Tyne & Wear Integrated Transport Authority
Standards & Audit Committee

Meeting to be held in a Committee Room, Civic Centre, Newcastle upon Tyne on Friday 25 June 2010 at 2.00 pm

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1.	**Apologies for Absence**	
2.	**Declarations of Interest of Council Members, Co-opted Members or Officers** (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	
3.	**Minutes of the meeting held on 16 April 2010**	**1 - 10**
4.	**Annual Audit Fee 2010/11** Report of the Deputy Clerk and Treasurer.	**11 - 16**
5.	**External Audit Progress Report** Report of the Deputy Clerk and Treasurer	**17 - 28**
6.	**Internal Audit Progress Report** Report of Head of Audit and Strategic Risk	**29 - 44**
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Report by the Deputy Clerk and Treasurer

9. Standards and Audit Committee Self Assessment of Effectiveness **59 - 60**

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10. Annual Governance Statement 2009/10 **61 - 96**

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11. Draft ITA Annual Report and Accounts 2009/10 **97 - 188**

Report of the Deputy Clerk and Treasurer

12. Dates and Times of Future Meetings

Members are requested to bring their diaries to the meeting

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 & Wear Integrated Transport Authority Standards & Audit Committee

16 April 2010
(2.00 - 3.20 pm)

Present:

Chair Mr M. Scrimshaw

Councillors: Green, Stone, P Wood and Blackburn

Independent Members: Mr Atkinson, Mr Clark and Ms Green

IN ATTENDANCE

P Woods	- Deputy Clerk and Treasurer to the ITA
I Poll	- Head of Democratic Services
I Pattison	- Internal Audit
H Wilson	- Legal Services
J Dafter	- Audit Commission
S Vincent	- Senior Policy Officer ITA
J Curran	- Democratic Services

11. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor MacMillan.

12. **MINUTES OF THE MEETING HELD ON 8TH JANUARY 2010**

The minutes of the meeting held on 8th January 2010 were confirmed as a correct record and signed by the Chair.

Matters Arising:-

(a) **"Standards For England – 2009 Annual Assembly of Standards Committee"**

(Minute No. 3 refers)

H Wilson reported that, as members would have seen from the latest Standards for England bulletin, a new code of conduct would not now be laid until after the general election. She advised Committee that the 2010 Annual Assembly would take place on 18th and 19th October. Members could book and anyone wishing to attend should contact I Poll, Head of Democratic Services.

(b) **Annual Inspection and Audit Letter**

(Minute No. 7 refers)

In response to a member's concerns, it was confirmed that the Annual Governance Report and Annual Audit Letter relating to Nexus had been circulated to members. A copy could be sent to anyone who had not received one.

13. **ITA STANDARDS & AUDIT COMMITTEE WORK PROGRAMME**

Submitted: Report of the Deputy Clerk and Treasurer and the Legal Adviser and Monitoring Officer (copies attached to Official Minutes).

P Woods introduced the report which proposed a work programme for the Committee for 2010/11 and 2011/12. He referred to Committee's decision to assess the effectiveness of the Standards and Audit Committee and had held detailed discussions with the Auditors. He suggested two or three members of the Committee may agree to undertake this assessment.

A set of draft questionnaire had been drawn up and would be circulated to all members. The draft questionnaire was based upon CIPFA guidelines for Audit Committees and needed to be further developed to incorporate the Standards work of the Committee.

A member queried why all members of the Committee should not take part in this exercise. P Woods agreed if this was the way members wished to proceed, then the information and questions could be circulated to all members and responses examined and collated. P Woods agreed that the information would be sent out by either post of e-mail and a confirmation of receipt would be required. He undertook to go through this with members after the meeting.

The Chair referred to the item on the work programme relating to the assessment of the Committee's training needs and queried the frequency of this exercise. I Poll commented that this would be monitored and a decision taken following the workshop.

RESOLVED – That the Work Programme for 2010/11 and 2011/12 for the Standards and Audit Committee be approved.

14. **STANDARDS FOR ENGLAND: REVIEW OF THE LOCAL STANDARDS FRAMEWORK**

Submitted: A Report of the Legal Advisor and Monitoring Officer (copies attached to official minutes)

H Wilson introduced the report which was to advise Committee about the recent review of the Local Standards Framework by Standards for England. This was not a consultation document, however the Committee could make comments to the DCLG if they felt strongly about issues.

