional RFA submission (February 2009),
<http://www.onenortheast.co.uk/page/reportspublications.cfm>

Delivering a Sustainable Transport System, information available at
<http://www.dft.gov.uk/about/strategy/transportstrategy/dasts/>

Regional DaSTS work plan submission to DfT,
<http://www.onenortheast.co.uk/page/reportspublications.cfm>

9. **Contact Officer (s)**

9.1 Scott Vincent, Senior ITA Policy Officer; tel. 0191 211 5679

Tobyn Hughes, Nexus Director of Strategy; tel. 0191 203 3247

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Tyne and Wear Passenger Transport Authority

Date: 24 September 2009

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 is a regular report which provides a six monthly update on strategic risks as set out in the ITA Strategic Risk Register.
- 1.2 The formal risk process adopted by the ITA aims to provide assurance that significant risks associated with the delivery of ITA business (as expressed in the Passenger Transport Policy Statement 2007/08 to 2009/10) 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 consider the information provided and to challenge progress with responsible officers as appropriate.
- 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 affecting the ITA (as outlined in Paragraph 3.3).

- (b) Summarising several new risks which have been identified and included on the register (as outlined in Paragraph 3.5)
- (c) An overview of all strategic risks (as contained within the diagram in **Appendix A**).

3.2 Generally, officers have not identified any changes in risk levels (either up or down), with the exception of two risks which have been closed (as outlined in Paragraph 3.6). The ITA may wish to consider, in conjunction with officers, the extent to which the required progress is being made, the extent to which mitigating actions are sufficient and / or being effectively implemented.

3.3 The following risks are currently prioritised as having a high / red priority rating:

Risk Description	Risk Priority	Information / Update
<p>Future public spending restrictions and Delivering a Sustainable Transport System (DaSTS) re-prioritisation could lead to lack of delivery on Tyne and Wear schemes, impacting on key ITA projects and ability to deliver policy objectives.</p> <p>Risk Owner(s): ITA Clerk (Barry Rowland) / Nexus Director General (Bernard Garner)</p> <p>Risk Manager(s): ITA Deputy Clerk (Paul Woods) / Nexus Director of Finance and Resources (John Fenwick)</p>	<p>Red (12)</p> <p>NEW RISK</p>	<p>A new high priority risk has emerged concerning future levels of public spending and the future priority status of major schemes within Tyne and Wear. This risk is not unique to Tyne and Wear (it applies equally to all major schemes throughout England), but it could have significant implications for the delivery of ITA objectives and policies.</p> <p>A number of controls are already in place to minimise this risk - current mitigation includes: representation on the Transport RFA Working Group and DaSTS Steering Group; briefings to the Tyne and Wear representative on the Interim Regional Transport Board; and input to DaSTS programme work areas (particularly the City Region Accessibility Study). The City Region Governance Review is considering strengthened alignment / representation between the ITA, City Region and Regional structures.</p> <p>However, it is important that ITA and Nexus officers continue to champion Tyne and Wear schemes through existing forums/structures and lobbying of national agencies such as the Department for Transport. Further mitigation includes:</p> <ul style="list-style-type: none"> - Championing the business cases for Tyne and Wear schemes through both member and officer RFA and DaSTS structures - Lobbying and influencing the Department for Transport and regional representatives regarding priority Tyne and Wear transport challenges and opportunities.

<p>Failure to develop / secure delivery of “modal shift” within the current planning period (to 2011).</p> <p>Risk Owner(s): ITA Deputy Clerk (Paul Woods)</p> <p>Risk Manager(s): NCC Director of Strategic Housing, Planning and Transportation (Harvey Emms)</p> <p>Nexus Head of Strategy (Tobyn Hughes)</p>	<p>Red (12)</p>	<p>There is no change in risk priority. The action plan has been completely revised and further mitigation (for Nexus implementation) includes:</p> <ul style="list-style-type: none"> – Delivery of the bus corridors major scheme – Implementation of a Sustainable Travel Cities programme (subject to funding and in conjunction with the Local Transport Plan Team) – Development of a Park and Ride Strategy – Development and implementation of Smart Ticketing
<p>Failure to secure and deliver Metro Re-invigation Project</p> <p>Risk Owner(s): Nexus Director General (Bernard Garner)</p> <p>Risk Manager(s): Nexus Director General (Bernard Garner)</p>	<p>Red (12)</p>	<p>There is no change in risk priority. Expansion of capital programme reporting to illustrate key performance / project milestones to the ITA and ITA Scrutiny Committee is now being carried out by Nexus.</p> <p>One new action has been identified:</p> <ul style="list-style-type: none"> – Ongoing dialogue with DfT concerning the reference case for funding (Nexus)

3.4 Since the last review of the strategic risk register, seven new risks have been identified. A number of these are about the new powers granted to the ITA through the Local Transport Act 2008. Once again, much is already being done to minimise these risks (for example, the establishment of new ITA working groups), but further work is needed to fully assess how these new duties and powers can be best used to deliver the ITA’s objectives and policies.

3.5 The new risks raised are:

New Risk	Risk Priority
<p>Future public spending restrictions and DaSTS re-prioritisation could lead to lack of delivery on Tyne and Wear schemes, impacting on key ITA projects and ability to deliver policy objectives.</p> <p>(Information is as provided in Paragraph 3.3 above).</p>	<p>Red (12)</p>
<p>Opportunities presented by regional Smart Ticketing initiative (NESTI) to deliver ITA policy objectives around modal shift and network integration</p> <p>Risk Owner(s): Nexus Director General (Bernard Garner)</p> <p>Risk Manager(s): Nexus Director of Strategy (Tobyn Hughes)</p>	<p>Amber (9)</p>
<p>Pandemic flu outbreak impacts on operational capacity of Nexus and ITA, with risk of severe disruption to public transport operations.</p> <p>Risk Owner(s): ITA Clerk (Barry Rowland) / Nexus Director General (Bernard Garner)</p> <p>Risk Manager(s): ITA Deputy Clerk (Paul Woods) / Nexus Director of Strategy (Tobyn Hughes)</p>	<p>Amber (8)</p>

Poor CAA findings concerning transport across Tyne and Wear Risk Owner(s): Clerk (Barry Rowland) / Risk Manager(s): Deputy Clerk (Paul Woods)	Green (6)
Lack of engagement and buy in from local authorities and other stakeholders when preparing LTP3 Risk Owner(s): ITA Clerk (Barry Rowland) Risk Manager(s): NCC Director of Strategic Housing, Planning and Transportation (Harvey Emms)	Green (6)
Opportunities presented by wellbeing powers to better deliver ITA policy objectives Risk Owner(s): Clerk (Barry Rowland) Risk Manager(s): Deputy Clerk (Paul Woods)	Green (4)
Use/misuse of well being powers leading to financial pressures or legal challenge Risk Owner(s): Clerk (Barry Rowland) Risk Manager(s): Deputy Clerk (Paul Woods)	Green (3)

3.6 Two risks have been closed:

Risk	Reason for closing
Inability to deliver prudential borrowing leads to necessity to renegotiate terms and associated increased costs	Actions completed
Failure to manage the outcome of TIF studies into a business case for congestion charging leading to loss of credibility, funding loss and risk to local transport investment.	TIF project closed by Government.

4. **Next Steps**

4.1 The ITA Risk Register is regularly monitored and fully reviewed every 6 months to ensure risk ratings reflect emerging risks and progress is being made in reducing current risks.

4.2 ITA Standards and Audit Committee is responsible for helping to provide us with independent challenge and assurance that our governance and internal management systems are effective and that risks are being effectively addressed. They will therefore receive a copy of this report for consideration at their next meeting on 18 September 09.

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 Farah Hussain, Strategic Risk Manager, Newcastle City Council (0191 211 6642)

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

SUMMARY OF ALL STRATEGIC RISKS (SEPTEMBER 2009)

New risks in bold

Impact		Low	Medium	High
High		<ul style="list-style-type: none"> Inability to bring forward A19 junction schemes within Regional Funding Allocations to coincide with New Tyne Crossing completion 		
Medium			<ul style="list-style-type: none"> Governance opportunities presented in Local Transport Act 2008 Failure to realise maximum benefits from bus provisions in the Local Transport Act 2008 Failure of ITA to effectively broaden policy agenda to reflect wider ITA objectives beyond public transport Failure to influence National Government Policy Efficiency targets 2008/11 set at unrealistic level if they include Concessionary Fares Failure to balance income and expenditure (2010/11) Delays to 2010 opening of new tunnel and / or 2011 opening of existing tunnel Concessionaire termination event occurs Failure to identify and appropriately manage risks arising to the ITA under the concession period Nexus fails to negotiate a contract that adequately reflects ITA policy and objectives Opportunities presented by regional Smart Ticketing initiative (NESTI) Insufficient funding for Concessionary Fares 	<ul style="list-style-type: none"> Failure to develop / secure delivery of "modal shift" within the current planning period (to 2011). Future public spending restrictions and DaSTS re-prioritisation could lead to lack of delivery on Tyne and Wear schemes, impacting on key ITA projects and ability to deliver policy objectives. Failure to secure and deliver Metro Re-invigoration Project
Low		<ul style="list-style-type: none"> Opportunities presented by wellbeing powers to better deliver ITA policy objectives Operational constraints on transport infrastructure 	<ul style="list-style-type: none"> Failure to manage and monitor performance Poor CAA findings for transport across Tyne and Wear Failure by the Lead Authority to devise and implement the required level of service to the ITA Failure to balance income and expenditure (2008/09 – 2009/10) Failure of ITA to secure delivery of capital projects, to time, cost and quality agreements. Failure to make efficient use of the capital available Lack of engagement and buy in from local authorities and other stakeholders when preparing LTP3 Failure to develop and maintain processes and arrangements for scrutiny ITA fails to maintain an effective governance framework 	<ul style="list-style-type: none"> Impacts of NTC construction poorly managed or perceived as poorly managed Pandemic flu outbreak impacts on operational capacity of Nexus and ITA
Nil			<ul style="list-style-type: none"> Use/misuse of well being powers leading to financial pressures or legal challenge 	

SUMMARY OF ALL STRATEGIC RISKS (SEPTEMBER 2009)

New risks in **bold**

		Impact			
		Nil	Low	Medium	High
Likelihood	High	4	8	12	16
	Medium	3	6	9	12
	Low	2	4	6	8
	Nil	1	2	3	4

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Tyne and Wear Integrated Transport Authority

TITLE: **Date: 24 September 2009**

AUDIT COMMISSION – ANNUAL GOVERNANCE REPORT 2008/09

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 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 2008/09.

2. Recommendations

- 2.1 The ITA are recommended to note the contents of the Audit Commission's Annual Governance Report for 2008/09.

3. Background

- 3.1 The report attached was considered by the Standards & Audit committee on the 18 September 2008.

4. Information

The Audit Commission have reviewed the Authority's Annual Report & Accounts for 2008/09, and propose to issue an unqualified audit opinion.

4.1 For the Use of Resources the Audit Commission have stated that the Authority has improved and has appropriate arrangements in place to secure value for money.

5. Further comments by the:

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

6 Background Papers

6.1 Held by Caroline Tyrell, Audit Manager -0191 211 26598

7 Contact Officer (s)

7.1 Marilyn France Ext: 26670

Annual Governance Report

Tyne and Wear Integrated Transport Authority

Audit 2008/09

August 2009

Contents

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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

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Deputy Clerk and Treasurer on 26 August 2009.

The 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 which are set out in this report (paragraph 7);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 2); and
- agree your response to the proposed action plan (Appendix 4).