The Committee then commented as follows on the recommendations:-

Recommendation 1

The Chair pointed out that the important issue here was one of transparency.

In response to a query, the Chair advised that each Local Authority had one Monitoring Officer. The Monitoring Officer would make a decision which he suggested should then be passed onto the Committee. He expected that the Chair of this Committee would be kept informed of complaints and they should not simply go to the Monitoring Officer and not be disclosed.

H Wilson pointed out that these were Standards for England's recommendations which the Government may well reject at a later stage.

I Poll referred to local authorities developing reciprocal arrangements through regional networks to cover holiday periods.

Recommendation 2

This covered new powers of the Chair - Noted

Recommendations 3,4 and 5

Noted

Recommendation 6

It was suggested that this recommendation was "vague".

Recommendations 7 & 8

This would mean a lot more work for the Chair and vice chairs. It was important that both were fully consulted . The aim was to streamline the process

Recommendation 9

Agreed.

Recommendation 10

The Chair commented that a Chair of a Standards Committee should also be able to recommend to the Standards Committee at any stage and for any reason that an investigation be stopped.

Recommendation 11

In response to concerns, H Wilson explained that the current regulations stated that a summary of an allegation could not be given to a member until there had been a meeting of the Assessment Sub Committee. The Monitoring Officer had the discretion to tell an individual Councillor that there had been a complaint against them, which paragraphs of the Code have been allegedly breached, and the name of the

complainant (unless he/she has requested confidentiality), but no further detail at that stage.

A member felt it was possibly unfair not to know the nature of the complaint. A member commented that on some occasions this could lead to members reading about allegations in the local press before being advised there was a complaint against them.

However another member felt that in some cases members may prefer not to know the details in the early stages.

The Chair commented that if it was found that there was a breach, at that stage, he felt the Councillor should be told and advised what the breach was. Until then he should not be told anything.

Further clarification about this recommendation was needed.

Recommendation 12

A member made the point that if a Councillor was exonerated, then they could ask that the decision is not publicised .

Recommendation 13

Members agreed that this should be progressed quickly.

Recommendation 14

Agreed – work on developing local solutions had been ongoing for some time. There could be some resistance to local solutions.

Recommendation 15

The Chair stressed the importance of the Code being readily understood by members.

Recommendation 16

It was agreed that the issue of training was important.

Recommendation 17
Agreed

RESOLVED - That

The Standards for England report on their recent review of the Local Standards Framework be noted.

15. **RECENT PUBLICATIONS FROM STANDARDS FOR ENGLAND - ON LINE GUIDES**

Submitted: Report of the Legal Advisor and Monitoring Officer (copies attached to official minutes)

RESOLVED – That the fact that Standards for England had issued various on-line guides be noted.

16. **INTERNAL AUDIT PROGRESS REPORT**

Submitted: Report of the Head of Audit and Strategic Risk (copies attached to official minutes)

P Woods introduced the report which arose from the CIPFA Internal Code of Practice 2006, which required Internal Audit to regularly monitor its performance against the Annual Audit Plan and to report progress during the year to Standards and Audit Committee. The Code also required Internal Audit to report to Committee on the implementation of their recommendations. He outlined the report in detail.

Questions/Comments:-

- The Chair pointed out an amendment in para. 3.1 of the report. He referred to management implementation of recommendations (the reference should be 4.1 – 4.2).

- I Pattison referred to the recommendation in relation to the need for a new Partnership Agreement covering the provision of fund management services by the ITA on behalf of Nexus and agreed that this could be shared with members. It was agreed that members should see it once it was finalised.

- The Chair welcomed the information given at para. 5 on Internal Audit performance indicators, particularly the actual figures as this had been requested at a previous meeting.

- A member welcomed the reduction of the time taken to issue final reports had reduced.

- A member commented on Appendix 3 – the Quality Assurance questionnaire pointing out that there was no indication of why a score of 5 was merited. He wondered how many officers received this questionnaire. I Pattison explained that it went to the key contacts within the department this tended to be the officer Internal Audit were working directly with.

- Although the Quality Assurance Statement did come from one person within another department, general comments were encouraged from a variety of sources.

- A member felt that some value was lost by this being a “tick box” questionnaire. He felt more detailed comments would be more useful.

- I Pattison suggested that comment boxes could be used beside each question.

It was agreed that all the points raised by members would be addressed.