Yours faithfully

S Nicklin
District Auditor

Date

Key messages

This report summarises the findings from the 2008/09 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 how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from material error	Yes	6
Adequate internal control environment	Yes	6
Use of resources	Results	Page
Arrangements to secure value for money	Yes	8

Audit opinion

- 1 I plan to issue an unqualified opinion on the Authority's amended 2008/9 financial statements.

Financial statements

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

Use of resources

- 3 The Authority has improved and has appropriate arrangements in place to secure value for money.

Audit fees

- 4 An additional fee of £4,000 plus VAT was agreed earlier in the year to allow us to review the proposed accounting treatment of the New Tyne Crossing. No further changes to the fee are required. The total fee for the audit is £49,000.

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 (paragraph 7);
- take note of the VFM conclusion;
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 2); and
- agree your response to the proposed action plan (Appendix 4).

Financial statements

The 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.

Errors in the financial statements

- 7 The draft statements contained a prior period adjustment of £573,000 relating to prepaid toll permits. The failure to accrue for this prepayment was highlighted in my report to you last year, as an unadjusted error. As the value is not material, the adjustment should have been accounted for in 2008/09 rather than as a prior period adjustment.
- 8 The draft statements contained a number of minor errors, inconsistencies and disclosures which were not fully compliant with the SORP. All those identified have been amended.
- 9 Several amendments were made to the group accounts to reflect the amendments made to the Authority's statements. Further amendments were also required to ensure the group statements reflected the amended Nexus statements post audit. The Authority was not aware of those changes until after the statements were approved by you in June.

Recommendation

- R1** Review quality assurance arrangements to reduce the number of minor errors and inconsistencies in the financial statements.

Letter of representation

- 10 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 2 contains the draft letter of representation I seek to obtain from you.

Financial statements

Key areas of judgement and audit risk

11 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
New Tyne Crossing - Accounting Treatment (Balance Sheet)	The proposed accounting treatment was discussed with us in advance. The financial statements reflected the agreed treatment.
Tyne Tunnel Trading Accounts (I&E)	Arrangements are in place to monitor contract performance. The I&E account included expected values.
Borrowing - £40 million refinanced	There were minor errors of £9,000 in the SMGFB and STRGL relating to the discount received. These have been corrected. There was no impact on the General Fund balance.
Group Accounts – Nexus accounts are not SORP compliant.	Minor amendments have been made to ensure the group accounts are compliant.

Accounting practice and financial reporting

12 I consider the qualitative aspects of your financial reporting. I want to raise with you the issue highlighted in the table below.

Table 2 Accounting practice and financial reporting

Identifying related party transactions

Issue or risk	Finding
Related party transactions should be identified and disclosed in the financial statements.	Members are required to complete an annual declaration of interests. The latest declarations were made in June/July 2008 and were not updated for the 2008/09 statements.

Recommendation

R2 The Authority should ensure that members complete their annual declarations of interest on a timely basis to support the disclosures in the financial statements.

Use of resources

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

Value for money conclusion

- 13 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 3.
- 14 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. This is an improvement since 2007/08.
- 15 Appendix 1 contains the wording of my draft report.

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

Opinion on the financial statements

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 2009 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 prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- 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 financial 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 financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and

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

- the Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 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 specified by the Audit Commission for other local government bodies. 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 May 2008 and updated in February 2009, and the supporting guidance. I am satisfied that, in all significant respects, Tyne and Wear Integrated Transport Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Auditor’s responsibilities

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

Nickalls House
Metro Centre
Gateshead
NE11 9NH

XX September 2009

Appendix 2 – Draft letter of representation

Draft management representation letter

To:

Steve Nicklin

Audit Commission

Nickalls House

MetroCentre

Gateshead

NE11 9NH

Tyne and Wear Integrated Transport Authority - Audit for the year ended 31st March 2009

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 31st March 2009. 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 present fairly the financial position and financial 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.

Appendix 2 – Draft letter of representation

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 that 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 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 Transport Authority.

I confirm that the this letter has been discussed and agreed by the Authority on [date]

Signed

Name

Position

Date

Appendix 3 – Value for money conclusion

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Managing finances

KLOE 1.1 (financial planning)		Yes
VFM criterion met		
Key findings and conclusions	The Authority has appropriate arrangements in place. There is little public consultation, but there is consultation on the levy with constituent authorities. There is no formal reserves policy, but there is clear evidence that members approved the earmarked reserve for Metro reinvestment and increased reserve for the Tyne Tunnel.	
KLOE 1.2 (understanding costs and achieving efficiencies)		Yes
VFM criterion met		
Key findings and conclusions	The Authority understands its costs and carries out investment appraisals for major projects.	
KLOE 1.3 (financial reporting)		Yes
VFM criterion met		
Key findings and conclusions	The Authority produces its financial statements in accordance with deadlines and produces a detailed annual report. There is scope to improve the quality of the draft statements, although there were no errors affecting reported performance.	

Governing the business

<p>KLOE 2.4 (risk management and internal control) VFM criterion met</p>	<p>Yes</p>
<p>Key findings and conclusions</p> <p>The Authority strengthened its risk management and arrangements for producing its annual governance statement in 2008/09. Annual declarations of interest were not updated on a timely basis.</p>	

Managing resources

<p>KLOE 3.2 (strategic asset management) VFM criterion met</p>	<p>Yes</p>
<p>Key findings and conclusions</p> <p>The Authority has a limited number of assets so that whilst it does not have a formal asset management strategy, it does manage its assets to meet its strategic priorities.</p>	

Appendix 4 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Annual Governance Report 2008/09 - Recommendations					
6	Review quality assurance arrangements to reduce the number of minor errors and inconsistencies in the financial statements.	2	Deputy Clerk and Treasurer	Yes	Quality assurance arrangements had been improved this year. As part of the restructure of the City Treasurers the data quality arrangements will be reviewed and enhanced. Improved linkages between the working papers and the statements.	March 2010
7	The Authority should ensure that members complete their annual declarations of interest on a timely basis.	2	Deputy Clerk and Treasurer	Yes	The work is in hand and will be completed in the next month.	24 September 2009

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Tyne and Wear Integrated Transport Authority

DATE: 24 September 2009
TITLE: ANNUAL GOVERNANCE STATEMENT 2008/09
REPORT OF ITA OFFICER CO-ORDINATION GROUP
Not Confidential / District Implications - All

1. Summary / Purpose of Report

- 1.1 The purpose of this agenda item is to ensure that the Annual Governance Statement (“AGS” – which is provided in **Appendix A**) is up to date at the time of publication of the final Accounts, as required by the Accounts and Audit Regulations 2003.

2. Recommendations

- 2.1 This report recommends that the ITA approves the AGS for inclusion in the Final Accounts 2008/09 (subject to the views of ITA Standards and Audit Committee) and subject to the following minor amendments:

(i) Deleting the following paragraph from the end of Section 5: “The findings of this review are subject to completion of the 2008/09 external audit plan.”

and

(ii) Deleting reference to “Acting” from the Clerk’s signature at the end of Section 7.

3. Annual Governance Statement 2008/09

- 3.1 The draft AGS was considered by ITA Standards and Audit Committee on 26 June 09 and received approval from the ITA on 29 June 09, for inclusion in the Draft (un-audited) Annual Report and Accounts 2008/09.

- 3.2 Information Governance was included as an area of significant weakness (Section 5) and the following were included as significant improvements needed (Section 6):

- Embedding the recently revised Terms of Reference and Work Programme of the Standards and Audit Committee
- Strengthening and developing scrutiny processes
- Ensuring that action planning consistently meets appropriate standards

– Embedding of business continuity, planning and testing

3.3 The AGS was approved in draft, subject to completion of the external audit plan. The external audit plan is now complete. There are no significant changes to the Annual Governance Statement.

3.4 In accordance with their Terms of Reference, ITA Standards and Audit Committee will consider the AGS at their meeting on 18 September 09, prior to formal approval by the ITA. Any relevant comments arising from that committee will be verbally provided to the ITA on 24 September 09, prior to approval.

4. Next Steps

4.1 Once approved by this Committee, the AGS will be signed by the Chair of the ITA, Clerk and Deputy Clerk (Section 151 Officer) before being published with the Final Accounts.

5. Further comments by the:

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

6. Background Papers

6.1 None.

7. Contact Officer (s):

Strategic Risk Manager – Farah Hussain – Telephone 01912116642

ANNUAL GOVERNANCE STATEMENT 2008/09

SECTION 1: SCOPE OF RESPONSIBILITY

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

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

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

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

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

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

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

SECTION 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

In addition to the above, the ITA’s Governance Framework comprises the systems and processes, culture and values, through which the ITA is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the ITA to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

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

SECTION 3: THE GOVERNANCE FRAMEWORK

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

CORE PRINCIPLE 1: FOCUSING ON OUR PURPOSE AND OUTCOMES FOR CITIZENS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance is reported to the ITA.

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

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

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

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

There is a clear scheme of delegation to officers.

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

CORE PRINCIPLE 3: WE PROMOTE HIGH STANDARDS OF CONDUCT AND BEHAVIOUR

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

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

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

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

CORE PRINCIPLE 4: TRANSPARENT DECISION MAKING SUBJECT TO SCRUTINY AND RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The ITA has an agreed whistle-blowing policy.

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

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

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

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

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

CORE PRINCIPLE 6: ENGAGING WITH LOCAL PEOPLE AND STAKEHOLDERS

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

Meetings are held in public

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

There is also a communications plan.

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

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

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

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

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

SECTION 4: ANNUAL REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK

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

The review is informed by :

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

- The Local Transport Plan Partnership (responsible for delivering the Local Transport Plan)
 - Nexus (the passenger transport executive responsible for the planning, provision and promotion of public transport). The ITA has appropriate representation within Nexus which provides an ongoing source of assurance
 - TT2 Ltd (responsible for the construction and effective operation of the Tyne Tunnels and New Tyne Crossing) and internal arrangements in place to support and monitor the contract.
- (g) The Value for Money Self-Assessment which assesses our performance and the services we provide
- (h) The ITA's Strategic Risk Register, which captures the most significant risks associated with delivery of the ITA's objectives
- (i) The Lead Authority's own annual review of its Governance Framework
- (j) The views of members through the ongoing work of the Standards and Audit Committee and the ITA
- (k) The work of the ITA Officer Co-Ordination Group – this group consists of Lead Authority officers who meet monthly to monitor ongoing performance issues and governance arrangements

SECTION 5: SIGNIFICANT GOVERNANCE ISSUES

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

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

Arrangements for Significant Partnerships	Internal Audit reviewed the Lead Authority's arrangements for managing significant partnerships and found the framework satisfactory. An ongoing assurance mechanism has been implemented to ensure that the governance arrangements of significant partnerships are annually reviewed and to ensure that they provide an annual assurance of their effectiveness.
---	--

This review has highlighted the following issues as significant during 2008/09:

Information Governance	Although it does not have comparable volumes of personal and sensitive information, the ITA relies on the Lead Authority's framework for handling information in an effective, appropriately confidential and secure manner in line with ethical, quality and legal obligations and responsibilities. The
------------------------	---

	<p>Lead Authority highlighted this as an issue during 2008/09. In 2008/09, progress was made in improving awareness of information governance, in training key officers in both legal requirements and good practice (in particular on the requirements of the Data Protection Act) and in strengthening the organisational management of the issue. Good progress has also been made in improving information security, secure disposal of waste, and an interim encryption solution is now in place however, these improvements were only recently implemented.</p>
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The findings of this review are subject to completion of the 2008/09 external audit plan.