RESOLVED – That

(i) the progress against the 2009/10 audit Plan be noted; and

(ii) the position on implementation of Audit recommendations be noted.

17. **INTERNAL AUDIT PLAN 2010/11**

Submitted: A report of the Head of Audit and Strategic Risk (copies attached to official minutes)

I Pattison introduced the report which described the purpose, authority and principal responsibility of the Internal Audit Service provided to the Tyne and Wear Integrated Transport Authority. It also covered Internal Audit resource, reporting arrangements and rights of access. The basis of the Newcastle City Council's internal audit function provided an internal audit service to the TWITA and this was reflected in the annual service level agreement.

Questions/Comments:

- A member queried the reference to the number of calendar days between the end of field work and the issue of draft report and asked whether these were calendar or working days.

- I Pattison explained that two weeks were seen as a reasonable timescale. However, he stressed that officers still aimed to turn work round as quickly as possible.

- I Pattison explained that the current timescale allowed issues to be addressed with more time for internal consultation before reports were produced. Officers aimed to do the work and issue a report to management within two weeks. Information could be produced on how long it took managers to respond.

- A member referred to the discrepancy in the target figures from those referred to on page 60 of the agenda (internal audit progress report) and those reported here which would seem to indicate that six days was not long enough for the completion of an audit. Managers needed to know variations and why. The Chair wished to establish the link between the management response and the draft report produced by internal audit. P Woods undertook to clarify this matter when he had more data.

RESOLVED – That:

(i) the annual audit plan for 2010/11 be approved;

(ii) the performance indicators for 2010/11 be approved with more information being brought back to members on the timescales as discussed.

18. **EXTERNAL AUDIT PROGRESS REPORT**

Submitted: A Report of the Deputy Clerk and Treasurer to the ITA (copies attached to Official Minutes).

J Dafter introduced the report which provided the Committee with an overview of the latest position on the delivery of key aspects of the ITA's external audit and inspection programme for 2009/10.

Questions/Comments:

- In response to a query, J Dafter explained that "financial management in a glacial age" referred to how to manage finances when there were less resources coming in.

- In response to a query, P Woods explained that the complex nature of the way the New Tyne Crossing was funded affected the way the accounts were done. There were a range of rules relating to PFIs which did not need to be observed in respect of this arrangement. However, there were other changes in rules which had to be taken into account when compiling the accounts for the New Tyne Crossing.

RESOLVED – That the Audit Commission's audit progress report be approved.

19. **STRATEGIC RISK UPDATE**

Submitted: Report of the Clerk to the Authority (copies attached to Official Minutes).

S Vincent introduced the report which provided a six monthly update on strategic risks as set out in the ITAs Strategic Risk Strategy.

Questions/Comments:

- In response to a member's query on Public Sector cutbacks with the resultant risks to local authorities, P Woods referred members to page 111 of the agenda and the reference to future public spending restrictions which had been highlighted as a concern.

- In response to a query, S Vincent commented on the spending restrictions in relation to the DaSTS process which was centrally driven from the DfT. He stressed that officers were working with national and regional partners on this. He hoped to be able to provide another update the next time the risk register was submitted for members discussion.

- P Woods reminded members that he had anticipated funding constraints two years ago and this had been taken into account.

RESOLVED – That the Strategic Risk Strategy be received and noted.

20. ANNUAL GOVERNANCE STATEMENT - UPDATE

Submitted: A Report of the ITA Officer Co-ordination Group (copies attached to Official Minutes).

S Vincent introduced the report which gave an update on the progress of the Annual Governance Statement (AGS) for 2009/10 so that this was up-to-date at the time of publication of the final accounts as required by the Accounts and Audit Regulations 2003.

RESOLVED – That the progress made so far be noted.

21. ACCOUNTING POLICIES 2009/10

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

P Woods introduced the report which updated Committee on the Authority's accounting policies to be applied in the preparation of the annual report and accounts for 2009/10 and sought confirmation from Standards and Audit Committee that the appropriate policies were being applied.

P Woods referred to two amendments in the report under paragraph 3.1 where references to the City Council should be amended to read: "the Authority".

Questions/Comments:

- In response to a member's query, P Woods confirmed that the financing arrangements for the New Tyne Crossing was a public/private partnership. This was a generic term. Officers had to ensure that the accounting arrangements complied with all new regulations issued in relation to such partnerships. This meant slightly different work treatment from other parts of the accounts.

- P Woods assured members that officers would ensure that the accounts for the New Tyne Crossing complied with all relevant regulations and even those relating to PFI schemes although it was not a PFI scheme.

RESOLVED – That:

(i) the accounting policies be noted;

(ii) the use of these accounting policies in the preparation of the 2009/10 accounts be approved.

22. REVENUE BUDGET MONITORING REPORT (APRIL 2009 - FEBRUARY 2010)

Submitted: Report of the Deputy Clerk and Treasurer (copies attached to Official Minutes).

P Woods introduced the report which provided members with a revenue budget monitor report for the period April 2009 to February 2010. There were no major issues of concern. In a change to the report he explained that at 31 March, lending by the ITA was at zero and the year end showed no external lending.

RESOLVED – That the financial position as at the 28 February 2010 set out in this report and in attached Appendices 1 and 2 be noted.

23. ISSUES WHICH MEMBERS WISH TO RAISE FROM PREVIOUS ITA AGENDAS

Role of Deputy Clerk and Treasurer to the ITA

A Atkinson again expressed his concern that P Woods filled both the roles of Deputy Clerk and Treasurer to the ITA and that despite raising concerns before, this situation had not been addressed. The Chair added that this would be reflected in the annual governance statement. P Woods undertook to take this matter up with the Clerk to the Authority.

24. DATES & TIMES OF FUTURE MEETINGS

The next meeting would take place at 2,00 pm on 25 June 2010.

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Tyne and Wear Integrated Transport Authority

Standards and Audit Committee

DATE: **25 June 2010**

TITLE: **Annual Audit Fee 2010/11**

REPORT OF **Deputy Clerk and Treasurer.**

Reasons for confidentiality (if confidential) – Not applicable

District Implications - All

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1. **Summary / Purpose of Report**

1.1 This report and appendix provides Standard and Audit Committee with an overview of the Audit Fee for 2010/11.

2. **Recommendations**

2.1 Standards and Audit Committee is requested to note the Annual Audit fee letter for 2010/11..

3. **Introduction / Background**

3.1 **Annual Audit fee 2010/11**

The attached letter from Deloitte outlines Audit work for 2010/11which is detailed in Appendix A and the indicative Audit fee for 2010/11 of £37,470.

4 **Next Steps**

4.1 Not applicable

5. **Further comments by the:**

- **Clerk** (none);
- **Treasurer** –

- **Legal Advisor** –
- **Director General** (none).

6 Background Papers

6.1 N/A

7 Contact Officer (s)

7.1 Marilyn France 0191 277 7517

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.

Deloitte.

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Mr B Rowland
Clerk
Tyne and Wear Integrated Transport Authority
Newcastle City Council Civic Centre
Newcastle upon Tyne
NE1 8BR

29 April 2010

Our ref: JR/DPW

Dear Barry

Annual audit fee 2010/11

Further to our discussions with Paul Woods, we are writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at the Tyne and Wear Integrated Transport Authority. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

2010/11 will be the first year that we will be appointed auditors to the Authority. As the Audit Commission, the appointed auditors for 2009/10, has not yet completed their audit for 2009/10, our audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. This will include handover arrangements with the Audit Commission, as well as familiarisation meetings with lead officers and members of the Authority.

The total indicative fee for the audit for 2010/11 is for £37,470 (exclusive of VAT) which compares to the planned fee of £46,600 for 2009/10.

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A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	25,870	35,000
VFM Conclusion (including risk based work)	9,000	9,000
WGA	2,600	2,600
Total audit fee	**37,470**	**46,600**
Certification of claims and returns (estimate)	0	0

The above fee does not include the cost of the National Fraud Initiative which is determined by the Audit Commission.

The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee, based on an estimate of the group gross revenue expenditure for 2010/11, for the Authority is £37,470. The fee proposed for 2010/11 is in line with the scale fee in accordance with the Audit Commission guidance on fees, with the reduction in fee being based on a new fee formula for Integrated Transport Authorities.

The expectation from the Audit Commission is that any increase in fee levels as a result of the introduction of International Financial Reporting Standards would be reimbursed to organisations directly from the Audit Commission. The Audit Commission has confirmed that this amount will be £1,796.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2009/10. A separate plan for the audit of the financial statements will be issued in March 2011, as necessary, if any new risks are identified during or audit of 2009/10 financial statements. This will detail the new risks identified, planned audit procedures and any consequential change in fee.