SECTION 6: SIGNIFICANT IMPROVEMENTS NEEDED TO GOVERNANCE AND INTERNAL CONTROL

The review also identifies:

- (a) Issues that may need significant improvement but which do not constitute “significant weaknesses” in our governance and internal control arrangements. These are:
- (i) **Standards and Audit Committee:** continued focus is needed to embed the recently revised Terms of Reference and Work Programme.
 - (ii) **Scrutiny Processes:** Democratic Services and Scrutiny Advisory Committee will work closely together during 2009/10 to strengthen the work programme, and align it closely with key national and local priorities in order to ensure that the ITA benefits from a robust scrutiny process
 - (iii) **Action Planning:** this is linked to the Lead Authority’s arrangements - good progress has been made in improving service planning guidelines and checking this is robustly followed however action planning requires further attention to ensure all of our action plans meet the required standard.
 - (iv) **Business Continuity, Planning and Testing:** this is linked to the Lead Authority’s arrangements - good progress is being made with embedding business continuity with a Corporate Continuity Strategy being implemented, critical services identified and continuity plans in place at various levels. Further work is required during 2009/10 to achieve the level of embedding needed including senior level endorsement of strategies and plans, further testing and regular reporting on progress and issues to an appropriately senior level.
- (b) Issues that have improved during 2008/09 and no longer represent significant improvements needed to our governance and internal control arrangements. These are:
- (i) Improvements to the Internal Audit Plan and Service Level Agreement for Audit Services.

- (ii) Increased focus on governance and internal control within the Standards and Audit Committee through revised Terms of Reference, a Work Programme and relevant training.
- (iii) The embedding of processes to produce the Annual Governance Statement.
- (iv) A number of member induction and training sessions held during 2008/09.

SECTION 7: CONCLUSION

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

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

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

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

Barry Rowland

Councillor David Wood

Paul Woods

Acting Clerk

Chair of the ITA

**Treasurer and Deputy
Clerk**

Date:

Date:

Date:



Tyne and Wear Integrated Transport Authority

TITLE: **Date: 24 September 2009**
Annual Report and Accounts 2008/09

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 29 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 are now presented for approval.

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 PTA and group accounts for 2008/09
- iii. To authorise the chair to sign the amended Annual report and accounts.

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 2008/9 financial statements.
- For the Use of Resources the Authority has improved and has appropriate arrangements in place to secure value for money.

Adjustments to the Financial Statements

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

The accrual for prepaid tolls should have only been shown in 2008/9 and not as prior period adjustment, this has been amended and the Tyne tunnel surplus for 2008/9 reduced by £573,000. The net effect on the level of balance as at the 31 March is nil.

The group accounts have been amended to reflect changes in the Nexus accounts following the Audit and the changes made to the Authority's Statement. The main change to the Group Accounts was the prior period adjustment of £5m to the opening reserves from the sale of airspace, included in the Nexus audited accounts and the change to the prepayment for the tolls to affect 2008/9 only and not the prior year. This has no affect on the transfer to Nexus reserves in 2008/9.

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.

6. Further comments by the:

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

7 Background Papers

7.1 Back ground - held by Marilyn France Ext: 26670, Room 151.

1. 2008-2009 closedown working papers

8 Contact Officer (s)

8.1 Marilyn France Ext: 26670

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Tyne and Wear Integrated Transport Authority

Paul V Woods,
PTA Treasurer and Deputy Clerk
Chief Executive's Office
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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
15 September 2009

Dear Mr Nicklin.

Tyne & Wear Integrated Transport Authority - Audit for the year ended 31 March 2009

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 2009. 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 present fairly the financial position and financial 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 post balance sheet events that 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 24^h September 2009.

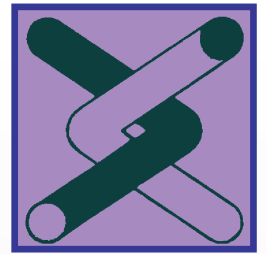
Signed

Name Paul V Woods

Position Deputy Clerk and Treasurer

Date

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Tyne & Wear Integrated Transport Authority

Annual Report & Accounts

**for the Financial Year ended
31 March 2009**

Prepared by: **Marilyn France** ITA Accountant
 Paul Woods ITA Treasurer

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Section 2

Integrated Transport Authority Accounts & Disclosures

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

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

Our over-arching objectives are:

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

Chairman's Foreword and Introduction



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

Some of our highlights over the past year include:

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

New capital schemes, primarily implemented through Nexus included:

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

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

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

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

Councillor David Wood
Chair of Tyne & Wear Integrated Transport Authority

Clerk's Foreword



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

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

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

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

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

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

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

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

Barry Rowland
Clerk to the ITA

The Authority Members during 2008/09



John McElroy
Vice Chair
Portfolio: Social
Inclusion



Stuart Green



Peter Maughan



David Wood
Chairman
Portfolio:
Regeneration &
Communications



Wendy Taylor



Gerry Keating
**Leader of the
Opposition**



Lucy Keating
To May 2008



Greg Stone



Alison Austin



Ed Hodson



Frank Lott



North Tyneside Council



Michael Clare



Tom Hanson
Vice Chair
Portfolio: Tyne
Tunnels & NTC



South Tyneside Council



J Blackburn



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



Robert Symonds



Peter Wood



Explanatory Foreword by the Treasurer



Introduction

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

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

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

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

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

The Tyne & Wear Passenger Transport Authority's Finances

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

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

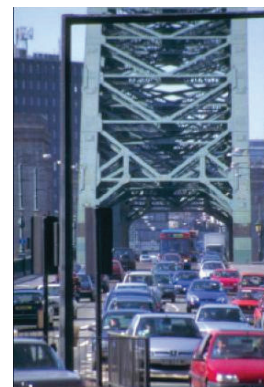


The lead authority for the ITA is Newcastle City Council. It provides administrative, engineering, financial, legal and other advisory services directly to the Authority.

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

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

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



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

Key Issues during 2008/09

The ITA's total spending was £120,000 under budget after accruing for the prepaid tolls within the year, mainly as a result of addition interest on investments, in a year when the authority had to deal with the following key financial issues:

Further developments on the New Tyne Crossing



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

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

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

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

Reserves position – primarily due to the investments noted above, the ITA’s reserves increased by £1.24m to £4.05m. This income is to be used in 2009/10 to reduce the levy on the Tyne & Wear districts from 3% to 1.75%, and to provide additional resources to Nexus. Tyne Tunnels balances also increased during the year by £9.2 m to £25.17m. These reserves are being set aside to finance the New Tyne Crossing project. In addition a further contribution of £2.27m was made to earmarked reserve bringing it to £12.87m specifically held for Metro Re-invigoration, which was established from the revenue support to Nexus and agreed by the ITA.

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

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

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

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.

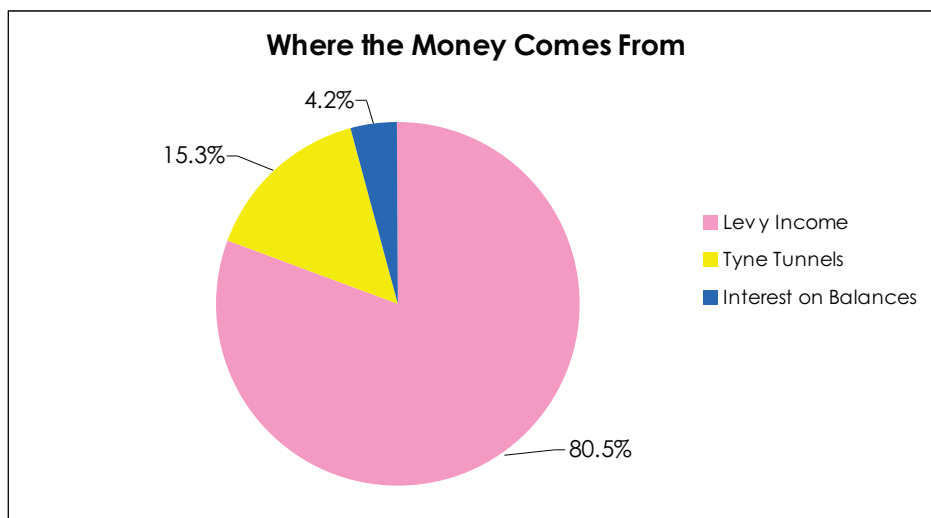
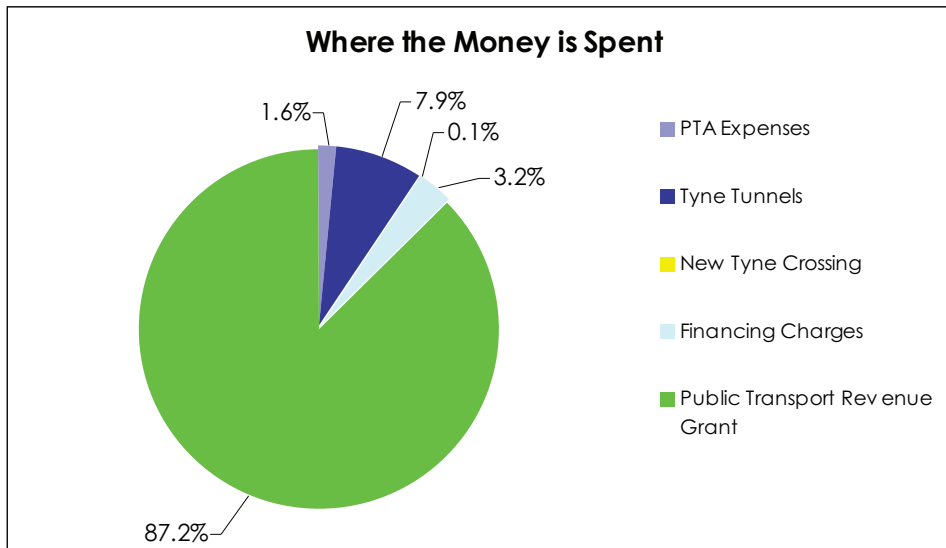


Principal Financial Results for 2008/09



1. Revenue Expenditure

The ITA's revenue expenditure in 2008/09 amounted to £73.58m and income of £86.29 m. The diagrams below indicate where income comes from and how it is spent:



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

	2007/08	2008/09		
	Actual	Revised Budget	Actual	Variation
	£'000	£'000	£'000	£'000
ITA Expenditure				
ITA Budget				
- Expenses of the ITA	521	701	680	(21)
- Pensions	509	510	510	-
- Transport financing charges	3,060	3,118	3,040	(78)
- Interest on Reserve	-	-	(677)	(677)
- Interest on revenue balances	(111)	(170)	(152)	18
- Net gain on prudential borrowing	(731)	(1,200)	(1,663)	(463)
	3,248	2,959	1,738	(1,221)
Tyne Tunnels	(7083)	(9,622)	(9,198)	424
Revenue Support to Nexus	52,827	64,180	64,180	-
Net Expenditure	48,992	57,517	56,147	(797)
<i>Less Levy on Tyne & Wear Councils</i>	(67,409)	(69,431)	(69,431)	-
Contribution to earmarked reserve	10,598	1,600	2,277	677
Contribution to / (from) Reserves	7,819	10,314	10434	120