The quoted fee for grant certification work is an estimate only and will be charged at published daily rates – at present we understand that there will not be any applicable grants requiring certification. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with the Treasurer and then prepare a report outlining the reasons why the fee needs to change for discussion with the Standards and Audit Committee.

We have also assumed that:

- Internal Audit undertakes appropriate work on all systems, and good quality working papers and records will be provided to support the financial statements by 31 May 2011;
- good quality working papers and records will be provided to support the financial statements by 30 June 2011; and

- any additional work required to address questions and objection raised by local government electors is excluded and, due to uncertainty of timing and resource required, will be agreed separately.

The above fee excludes any work requested by you that we or the Commission may agree to undertake using the Commission's advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

Value for money conclusion

The Code of Audit Practice requires us to issue a conclusion on whether you have proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources. In meeting these responsibilities, we will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements.

There are a number of criteria that have been developed by the Audit Commission and we are required to apply a 'yes/no' assessment on the relevant criteria to conclude whether the Authority has proper arrangements in place or not. If the assessment is 'yes' we will give an unqualified conclusion and where the answer is 'no' against any of the criteria will consider qualifying the conclusion on an 'except for' or 'adverse' basis.

Our work in this area will be informed by our cumulative knowledge and experience, other regulators' work and the results of our audit risk assessment, together with a review of relevant documentation and discussions with Authority staff. 5 criteria applied in 2009/10 but the Audit Commission has not confirmed which will apply in 2010/11. We will update the Authority when this information becomes available.

Audit team

The key members of the audit team for the 2010/11 are:

Team member	Role	Telephone number
David Wilkinson	Engagement Partner	0191 202 5319
Jon Ritchie	Audit Director	0191 202 5301
Claire Wood	Audit Manager	0191 202 5458

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact David Wilkinson in the first instance. Alternatively you may wish to contact the Comprehensive Area Assessment Lead, David Jennings at d-jennings@audit-commission.gov.uk.

Yours sincerely

Deloitte LLP
cc Treasurer
cc Chair of Standards and Audit Committee

Deloitte.

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Standards and Audit Committee.

Planned output	Indicative date
Fee letter	April 2010
Accounts opinion audit plan	April 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Annual audit letter	November 2011
Annual report on grants audit (if applicable)	February 2012

Tyne and Wear Integrated Transport Authority

Standards and Audit Committee

DATE: **25 June 2010**

TITLE: **External Audit Progress Report**

REPORT OF **Deputy Clerk and Treasurer.**

Reasons for confidentiality (if confidential) – Not applicable

District Implications - All

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1. **Summary / Purpose of Report**

1.1 This report and appendix provides Standard and Audit Committee with an overview of the latest position on the delivery of the key aspects of the ITA's external audit and inspection programmes for 2009/10

2. **Recommendations**

2.1 Standards and Audit Committee is requested to consider and approve the Audit Commission's Audit Progress report which is attached.

3. **Introduction / Background**

3.1 **2009/10 Audit Plan**

The Audit commission agreed its high level plan with the Treasurer and with the Committee at its June 2009 meeting. Following that meeting,they reissued the Plan to correct an error in the 2008/9 comparative fee highlighted by members.

They have continued their detailed work underpinning the 2009/10 audit opinion. They carry out the audit in accordance with International Standards on Auditing (ISAs), which requires them to carry out several procedures to understand the audited body, including the operation of the financial systems that underpin the financial statements. This involves them assessing materiality, identifying risks, understanding the risk management arrangements, financial monitoring arrangements and various aspects of the systems of internal control. They also review each material financial system and walk through the significant controls in the system to ensure that it is operating as we would expect.

This initial work is complete and they have developed their testing strategy.

They have walked through the significant controls in the material financial systems and have not found any significant issues that need to be reported to you. The testing strategy will be to rely where possible on detailed testing carried out in previous years on cyclical controls on the financial systems, but mainly to substantively test the financial statements when they have been produced. They have issued an Opinion Audit Plan to officers setting out this strategy. A copy of that document was presented at the last meeting of this Committee as an Appendix to our progress report. It lays out the risks they have identified and the suggested audit approach.

3.3 **Other developments including publications**

The Audit Commission has now appointed Deloitte as the external auditor from 2010/11 onwards. They remain the auditor for 2009/10. The majority of their work will be complete by the end of September 2010**.**

The attached report provides a brief summary of the key messages arising from national reports that have been published by the Audit Commission that are relevant to the Committee's role within the ITA. The reports are available from the Audit Commission website at http://www.audit-commission.gov.uk

4 **Next Steps**

4.1 Not applicable

5. **Further comments by the:**

- **Clerk** (none);
- **Treasurer** –
- **Legal Advisor** –
- **Director General** (none).

6 Background Papers

6.1 Held by Audit Manager (Audit Commission)

7 Contact Officer (s)

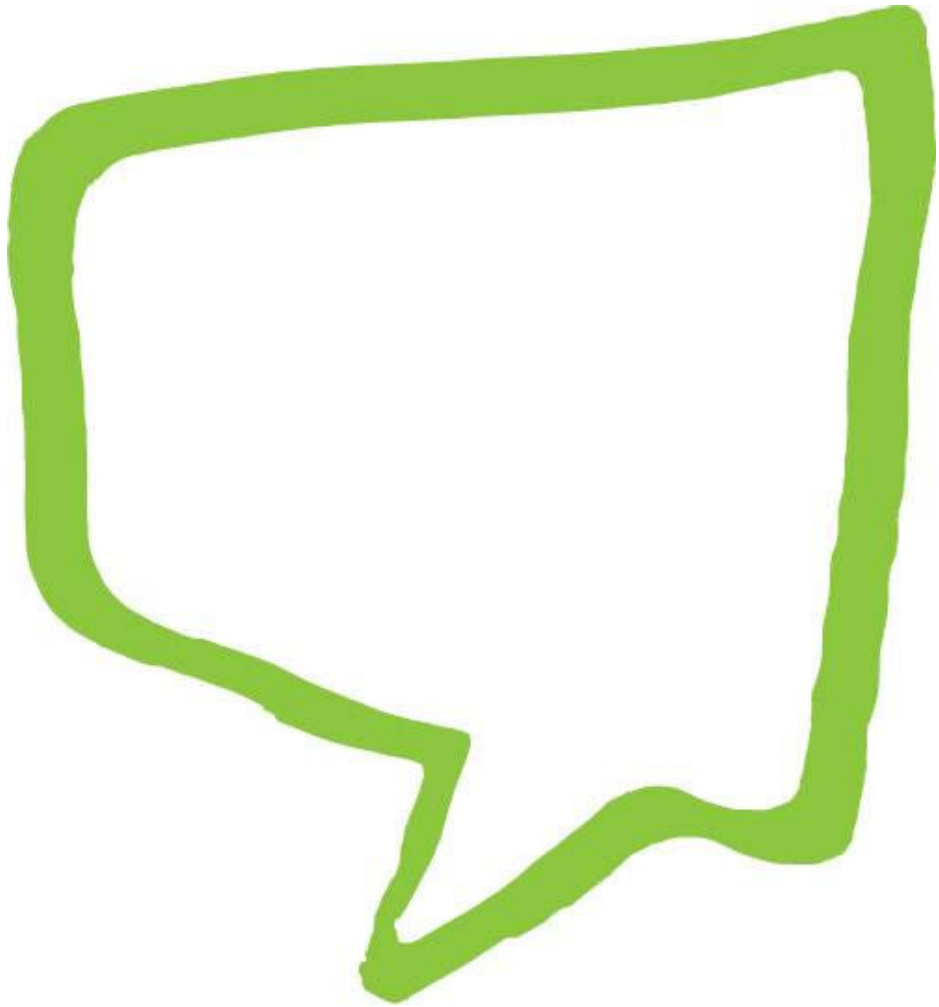
7.1 James Dafter , Audit Manager - 0844 7981622 (Audit Commission)

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.

Audit Progress Report

Tyne And Wear Integrated Transport Authority

June 2010



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Introduction

1 This report is to inform Standards and Audit Committee of progress on the audit since the last meeting in March 2010. It also informs the Committee of other matters of interest concerning the Audit Commission.

2 This report reflects progress on the 2009/10 audit as at 11 June 2010. We will give a verbal update on any issues arising between that date and the meeting.

2009/10 Audit Plan

3 We discussed and agreed our high level plan with the Treasurer and with the Committee at its June 2009 meeting. Following that meeting, we reissued the Plan to correct an error in the 2008/9 comparative fee highlighted by members.