2. Analysis of Revenue Expenditure against Budget

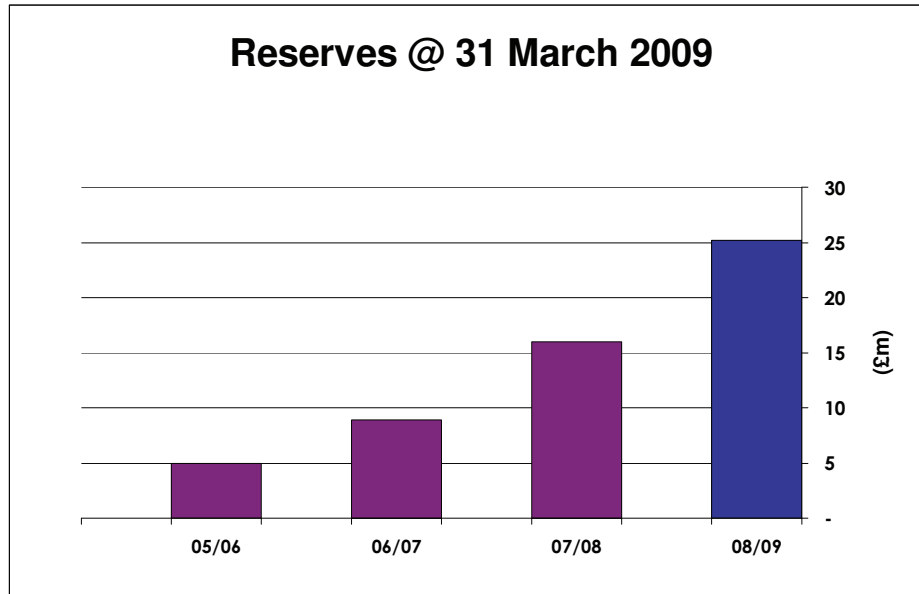
Budget Heading	Budget £	Actual £	Difference £
1.1 Staffing & Charges for Servicing Officers	348,430	325,460	(22,970)
1.2 Audit Fees	43,260	53,347	10,087
1.3 Members allowances and expenses	80,560	79,853	(707)
1.4 Accommodation Charges	5,970	7,035	1,065
1.5 Subscriptions	40,030	40,066	36
1.6 Conferences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

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

3. Reserves Position

Reserves at 31st March 2009	2007/08 £'000	2008/09 £'000	Difference £'000
Metro Re-invigoration Reserve	(10,598)	(12,875)	(2,277)
Integrated Transport Authority	(2,817)	(4,053)	(1,236)
Tyne Tunnel	(15,968)	(25,166)	(9,198)
Total	(29,383)	(42,094)	(12,711)

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



4. Capital Expenditure

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

Budget Heading

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

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

5. 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 £13.841m as at 31 March 2009 (£10.470m as at 31 March 2008). 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.

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:

Local Transport Grants

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

Minimum Revenue Provision (MRP)

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

Retirement Benefits

For 2008-2009 a change of accounting policy arose following the adoption of the revised FRS17 'Retirement Benefits'. Under the 2008 SORP the Authority has adopted the amendment to FRS17. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The value of the pension fund has been restated on the 2007-2008 balance sheet to reflect the change to FRS17.

Tolls Income

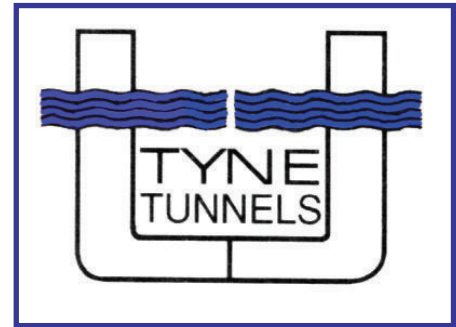
Due to the increase in the use of permits, toll income has now been accounted for on an accruals basis with a prepayment included for the balance on the toll permits as at 31 March.

7 Significant Issues from 2009/10 and into 2010/11

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

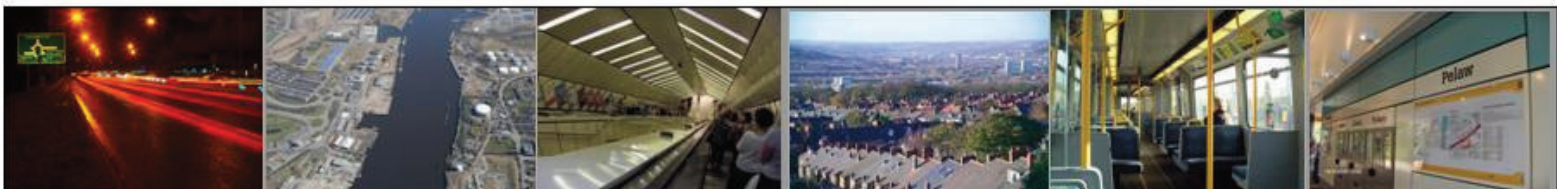
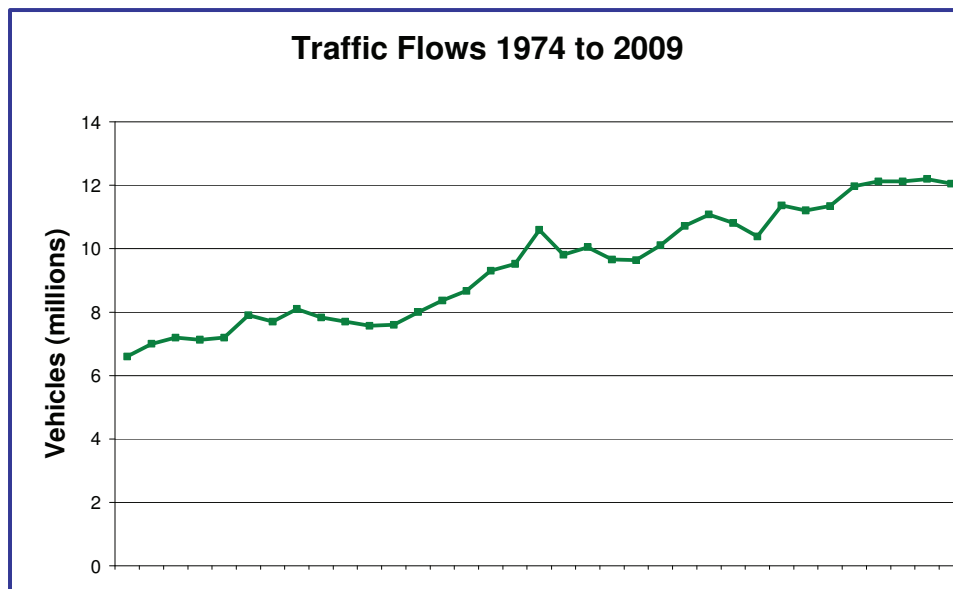
- The Local Transport Act and the additional powers given to the Integrated Transport Authority (ITA);
- The need to actively manage investments and debt to minimise risk and deliver net financing costs within budget; and
- To work closely with Nexus to deliver a relatively low levy for 2010/11 to continue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

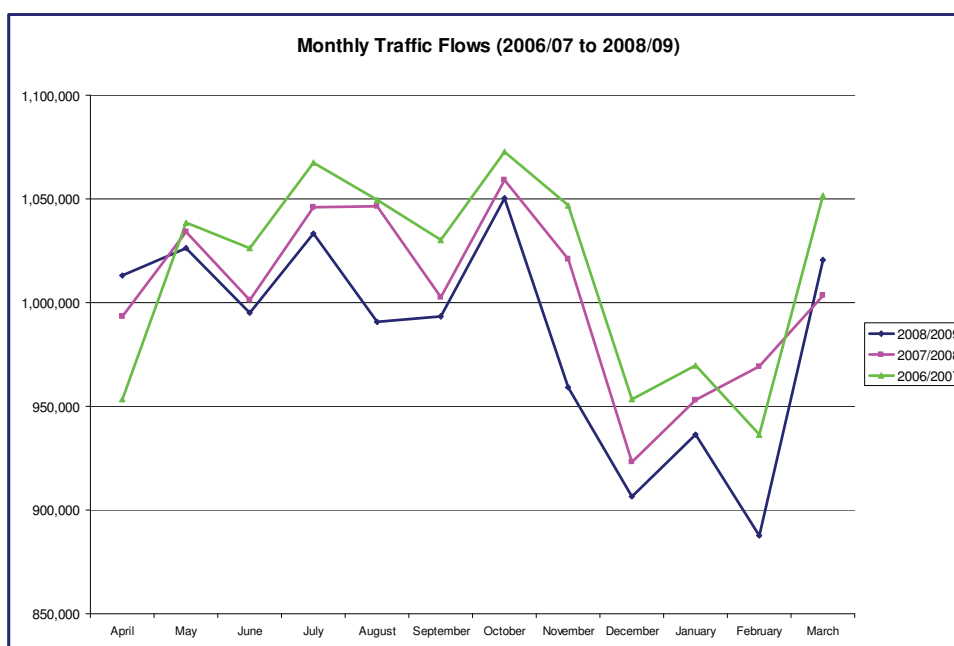
Tyne Tunnels and New Tyne Crossing Review



The Tyne Tunnels

The vehicle tunnel has been open for more than forty years, with traffic numbers increasing steadily since then. In 2008/09, traffic levels exceeded twelve million vehicles, corresponding to toll income of £12.987m after adjusting for prepayments (compared with £13.407m in 2007/08). The toll levels were increased in January 2008 (to £1.20 for cars) with traffic flows largely levelling off over the last few years (see graphs below). The toll income is being used to fund both the running costs of the tunnels and the development of the New Tyne Crossing project. The use of permits increased significantly following a period of active promotion by Tunnels staff. The permits save drivers 10% on the cost of a journey, and speed up travel through the vehicle tunnel.





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

The in-year position against budget was as follows:

	Budget £ 000's	Actual £ 000's	Difference £ 000's
Employees	38	41	3
Pensions'	586	586	-
Repairs & Maintenance	-	99	99
Premises	-	(32)	(32)
Other expenses	16	26	10
Supplies & Services		4	4
Support Services	167	157	(10)
NTC Community Fund	10	-	(10)
Financing Charges	1,520	1,194	(326)
Usage Payments	2,999	2,953	(46)
Toll Income	(13,691)	(12,987)	704
Other Income	(28)	(88)	(60)
Interest on Tunnel Balances	(1,239)	(1,151)	88
Total Tunnel Operating Costs	(9,622)	(9,198)	424

Tunnel income was lower than anticipated, due to lower level of traffic compared to the previous year and in current year only prepaid tolls income was accrued in line with the revised accounting policy

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

New Tyne Crossing Project Review of Progress



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

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

Operations

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

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

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

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

Construction

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

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



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

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

Environmental Monitoring

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

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

Communications

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

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

Programme

The current key delivery dates are:

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

Land

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

Acknowledgement

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

Paul Fenwick
New Tyne Crossing Project Director

Scrutiny Advisory Committee - A Review of 2008/09

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

Membership of the Scrutiny Advisory Committee 2008/09:



David Forbes
[Chairman]
Sunderland



Ellen Ball
Sunderland



Brian Richmond
Gateshead



Lawrence
Hunter
Newcastle



Pat Hillicks
Newcastle



David Charlton
North Tyneside



David Ord
North Tyneside



Dave Bollands
[Vice Chairman]
Gateshead



Bill Brady
South Tyneside



Barrie Scorer
South
Tyneside

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

Work Programme: June 2008 – April 2009

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

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

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

Outcomes:

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

Further Information:

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

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

Local Transport Act

2008



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

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

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

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



ITA Standards & Audit Committee - A Review



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

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

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

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

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

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

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

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

Independent Members



**Mark Scrimshaw
(Chairman)**



Liz Green



Tony Atkinson



George Clark

ITA Members



Councillor
Stuart Green



Councillor
James Blackburn



Councillor
Tom Hanson

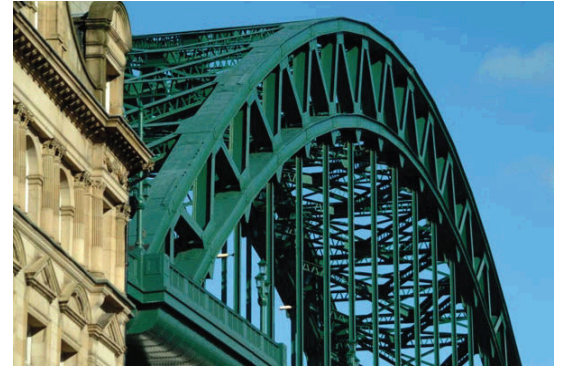


Councillor
Greg Stone



Councillor
Peter Wood

Statement of Responsibilities for the Statement of Accounts



The Authority's responsibilities

The Authority is required:

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

Signed

Chair of Tyne & Wear Passenger Transport Authority

Date: 24 September 2009

The Treasurer's responsibilities

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

Treasurer's Certificate

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

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

Signed

PV Woods, Treasurer and Deputy Clerk

Date: 24 September 2009

Statement of Accounting Policies



1. General Principles

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

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

2. Accruals

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

3. Detailed Accounting Policies

a. Reserves

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

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

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

b. Provisions

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

c. Fixed Assets

General

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

Arising from the Code of Practice:

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

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

De-minimis Levels

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

Basis of Asset Valuations

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

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

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

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

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

Revaluation of Assets

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

Charges to Revenue for Fixed Assets

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

Depreciation

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

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

Grants

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

Assets under Construction

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

Disposals

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

d. Revenue Expenditure Funded from Capital under Statute

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

e. Interest Charges

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

f. Redemption of Debt

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

g. Investments

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

h. Public Private Partnership (PPP)

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 Application note f to Financial reporting standard FRS 5 –Reporting the Substance of Transactions(PFI and Similar contracts and SSAP21 –Accounting for Leases and Hire Purchase contracts .

In accordance with this all charges paid for these services are charged to revenue until the asset becomes operational and 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.

i. 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.

j. 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.

k. Pensions

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

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

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

The liabilities of the pension scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method, i.e. an assessment

of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

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

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

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

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

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

Further details are provided in Notes 8, 31 and 32 to the core financial statements.

I. Other Accounting Policies

Employee Costs

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

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

Overheads

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

Value Added Tax

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

Tyne Tunnel Income

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

m. Group Accounts

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

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

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

Local Government Pension Scheme

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

Value Added Tax

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

Tangible Fixed Assets

Measurement

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

Impairment

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

Disposals

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

Charges to Income and Expenditure for Fixed Assets

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

n. Financial Liabilities

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

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

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

o. Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

p. Post Balance Sheet Events

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

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section 2

**Tyne & Wear Integrated
Transport Authority**

Annual Accounts
for the Financial Year
Ended 31 March 2009

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Income and Expenditure Account for the Year Ended 31 March 2009

		2007/08	2008/09	2008/09	2008/09
	<u>Note</u>	£'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
<u>Central Services</u>					
Corporate & Democratic Core	4,40	520	745	(65)	680
<u>Highways, Road and Transport Services</u>					
New Tyne Crossing Preliminary Costs	6	29	40	-	40
T&W Districts LTP Grant	13,40	1,280	2,325	(2,212)	113
Other Grants	13,40	1,854	3,506	(3,506)	-
Public Transport Revenue Support	10	52,827	64,180	-	64,180
Net Cost of Services		56,510	70,796	(5,783)	65,013
Loss on Disposal of Fixed asset		-	-	-	-
<u>Trading Accounts</u>					
Tyne Tunnels	5	(3,292)	5,052	(13,076)	(8,024)
<u>Interest Payable & Similar Charges</u>					
		6,887	10,016	-	10,016
<u>Interest & Investment Income</u>					
		(6,021)	-	(11,236)	(11,236)
<u>Pensions Interest Cost and Expected Return on Pension Assets</u>					
	8	30	640	-	640
Net Operating Expenditure		54,114	86,504	(30,095)	56,409
Levy Income	10	(67,409)	-	(69,431)	(69,431)
Net (Surplus)/Deficit for the Year		(13,295)	86,504	(99,526)	(13,022)

Statement of Movement on the General Fund Balance

Note	2007/08 £'000	2008/09 £'000
Surplus for the year on the Income & Expenditure account	(13,295)	(13,022)
Net additional amount required by statute and non statutory proper practices to be debited or credited to general fund balance for the year	5,476	2,588
Increase in General Fund Balance for year	(7,819)	(10,434)
General fund balance brought forward	(10,966)	(18,785)
General fund balance carried forward	<u>(18,785)</u>	<u>(29,219)</u>

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

	2007/08 £'000	2008/09 £'000
Amounts Included in the Income and Expenditure Account but required by a statute to be excluded when determining the Movement on the General Fund Balance for the year		
Amortisation of intangible fixed assets		
Depreciation and impairment of fixed assets	9 & 18 (3,868)	(1,846)
Transfer (to)or from Financial instruments account		9
Write down of revenue to be financed from capital resources by statute	9 (3,134)	(113)
Net loss on sale of fixed assets	-	-
Net charges made for retirement benefits in accordance with FRS17	8 (1,350)	(640)
	<u>(8,352)</u>	<u>(2,590)</u>
Amounts not included in the Income and Expenditure Account but required by a statute to be included when determining the Movement on the General Fund Balance for the year		
Minimum Revenue provision for capital financing	9 & 11 1,746	1,802
Capital expenditure charged in year to general fund balance	-	-
Employers contribution payable to the pension fund and retirement benefits payable direct to pensioners	31 1,484	1,099
	<u>3,230</u>	<u>2,901</u>
Transfers to or from the General Fund that are required to be taken into account when determining the movement on the General Fund balance for the year		
Voluntary revenue provision for capital financing	-	-
Net transfer to or from earmarked reserves	30 10,598	2,277
	<u>10,598</u>	<u>2,277</u>
Net additional amount required to be credited to the General Fund Balance for the year	<u>5,476</u>	<u>2,588</u>

Statement of Total Recognised Gains & Losses

	Note	2007/08 £'000	2007/08 restated £'000	2008/09 £'000
Surplus for the Year on the Income & Expenditure Account		(13,295)	(13,295)	(13,022)
Unrealised (gain)/loss from the revaluation of fixed assets	39	(10,449)	(10,449)	-
Actuarial (gain) / losses on pension fund assets / liabilities	31	2,030	2,014	3,830
Financing of fixed assets & deferred charges written off		-	-	-
Any other gains or losses - receipt from sale of assets		-	-	-
Surplus or deficit arising on revaluation of available for sale financial assets	29	50	50	
Any other gains or losses - movement in other reserves		-	-	-
Total recognised (gains)/losses for the year	36	(21,664)	(21,680)	(9,192)
Balance at 1 April 2008		(72,239)	(72,159)	(93,839)
Balance at 31 March 2009		(93,903)	(93,839)	(103,031)

Reconciliation of Balances

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

Balance Sheet as at 31 March 2009

	Notes	2007/08		2007/08 Restated *		2008/09	
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets							
Operational Assets	17 - 20						
- Other Land & Buildings			12,135		12,135		12,135
- Vehicles, Plant, Furniture & Equipment			-		-		-
- Infrastructure Assets: Tunnels			103,014		103,014		101,617
- Infrastructure Assets: Other			4,007		4,007		3,889
Non Operational Assets							
- Assets under Construction			9,191		9,191		10,900
- Investment Properties			332		332		95
- Infrastructure Assets			-		-		-
- Other Land & Buildings			-		-		-
			128,679		128,679		128,636
Long Terms Debtors							
- Loans to Nexus	22		54,994		54,994		53,914
- Prepayments	22a		-		-		340
Total Long-Terms Assets			183,673		183,673		182,890
Current Assets							
- Debtors	26,42	7,658		7,658		7,547	
- Investments	25a,41	111,484		111,484		126,263	
- Cash & Bank	23	18,728		18,728		25,667	
			137,870		137,870		159,477
Current Liabilities							
- Creditors	27,42	(3,794)		(3,794)		(3,988)	
- Borrowing repayable within 12 months	24	(4,455)		(4,455)		(38,142)	
			(8,249)		(8,249)		(42,130)
Total Assets Less Current Liabilities			313,294		313,294		300,237
Long Term Borrowing	25,42		(208,985)		(208,985)		(183,365)
Liability related to defined benefit pension scheme	31/32		(10,406)		(10,470)		(13,841)
Total Assets Less Liabilities			93,903		93,839		103,031
<i>Being represented by:</i>							
Capital Adjustment Account	21		(64,527)		(64,527)		(64,370)
Revaluation Reserve	39		(10,449)		(10,449)		(10,449)
Financial Instruments Adjustment Account	29		50		50		41
Earmarked Balances	30		(10,598)		(10,598)		(12,875)
General Fund Reserve	28		(18,785)		(18,785)		(29,219)
Pensions Reserve	31/32		10,406		10,470		13,841
Total Net Worth			(93,903)		(93,839)		(103,031)

*Balance Sheet has been restated for FRS17 changes Treasurer's Certificate

I certify that the accounts set out on pages 37 to 62 fairly state the financial position of the Tyne and Wear Integrated Transport Authority as at 31 March 2009. These financial statements replace the unaudited financial statements authorised at the meeting of the ITA on the 29th June 2009.

Signed

Deputy Clerk and Treasurer
Date: 24 September 2009

Chair of the Authority
Date: 24 September 2009

Cash Flow Statement for Year Ended 31 March 2009

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

	Notes	2007/08	2008/09	Change
		£'000	£'000	£'000
Revenue Activities				
Payments				
Cash paid to and on behalf of Employees		2,941	60	(2,881)
Redundancy and Pension Adjustments		194	47	(147)
Pension Fund Costs		1,049	1,049	-
Other Operating Costs		1,845	11,630	9,785
Public Transport Revenue Support	10	52,827	64,180	11,353
		58,856	76,966	18,110
Receipts				
Levy		(68,820)	(69,431)	(611)
Cash Received for Goods and Services		(13,675)	(19,617)	(5,942)
		(82,495)	(89,048)	(6,553)
Net Cash Inflow from Revenue Activities	33	(23,639)	(12,082)	11,557
Servicing of Finance				
Payments				
Interest and Lease Payments		7,871	11,180	3,309
Receipts				
Interest on Revenue Balances		(4,481)	(6,872)	(2,391)
Interest reimbursed by Nexus		(2,002)	(2,813)	(811)
Net Cash Outflow from Servicing of Finance		1,388	1,495	107
Capital Activities				
Payments				
Purchase of Fixed Assets		17,025	2,154	(14,871)
Receipts				
Repayment of Long Term Debtors		(2,686)	(2,334)	352
Capital Grant		(1,528)	-	1,528
Net cash outflow from Capital Activities		12,811	(180)	(12,991)
Net cash outflow before financing		(9,440)	(10,767)	(1,327)
Management Of Liquid Resources				
Temporary Investments		110,500	12,350	(98,150)
Financing				
Payments				
Repayments of Amounts Borrowed		9,061	44,478	35,417
Receipts				
New Loans Raised		(119,915)	(53,000)	66,915
Net Cash (Inflow)/Outflow from Financing	35	(110,854)	(8,522)	102,332
(Increase)/Decrease in Cash and Equivalents	34	(9,794)	(6,939)	2,855

Disclosure Notes to the Core Financial Statements

1. General Fund Expenditure relates to recurring day to day expenses such as salaries and wages, premises costs, supplies and services, the payment of the revenue grant to the Integrated Transport Executive (Nexus) to support public transport services, capital charges for the use of fixed assets and additional superannuation contributions in respect of former Busways employees. Income includes toll charges and other charges for services at the Tyne Tunnel.
2. The General Fund is maintained in accordance with Section 72 of the Local Government Act 1985.
3. In accordance with the Debt Management Order (Section 66 of the Local Government Act 1985), principal repayments in respect of debt held by the ITA for the Tyne Tunnels and Nexus were made during the year as shown in Note 9.