Opinion on the financial statements

4 We have continued our detailed work underpinning the 2009/10 audit opinion. We carry out the audit in accordance with International Standards on Auditing (ISAs), which requires us to carry out several procedures to understand the audited body, including the operation of the financial systems that underpin the financial statements. This involves us assessing materiality, identifying risks, understanding the risk management arrangements, financial monitoring arrangements and various aspects of the systems of internal control. We also review each material financial system and walk through the significant controls in the system to ensure that it is operating as we would expect.

5 This work is now complete and we have developed our testing strategy. We have walked through the significant controls in the material financial systems and have not found any significant issues that need to be reported to you. Our testing strategy will be to rely where possible on detailed testing carried out in previous years on cyclical controls on the financial systems, but mainly to substantively test the financial statements when they have been produced. We have issued an Opinion Audit Plan to officers setting out this strategy. A copy of that document was presented at the last meeting of this Committee as an Appendix to our progress report. It lays out the risks we have identified and our suggested audit approach.

6 Appendix 1 contains a progress report listing work to be carried out as part of the 2009/10 audit plan and monitoring progress on the delivery of that work.

Other developments including national publications

7 The Audit Commission has appointed Deloitte as the external auditor from 2010/11 onwards. We remain the auditor for 2009/10. The majority of our work will be complete by the end of September 2010.

8 The Audit Commission has issued a number of national reports of general interest in the last three months. The following reports may be of particular interest to Committee members:

Surviving the crunch, March 2010

9 This report is the third in a series of publications looking at the impact of the credit crunch and subsequent recession on local authorities. It says that councils must think bigger and act quicker to reduce costs, or funding cuts will cause more damage to services and jobs than is necessary.

10 Most councils have been cushioned from the worst of the recession because the government stuck to its three-year funding settlement. But this ends in 2011. On average, councils receive two-thirds of their income from grants.Even though the timing and extent of cuts in government support are unclear, the report says that councils must prepare now for leaner times. The sooner they get clarity the better. The best-prepared councils are taking action now to preserve services in the years ahead, but others have yet to make any financial plans beyond 2011.

11 Link to Audit Commission website:

http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/20100323survivingthecrunch.pdf

By mutual agreement, March 2010

12 This report The study looked at council chief executives' job moves over 33 months, and found that:

- agreed severance packages for 37 council chief executives totalled £9.5 million, 40 per cent of which was in pension benefits;
- three in every ten outgoing council chief executives received a pay-off;
- only six took up other senior council jobs within a year;

- one in seven single tier or county councils had paid off a chief executive, and this rate seems to be growing; and
- the average cost to councils of each severance package was almost double the annual basic salary, but in four cases was more than triple.

13 Severance deals can be in the interests of the council and the taxpayer. But our research shows that not all such deals are justified, that competent chief executives have sometimes lost their jobs needlessly, and that less effective individuals have been paid-off rather than dismissed.

14 The Commission wants all deals to be more transparent. They should be reviewed by scrutiny or remuneration committees, with details published shortly after they are agreed. And councils should consider whether to include so-called 'pre-nuptial' clauses in contracts, specifying the grounds and payment for severance.

15 The report found that rapid re-employment in local government is unusual – only six out of the 37 returned to a senior council post within a year, and over 80 per cent have yet to return to local government. However, a way should also be found of recouping some of a pay-off where an executive moves quickly into another top council job.

16 In the interests of openness and transparency, the Audit Commission is making submissions received, following our call for evidence, for the By Mutual Agreement: Severance payments to council chief executives study available. These can be viewed below. A copy of responses will also be placed in the House of Commons library

17 Link to Audit Commission website:

http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/20100315bymutualagreementrep.pdf

Appendix 1 – 2009/10 audit update

Table 1 Position as at 11 June 2010

Audit topic	Completion target	Current position	To Standards and Audit Committee
Opinion			
Interim work	June 2010	Work completed in June 2010. No significant matters to report.	September 2010 (annual governance report)
Post-statements work	September 2010	Risk assessment currently being updated and opinion plan issued to officers in March 2010.	September 2010 (annual governance report)
Whole of Government Accounts	September 2010	To be completed in conjunction with post-statement work.	September 2010 (annual governance report)
Use of Resources (Value for money conclusion)			
Value for Money Conclusion: Note the following risk was identified in the Audit Plan: The Authority has commissioned a review of governance arrangements to support the wider powers and responsibilities available since it became an integrated transport authority. Potentially, existing arrangements could radically change. The Authority could fail to	September 2010	We will address the risk identified through a review of current arrangements as part of the overall VfM conclusion. We note that a self-assessment was prepared by officers and submitted in March 2010.	September 2010 (annual governance report)