4. ITA Expenses

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

5. Tyne Tunnels Expenditure

	<u>2007/08</u> £'000	<u>2008/09</u> £'000	<u>Change</u> £'000
Expenditure			
Employees	2,694	38	(2,656)
FRS 17 Current Service Costs Pension Adjustment	410	-	(410)
FRS 17 Past Service Costs Pension Adjustment	290	-	(290)
FRS 17 Loss on Curtailment	620	-	(620)
Premises	539	67	(472)
Transport	65	-	(65)
Supplies and Services	875	26	(849)
Usage Payments	498	2,953	2,455
Central Support Costs	337	121	(216)
Capital Charges and Impairment	3,868	1,846	(2,022)
	10,196	5,051	(5,145)
Income			
Toll Income *	(13,407)	(12,987)	420
Other Income **	(81)	(88)	(7)
	(13,488)	(13,075)	413
Net Expenditure	(3,292)	(8,024)	(4,732)

* Toll income includes an accrual for pre-payments. This is estimated at £591,269 at 31.3.09, (£572,459 at 31.3.08 which was not accrued).

** 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>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£'000	£'000	£'000
Net Expenditure	(3,292)	(8,024)	(4,732)
Adjustments			
- New Tyne Crossing Prelim Costs	29	40	11
- Pension Adjustment	(346)	589	935
- Capital Charges	(3,868)	(1,846)	2,022
- Financing Charges	1,017	1,194	177
- Interest	(623)	(1,151)	(528)
Figures as per the Explanatory Foreword	(7,083)	(9,198)	(2,115)

6. New Tyne Crossing preliminary costs:

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

Preliminary costs associated with the New Tyne Crossing relate primarily to the provision of legal, and financial advice from internal ITA / Newcastle City Council officers.

7. Expenditure on Publicity

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

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

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

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

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

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

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

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

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

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

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

9. Capital Financing

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

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

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

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

10. Levy on Districts and Revenue Support Grant to Nexus

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

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

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

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

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

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

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

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

11. Minimum Revenue Provision (MRP)

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

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

12. Members' Allowances

The total paid in members' allowances during the year:

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

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

13. Related Party Transactions

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

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

14. Fees Payable to Audit Commission

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

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

15. Support Services

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

16. Integrated Transport Authority Lead Officers

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

Responsibility

Policy / Legal / Administration:

Financial advice:

Engineering:

Title

Clerk

- *Barry Rowland*

Deputy Clerk and Treasurer

- *Paul Woods*

Engineer to the Tunnels

- *John Miller*

- 17 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

18 Movements on Fixed Assets

Movements in fixed assets during the year were as follows:

Operational Assets	2008/09			Total
	Other Land & Buildings £'000	Vehicles, Plant, etc £'000	Infra- Structure £'000	
Gross Book Value of Assets at 31 March 2008	12,135		116,402	128,537
Accumulated Depreciation	-		(9,381)	(9,381)
Net Book Value of Assets at 31 March 2008	12,135		107,021	119,156
Movement in 2008/09				
Additions				-
Disposals				-
Transfer				-
Impairment				-
Revaluations				-
Depreciation			(1,515)	(1,515)
Net Book Value as at 31 March 2009	12,135	-	105,506	117,641

Non-Operational Assets	2008/09		Total
	Asset Under Under Construction Costs £'000		
Net Book Value of Assets at 31 March 2008		9,523	9,523
Movement in 2008/09			
Additions*		1,803	1,803
Disposals		-	-
Impairment		(331)	(331)
Transfer			-
Revaluations			-
Depreciation			-
Net Book Value as at 31 March 2009		10,995	10,995

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.

19 Capital Expenditure and Financing

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

20 Tyne Tunnel Capital Expenditure

	<u>2007/08</u> £'000	<u>2008/09</u> £'000	<u>Change</u> £'000
Main items of expenditure were:			
Tyne Tunnels Improvements	287	-	(287)
Major capital commitments at the start of <u>following</u> year are:			
Pedestrian Tunnels Lift Improvements		330	330

21 Capital Adjustment Account

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

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

22 Long Term Debtors

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

	<u>2007/08</u> £'000	<u>2008/09</u> £'000	<u>Change</u> £'000
Opening Balance 1st April	54,197	54,994	797
Loans to NEXUS			
New loans	3,088	1,239	(1,849)
Loan repayments	(2,258)	(2,292)	(34)
Movement in Loans due within one year	(33)	(28)	5
Closing Balance 31st March	<u>54,994</u>	<u>53,914</u>	<u>(1,080)</u>

22a Prepayments

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

23 Cash

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

	<u>2007/08</u> £'000	<u>2008/09</u> £'000	<u>Change</u> £'000
Local bank accounts	18,728	25,667	6,939
Cash in Transit	-	-	-
Cash in hands of officers	-	-	-
	<u>18,728</u>	<u>25,667</u>	<u>6,939</u>

24 Short Term Borrowing (< 1 year)

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

25 Long Term Borrowing (> 1 year)

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

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

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

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.

26 Debtors

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

27 Creditors

Amounts falling due within one year:	2007/08 £'000	2008/09 £'000	Change £'000
Payments due to Nexus	(1,209)	(1,429)	(220)
Tyne & Wear Districts - LTP Claims	(1,231)	(949)	282
Tyne & Wear Districts - Other	(13)	(184)	(171)
Accrued Interest on Loans	-	-	-
Accrued Payments to Pension Fund	(87)	(66)	21
New Tyne Crossing Advisors	(211)	(283)	(72)
Payments due to TT2	(498)	(296)	202
Other Accruals	(545)	(781)	(236)
	<u>(3,794)</u>	<u>(3,988)</u>	<u>(194)</u>

28 General Reserves

The movement in reserves is explained by the following summary:

	2007/08 £'000	2008/09 £'000	Change £'000
Opening Balance	(10,966)	(18,785)	(7,819)
Net Expenditure during Year			
Levy on Districts	(67,409)	(69,431)	(2,022)
Payment to Nexus	52,827	64,180	11,353
Revenue Expenditure			
- ITA	3,273	1,738	(1,535)
- Tyne Tunnel	(7,112)	(9,238)	(2,126)
- New Tyne Crossing	29	40	11
	<u>(3,810)</u>	<u>(7,460)</u>	<u>(3,650)</u>
Capital Expenditure	-	-	-
Transfer to ear marked Reserve	10,573	2,277	(8,296)
Closing Balance	<u>(18,785)</u>	<u>(29,219)</u>	<u>(10,434)</u>

29 Financial Instruments Adjustment Account

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

30 Earmarked Reserve

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

	2007/08 £m	2008/09 £m
	10,598	12,875

31 Disclosure under FRS17 (LPGS funded benefits)

Introduction

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

Contribution for the accounting period ending 31 March 2010

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

Assumption

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

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

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

Principal demographic assumptions

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

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

	Asset split at 31 March 2007	Asset split at 31 March 2008	Asset split at 31 March 2009
	%	%	%
Equities	67.1	63.6	66.1
Property	10.1	10.6	8.4
Government bonds	13.6	10.9	10.2
Corporate bonds	7.6	8.9	10.4
Cash/Other	1.6	6.0	4.9
Total	100.0	100.0	100.0
Long-term expected rate of return at 31 March	7.0	7.0	6.2

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

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

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

Reconciliation of funded status to balance sheet

	Values as at 31 March 2007	Values as at 31 March 2008	Values as at 31 March 2009
	£m's	£m's	£m's
National value of assets	24.69	18.27	15.44
Present value of liabilities	32.43	27.97	28.52
Net pension asset/(liability)	(7.74)	(9.70)	(13.08)

Analysis of Income and Expenditure/Profit and Loss charge

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

Changes to the present value of liabilities during the accounting period

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

*Includes changes to the actuarial assumptions

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

Changes to the fair value of assets during the accounting period

	Period ending 31 March 2008	Period ending 31 March 2009
	£m's	£m's
Opening fair value of assets	24.69	18.27
Expected return on assets	1.65	1.29
Actuarial (gains)/losses on assets	(0.44)	(4.65)
Contribution by the employer	1.44	1.05
Contribution by the participants	0.12	0.00
Net benefit paid out#	(0.75)	(0.52)
Net increase in assets from disposals and acquisitions	0.00	0.00
Settlements	(8.44)	0.00
Closing fair value of assets	18.27	15.44

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

Accrual return on assets

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

Analysis of amount recognised in STRGL*

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

The cumulative gain /Losses in STRGL are

	£m
Cumulative gains/(losses) 2003/04	1.73
Cumulative gains/(losses) 2004/05	(1.71)
Cumulative gains/(losses) 2005/06	(0.49)
Cumulative gains/(losses) 2006/07	(0.94)
Cumulative gains/(losses) 2007/08	(2.95)
Cumulative gains/(losses) 2008/09	(6.78)

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 2004, 2005, 2006 and 2007 and includes the experience relating to unfunded liabilities.

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

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

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

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

History of experience gains and losses*

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

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

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

32 Disclosure under FRS17 (LPGS unfunded benefits)

Introduction

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

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

Contribution for the accounting period ending 31 March 2010

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

Assumption

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

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

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

Reconciliation of funded status to balance sheet

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

Analysis of Income and Expenditure/Profit and Loss charge

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

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

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

* Includes changes to the actuarial assumptions

Analysis of amount recognised in STRGL*

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

* STRGL (Statement of Total Recognised Gains & Losses)

History of present value of liabilities and surplus/deficit

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

*FRS17 requires the history to show this period plus the previous four periods if applicable.

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

History of experience gains and losses*

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

"In accordance with paragraph 79 of FRS 17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. This disclosure note present the history of liabilities, and experience gain / (loss) on liabilities, for periods ending 2008 and 2009. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefit.

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

- 33 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>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£'000	£'000	£'000
Deficit / Surplus for the year			
General Fund	(7,819)	(10,434)	(2,615)
Items in another classification in the cash flow statement			
Revenue - Levy Income			
- Payments	(4,074)	(10,702)	(6,628)
- Receipts	3,183	11,237	8,054
Financing			
- Payments	(1,747)	(1,801)	(54)
Non-Cash Transactions			
- capital reserve	(10,573)	(1,600)	8,973
Items on an Accruals Basis			
- Movement in Debtors	(1,157)	70	1,227
- Movement in Creditors	(1,356)	1,148	2,504
- Movement in Stock	(96)	-	96
Net Cash Flow on Revenue Activities	(23,639)	(12,082)	11,557

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

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

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

	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
	£'000	£'000	£'000
Financing			
Repayments			
- Department of Transport Loan	-	-	-
- PWLB	50	40,024	39,974
- Short Term Borrowing	9,012	4,454	(4,558)
New Borrowing			
- PWLB	(115,460)	(53,000)	62,460
- Short Term Borrowing	(4,456)	-	4,456
Closing Balance 31 March	<u>(110,854)</u>	<u>(8,522)</u>	<u>102,332</u>

36 Details of Total Movements in Reserves

	Capital Reserves			Revenue Reserves		Total £000	
	Revaluation Reserve	Capital Adjustment Account (CAA)	Financial Instrument Adjustment Account	Capital Earmarked reserve	Pension Reserve		General Fund
	£000	£000	£000	£000	£000		£000
Balance at 1st April 2008	(10,449)	(64,527)	50	(10,598)	10,470	(18,785)	(93,839)
Net (surplus)/deficit for year	-	-	-	(2,277)	-	(10,434)	(12,711)
Unrealised (gain)/loss from the revaluation of fixed assets	-	-	-	-	-	-	-
Effects of disposals of fixed assets							
Disposal of fixed assets	-	-	-	-	-	-	-
Financing of fixed assets and deferred charges written off	-	157	(9)	-	-	-	148
Government grant applied	-	-	-	-	-	-	-
Movements in Pensions Reserve							
Actuarial losses/(gains) in the year	-	-	-	-	3,371	-	3,371
Balance at 31st March 2009	(10,449)	(64,370)	41	(12,875)	13,841	(29,219)	(103,031)

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

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

37 Future Capital Commitments

The New Tyne crossing project is a Public Private partnership .

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 2008/9 the payment under the contract was £2.293m (2007/8 £0.498m).The payment under the contract in 2009/10 are estimated to be £15.89m (£2.990m for usage payments and capital payments of £12.900m).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 Constuction Contributions Payments and Environmental milestone payments as set out in the table below:

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

38 Contingent Liabilities

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

39 Revaluation Reserve

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

	2007/08 £'000	2008/09 £'000	Change £'000
Opening balance at 1 April	-	(10,449)	(10,449)
- Revaluation adjustments	(10,449)	-	10,449
Closing balance at 31 March	(10,449)	(10,449)	-

40 Grants

	2007/08 £'000	2008/09 £'000	Change £'000
Paid			
Newcastle City council	-	270	270
LT P -Districts	-	1,843	1,843
Nexus -capital expenditure	1,854	3,505	1,651
Congestion Funding-capital	120	99	(21)
Congestion Funding -revenue	68	36	(32)
	2,042	5,753	3,711
Received			
S31 Transport Grant	(1,459)	(5,618)	(4,159)
Congestion Funding -capital	(69)	(99)	(30)
Congestion Funding -Revenue	(1,119)	(36)	83
	(1,647)	(5,753)	(4,106)

41 Leasing transactions

Leasing transactions during 2008/9 and commitments are as follows:

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

42 Financial instruments - amounts recognised in the Balance Sheet

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

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

	2007/08 £'000	2008/09 £'000
Financial assets		
Loans & receivables		
Long Term Debtors	54,994	54,254
Debtors	7,658	7,547
Investments	111,484	126,263
	174,136	188,064
Financial Liabilities		
Creditors	(3,794)	(3,988)
Borrowing repayable within one year	(4,455)	(38,143)
Long term borrowing	(208,985)	(183,365)
	(217,234)	(225,496)

Recognised gains and losses

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

Recognised gains and losses 31/03/2009

	2008/09 £'000
Recognised in Income & Expenditure Account	
Financial assets:	
Interest receivable on loans and receivables	(11,236)
Financial liabilities:	
Interest payable	10,016
Total	(1,220)

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	126263	0	126263
Other Long term debtors	54254	0	54254
Debtors	7547	0	7547
	188064	0	188064

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

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 41% 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 2009, £28m will be exposed to variable rates through lender options in 2009-2010 and £8m in 2010-2011. 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 £'000	With 1% Increase £'000	Change £'000
Recognised in Income & Expenditure account			
Interest receivable on loans & receivables	(11,236)	(12,030)	(794)
Financial Liabilities-interest Payable	10,016	10,239	223
	(1,220)	(1,791)	(571)

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

43 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.

Any post balance sheet events which arose due to events happening after the 31st March 2009 would be classed as non-adjusting events, which would require disclosure but would not be included in the financial statements. There have been no such events requiring disclosure since the balance sheet date.

The accounts are authorised for issue on 24th September 2009. This is the date that the financial statements were approved by the Authority and signed by the Chair and the Deputy Clerk and Treasurer.

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section 3

Tyne & Wear Integrated Transport Authority

Group Accounts
for the Financial Year
Ended 31 March 2009

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

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

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

	Note	2007/08	2007/08	2008/09		
			Restated	Gross Expenditure	Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000
General Fund Services	3					
<u>Planning and Development</u>		902	902	1,167		1,167
<u>Corporate & Democratic Core</u>		2,318	2,318	2,449	(67)	2,382
<u>Non-Distributed Costs</u>		6,156	6,156	5,596		5,596
<u>Transport</u>		76,368	76,368	142,608	(59,340)	83,268
<u>Exceptional Items not included in specific services</u>	4	(1,785)	(6,785)	-	(168)	(168)
Net Cost of Services		83,959	78,959	151,820	(59,575)	92,245
<u>Trading Accounts</u>						
Tyne Tunnels	5	(3,292)	(3,292)	5,051	(13,076)	(8,024)
<u>Interest Payable</u>		4,074	4,074	7,404	-	7,404
<u>Interest on revenue balances</u>		(5,601)	(5,601)	-	(10,680)	(10,680)
<u>Pensions Interest costs and Expected Return on Pension Assets</u>	6	310	310	2,490	-	2,490
<u>Taxation of Group Entities</u>		(90)	(90)	-	(995)	(995)
Net Operating Expenditure		79,360	74,360	166,765	(84,326)	82,440
Levy /grant Income		(92,920)	(92,920)			(103,132)
Net Income & Expenditure Account (surplus)/deficit		(13,560)	(18,560)			(20,692)

The Income & Expenditure Account has been restated to reflect £5m sale of airspace.

This is the surplus before appropriation for statutory provisions in respect of depreciation, minimum revenue provision for debt repayment, contributions to the pension reserve and earmarked reserve. The surplus after this is £16.56m, as shown in the following statement.

Statement of Movement on General Fund Balance

	2007/08	2008/09
	£'000	£'000
Surplus for the year on the Income & Expenditure account	(18,560)	(20,692)
Net additional amount required by statute and non statutory proper practices to be debited or credited to general fund balance for the year	9,177	4,132
Increase in General Fund Balance for year *	(9,383)	(16,560)
General fund balance brought forward	(17,439)	(26,822)
General fund balance carried forward	(26,822)	(43,382)

*Analysis of Surplus

ITA	(736)	(1,236)
Tyne Tunnels	(7,083)	(9,198)
Nexus	(1,564)	(6,126)

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

	2007/08 Restated £'000	2008/09 £'000
(Surplus) Or Deficit On Authoritys Income And Expenditure account	(13,295)	(13,022)
Add(Surplus) or Deficit on Nexus	(265)	(7,670)
Group Account Surplus Or Deficit For the year	(13,560)	(20,692)

Note of Reconciling Transactions

	2007/08		2008/09	
	£'000	£'000	£'000	£'000
Amounts Included in the Income and Expenditure Account but required by a statute to be excluded when determining the Movement on the General Fund Balance for the year				
Depreciation and impairment of fixed assets	(3,868)		(1,846)	
Write down of revenue to be financed from capital resources by statute	(3,134)		(113)	
Transfer (to)or from Financial instruments account	-		9	
Net charges made for retirement benefits in accordance with FRS17	(8,300)		(11,550)	
		(15,302)		(13,500)
Amounts not included in the Income and Expenditure Account but required by a statute to be included when determining the Movement on the General Fund Balance for the year				
Minimum Revenue provision for capital financing	1,746		1,802	
Capital expenditure charged in year to General fund balance	-		-	
Employers contribution payable to the pension fund and retirement benefits payable direct to pensioners.	11,504		15,419	
		13,250		17,221
Transfers to or from the General Fund that are required to be taken into account when determining the movement on the General Fund balance for the year				
Voluntary revenue provision for capital financing	-		-	
Net transfer to or from earmarked reserves.	11,229		411	
		11,229		411
Net additional amount required to be credited to the General Fund Balance for the year		9,177		4,132

Statement of Total Recognised Gains & Losses

Note	2007/08 £'000	2007/08 Restated £'000	2008/09 £'000	Change £'000
Surplus for the Year on the Income & Expenditure account	(13,560)	(18,560)	(20,692)	(2,132)
Unrealised (gain)/loss from the revaluation of fixed assets	(10,449)	(10,449)	-	10,449
Actuarial (gain)/losses on pension fund assets /liabilities	(14,720)	(14,756)	37,520	52,276
Surplus or deficit arising on revaluation of available for sale Financial assets	50	50	-	(50)
Financing of fixed assets & deferred charges written off	-	-	-	-
Any other gains or losses	1,172	1,172	(1,731)	(2,903)
Total recognised gains for the year	(37,507)	(42,543)	15,097	57,640
Balance at 1st April	(348,818)	(348,238)	(390,781)	(42,543)
Balance at 31st March	(386,325)	(390,781)	(375,684)	15,097
Reconciliation of Balances	2007/08			
	£'000			
Balance at 1st April	(348,818)			
Adjusted re FRS 17	580			
Restated Balance at 1st April	(348,238)			

Group Balance Sheet as at 31 March 2009

	Notes	2007/08		2007/08 restated		2008/09	
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets							
Operational Assets	11-12						
- Other Land & Buildings		14,722		14,722		14,809	
- Vehicles, Plant & Machinery		38,197		38,197		36,826	
- Infrastructure Assets		400,764		400,764		396,169	
- Community Assets		19,049		19,049		16,084	
Non Operational Assets		9,523		9,523		21,688	
Long Term Investments		1		1		1	
			482,256		482,256		485,577
Prepayments						340	
Long Terms Debtors		-	-	-	-	-	340
Total Long-Terms Assets			482,256		482,256		485,917
Current Assets							
- Stock		3,152		3,152		3,165	
- Debtors	15	11,208		14,647		16,944	
- Short Term Investments		150,607		150,607		164,421	
- Cash		19,283		19,283		26,341	
			184,250		187,689		210,871
Current Liabilities							
- Creditors	16	(19,287)		(17,726)		(19,575)	
- Short Term Borrowing	13	(4,455)		(4,455)		(38,142)	
			(23,742)		(22,181)		(57,717)
Total Assets Less Current Liabilities			642,764		647,764		639,071
Long Term Borrowing	14		(208,985)		(208,985)	(183,365)	
Provisions for Liabilities & Charges	17		(4,778)		(4,778)	(3,151)	
Pension Liability			(42,676)		(43,220)	(76,871)	(263,387)
Total Assets Less Liabilities			386,325		390,781		375,684
<i>Being represented by:</i>							
Capital Adjustment Account			(122,064)		(127,064)		(125,041)
Revaluation Reserve			(10,449)		(10,449)		(10,449)
Financial Instruments Adjustment Account			50		50		41
Usable Capital receipts reserve			-		-		-
General Fund Reserve			(26,822)		(26,822)		(43,382)
Earmarked Reserve			(10,598)		(10,598)		(12,875)
Deferred Capital Grants	18		(259,118)		(259,118)		(260,849)
Pension Reserve			42,676		43,220		76,871
Total Balances & reserves			(386,325)		(390,781)		(375,684)

*Balance Sheet has been restated for FRS17 changes and a prior year adjustment of £5m to opening reserves regarding sale of airspace.

Treasurer's Certificate

I certify that the accounts set out on pages 65 to 77 fairly state the financial position of the Tyne and Wear Integrated Transport Authority as at 31 March 2009. These financial statements replace the unaudited financial statements authorised at the meeting of the ITA on the 29th June 2009.

Signed

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Deputy Clerk and Treasurer
Date: 24 September 2009

Chair of the Authority
Date: 24 September 2009

Group Cash Flow Statement for Year Ended 31 March 2009

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

	Notes	2007/08	2008/09	<u>Change</u>
		£'000	£'000	£'000
Net cash flow from revenue activities	19	(28,269)	(20,196)	8,073
Servicing of finance				
Payments				
Interest and Lease Payments		9,064	11,742	2,678
Receipts				
Interest on Revenue Balances		(7,069)	(9,380)	(2,311)
Net cash flow from servicing of finance		1,995	2,362	367
Taxation		-	-	
Capital Activities				
Payments				
Purchase of Fixed Assets		35,442	21,559	(13,883)
Receipts				
Sale of Fixed Assets		(12)	(41)	(29)
Grant Finance Raised		(8,663)	(12,290)	(3,627)
Net cash flow from capital activities		26,767	9,228	(17,539)
Net cash flow before financing		493	(8,606)	(9,099)
Management of Liquid Resources				
Temporary Investments		110,500	12,350	(98,150)
Net cash flow from management of liquid resources		110,500	12,350	(98,150)
Financing				
Payments				
Repayments of Amounts Borrowed		8,597	44,403	35,806
Receipts				
New Loans Raised		(124,531)	(54,240)	70,291
Net cash flow from financing		(115,934)	(9,837)	106,097
(Increase)/Decrease in Cash and Equivalents	20	(4,941)	(6,093)	(1,152)

Disclosure Notes to the Group Core Financial Statements

- These accounts have been prepared by merger accounting conventions, combining the Tyne and Wear Integrated Transport Authority and Nexus. They have been merged as at 31 March 2009
- 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.

	Net Expenditure 2007/08 £000	Net Expenditure 2008/09 £000	Change £000
Analysis of General Fund Services			
Central ITA Costs:			
- Supplies & Services	235	329	94
- Central Support Services	285	351	66
New Tyne Crossing preliminary costs	29	40	11
District Grants (LTP)	3,134	113	(3,021)
Metro - Operating	8,336	14,936	6,600
- Capital and Provisions	9,544	7,923	(1,621)
Ferry	993	966	(27)
Rail	4,171	4,411	240
Bus Services	10,276	11,471	1,195
Bus Infrastructure	3,157	3,182	25
Transport Promotion and Information	1,961	2,590	629
Deregulation and Pensions	6,155	5,596	(559)
Concessionary Travel	40,818	45,765	4,947
Current Pension cost adjustment	(3,350)	(5,260)	(1,910)
Exceptional Item	(6,785)	(168)	6,617
	78,959	92,245	13,286

...			
4. Exceptional Item			
Proceeds from disposal of Airspace	6,595	-	(6,595)
Recovery of deposits	190	168	(22)
Total	6,785	168	(6,617)

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

5. Trading Operations: Tyne Tunnels

Expenditure			
Employees	2,694	38	(2,656)
Current Pension Cost Adjustment	410	-	(410)
Past Service Costs Pension Adjustment	290	-	(290)
Loss on Curtailment	620	-	(620)
Premises	539	67	(472)
Transport	65	-	(65)
Supplies and Services	875	26	(849)
Central Support Costs	498	2,953	2,455
Lease Charges	337	121	(216)
Depreciation Charges & Impairment	3,868	1,846	(2,022)
	10,196	5,051	(5,145)
Income			
Toll Income	(13,407)	(12,987)	420
Other Income	(81)	(88)	(7)
	(13,488)	(13,075)	413
Net Expenditure	(3,292)	(8,024)	(4,732)

* Toll income includes an accrual for pre-payments. This is estimated at £591,269 at 31.3.09, (£572,459 at 31.3.2008 which was not accrued).

Disclosure Notes to the Group Core Financial Statements

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

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

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

7. Minimum Revenue Provision (MRP)

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

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

Disclosure Notes to the Group Core Financial Statements

8. Related Party Transactions

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

Disclosure Notes to the Group Core Financial Statements

9. Fees Payable to Audit Commission

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

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

10 Integrated Transport Authority Lead Officers

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

Responsibility

Title

Policy / Legal / Administration:

Clerk

- *Barry Rowland*

Financial advice:

Deputy Clerk and Treasurer

- *Paul Woods*

Engineering:

Director of Strategic Housing, Planning & Transportation

- *Harvey Emms.*

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

Director General

Bernard Garner

Director of Finance & Administration

John Fenwick

Director Of Rail and Infrastructure

Ken Mackay

Disclosure Notes to the Group Core Financial Statements

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

11 Fixed Assets

Movements in fixed assets during the year were as follows:

Operational Assets	2008/09					Total £'000
	Land & Buildings £'000	Vehicles, Plant, etc £'000	Ferry £'000	Infra-Structure £'000	Other Assets £'000	
Cost or Vested Value						
Value at 31 March 2008	16,641	114,240	6,433	456,350	23,384	617,048
Additions	-					-
Disposals			(334)		(732)	(1,066)
Transfers	325	3,533	47	7,073	3,105	14,083
Depreciation						
Value at 31 March 2008	(1,919)	(76,043)	(2,101)	(61,716)	(8,667)	(150,446)
Disposals			330		731	1,061
Depreciation for Year	(238)	(4,904)	(227)	(9,686)	(1,737)	(16,792)
Impairment						-
Revaluations						-
Net Book Value at 31 March 2009	14,809	36,826	4,148	392,021	16,084	463,888

Non-Operational Assets	2008/09						Total £'000
	Land & Buildings £'000	Vehicles, Plant, etc £'000	Ferry £'000	Infra-Structure £'000	Other Assets £'000	Assets Under Construction £'000	
Value at 31 March 2008	-	-	-	-	-	15,653	15,653
Additions	-	-	-	-	-	20,449	20,449
Transfers	-	-	-	-	-	(14,083)	(14,083)
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	(331)	(331)
Depreciation	-	-	-	-	-	-	-
Net Book Value at 31 March 2009	-	-	-	-	-	21,688	21,688

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 £286.515 m 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.

12 Total Capital Expenditure funded by ITA

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

13 Short Term Borrowing

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

Short Term Borrowing has increased due to debt rescheduling.

Disclosure Notes to the Group Core Financial Statements

14 Borrowing

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

15 Debtors

Amounts falling due within one year:	2007/08 £'000	2008/09 £'000	Change £'000
Trade Debtors	1,198	1,315	117
Tyne & Wear Districts	-	-	-
Tax to be Recovered	563	522	(41)
Other debtors and prepayments	12,886	15,107	2,221
	<u>14,647</u>	<u>16,944</u>	<u>2,297</u>

16 Creditors

Amounts falling due within one year:	2007/08 £'000	2008/09 £'000	Change £'000
Trade Creditors	(5,207)	(5,654)	(447)
	-	-	-
Tyne & Wear Districts - LTP Claims	(1,231)	(949)	282
Tyne & Wear Districts - Other	(13)	(184)	(171)
Bank Overdraft	-	-	-
Loans repayable by instalments	(4,550)	(4,541)	9
Accrued Payments to Pension Fund	-	(66)	(66)
Newcastle City Council Income	(87)	-	87
New Tyne crossing advisors	(211)	(283)	(72)
Other Accruals	(5,929)	(7,602)	(1,673)
Payments Due To TT2	(498)	(296)	202
	<u>(17,726)</u>	<u>(19,575)</u>	<u>(1,849)</u>

17 Provision for Liabilities and Charges

	2007/08 £'000	2008/09 £'000	Change £'000
Deferred Taxation	2,333	1,338	(995)
Provision for Pensions	-	78	78
Provision for Uninsured Losses	952	766	(186)
Land Acquisition, Compensation and Contractors	1,493	969	(524)
	<u>4,778</u>	<u>3,151</u>	<u>(1,627)</u>

18 Deferred Capital Grants

	2007/08 £'000	2008/09 £'000	Change £'000
Value at 1 April	260,291	259,118	(1,173)
Additions	8,663	11,658	2,995
Amortisation to revenue account	(9,836)	(9,927)	(91)
Value at 31 March	<u>259,118</u>	<u>260,849</u>	<u>1,731</u>

Disclosure Notes to the Group Core Financial Statements

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

	2007/08	2007/08 Restated	2008/09	Change
	£'000	£'000	£'000	£'000
Deficit / Surplus for the year				
General Fund (after grants)	(7,995)	(12,995)	(17,109)	(4,114)
Items in another classification in the cash flow statement				
Revenue - Levy Income	-	-	-	-
Servicing of Finance				
- Payments	(6,886)	(6,886)	(13,314)	(6,428)
- Receipts	5,577	5,577	13,293	7,716
Financing				
- Payments	(1,747)	(1,747)	(1,801)	(54)
Non-Cash Transactions				
-Capital reserve	(10,573)	(10,573)	(1,600)	8,973
- Capital Expenditure Charged to Revenue	-	-	-	-
- Depreciation	(17,180)	(17,180)	(15,277)	1,903
- Movement on Deferred Capital Grants	9,836	9,836	9,927	91
- Movement on Provisions	612	612	632	20
- Movement on Pensions	3,070	3,070	3,410	340
- Losses on Disposal	12	12	36	24
Items on an Accruals Basis				
- Movement in Debtors	1,378	4,817	3,148	(1,669)
- Movement in Creditors	(4,338)	(2,777)	(1,554)	1,223
- Movement in Stock	(35)	(35)	13	48
- Deferred Income	-	-	-	-
Net Cash Flow on Revenue Activities	(28,269)	(28,269)	(20,196)	8,073

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

	2007/08	2007/08 Restated	2008/09	Change
	Balance	Balance	Balance	
	31.3.08	31.3.08	31.3.09	
	£'000	£'000	£'000	£'000
Cash & Bank	19,283	19,283	26,341	7,058
Investments	39,123	39,123	38,158	(965)
	58,406	58,406	64,499	6,093

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section 4

Tyne & Wear Integrated Transport Authority

Annual Governance Statement



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Annual Governance Statement 2008/08



Section 1: Scope of Responsibility

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

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

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

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

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

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

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

Section 2: The Purpose of the Governance Framework

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

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

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

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

Section 3: The Governance Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance is reported to the ITA.

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

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

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

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

There is a clear scheme of delegation to officers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The ITA has an agreed whistle-blowing policy.

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

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

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

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

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

CORE PRINCIPLE 6: Engaging with Local People and Stakeholders

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

Meetings are held in public.

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

There is also a communications plan.

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

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

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

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

Section 4: Annual Review of Effectiveness of Governance Framework

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

The review is informed by :

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

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

Section 5: Significant Governance Issues

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

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

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

Information Governance	Although it does not have comparable volumes of personal and sensitive information, the ITA relies on the Lead Authority’s framework for handling information in an effective, appropriately confidential and secure manner in line with ethical, quality and legal obligations and responsibilities. The Lead Authority highlighted this as an issue during 2008/09. In 2008/09, progress was made in improving awareness of information governance, in training key officers in both legal requirements and good practice (in particular on the requirements of the Data Protection Act) and in strengthening the organisational management of the issue. Good progress has also been made in improving information security, secure disposal of waste, and an interim encryption solution is now in place however, these improvements were only recently implemented.
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Section 6: Significant Improvements Needed to Governance and Internal Control

The review also identifies:

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

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

Section 7: Conclusion

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

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

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

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

**Barry Rowland
Clerk**

**Councillor David Wood
Chair of the ITA**

**Paul Woods
Treasurer and Deputy
Clerk**

Date: 24th September 2009

Date: 24th September 2009

Date: 24th September 2009

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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