Audit topic	Completion target	Current position	To Standards and Audit Committee
deliver its objectives during any period of change, and could fail to take the opportunity of the new powers to improve services.			
Annual audit letter	November 2010		December 2010
Certification of Claims and Returns			
Grants claims	December 2010	We do not anticipate any claims requiring audit in 2009/10	N/A

The Audit Commission

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

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

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

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Tyne and Wear Integrated Transport Authority

Standards and Audit Committee

Date: **25 June 2010**
Title: **Internal Audit Progress Report**
Report of: **Head of Audit and Strategic Risk**

Reasons for confidentiality – N/A
District Implications - All

---

1. Summary / Purpose of Report

1.1 The CIPFA Internal Audit Code of Practice 2006 requires Internal Audit to regularly monitor its performance against the Annual Audit Plan and to report progress during the year to Standards and Audit Committee. The Code also requires Internal Audit to report to Committee on the implementation of recommendations. This report satisfies these requirements by providing the following information:

(i) A statement of progress against the Annual Internal Audit Plan 2009/10;
(ii) A statement on progress against the Annual Internal Audit Plan 2010/11;
(iii) The position on the implementation of audit recommendations.

2. Recommendations

2.1 Standards and Audit Committee is recommended to note:

- progress against the 2009/10 Audit Plan;
- progress against the 2010/11 Audit Plan;
- the position on the implementation of audit recommendations.

3. Introduction / Background

3.1 This report shows Internal Audit activity since the last Audit Committee meeting in April 2010 and summarises the following:

Details	Assessment	Comments
Progress against the Annual Audit Plan 2009/10 (see 4.1-4.2)	Good	Annual audit plan completed
Progress against the Annual Audit Plan	Satisfactory	Audit plan agreed and profiling of audits is currently being

2010/11 (see 4.3)		completed.
Management implementation of recommendations (see 4.4)	Satisfactory	1 outstanding recommendation from 2008/09.
Implemented recommendations verified by Internal Audit (see 4.4)	Good	No matters arising.
Internal Audit Performance Indicators (see 5)	Satisfactory	3 out of 5 performance indicators have been met.

4. Information

4.1 Completed audits

Internal Audit have issued the following final reports since the last Audit Committee meeting:

Audit	Assessment
Capital Payments	Good
Corporate Governance	Satisfactory

Appendix I to this report summarises the work undertaken on the above audits together with our findings and recommendations. Appendix II explains how Internal Audit prioritises each recommendation and how we arrive at the overall assessment for each audit.

4.2 Progress against the 2009/10 Audit Plan

Audit	Status
Risk Management	Final report issued
Corporate Governance	Final report issued
Tolls Income	Final report issued
Payments to the Concessionaire	Final report issued
Capital Payments	Final report issued

4.3 Progress against the 2010/11 Audit Plan

Standards and Audit Committee agreed the plan at its meeting in April 2010. No audits have been undertaken as yet and discussions will be held with key officers to profile delivery of the work across the financial year.

4.4 Recommendations Follow Up

4.4.1 Management is responsible for implementing all audit recommendations. Internal Audit follows up all high and medium priority recommendations to verify implementation. This provides assurance that those recommendations which are both fundamental and important to the Authority's system of control are addressed. As low priority recommendations are not vital to the Authority's system of internal control these are not followed up by Internal Audit.

4.4.2 1 recommendation from 2008/09 remains outstanding in relation to updating the partnership agreement covering the provision of fund management services by TWITA on behalf of Nexus. The draft agreement is still with Nexus and their legal department are considering the agreement.

4.4.3 The Corporate Governance audit contained 1 medium priority recommendation which is not yet due for implementation. All other recommendations issued in 2009/10 have been implemented.

4.5 Internal Audit Satisfaction Surveys

4.5.1 Internal Audit has received responses to all satisfaction surveys issued in the year. Responses for 3 completed audits have been received since the previous Committee meeting. Copies of the completed surveys are attached for information. These can be found at Appendix III to this report.

5 Internal Audit Performance Indicators

IA has a number of internal performance indicators, the table below shows the indicators used and our performance in 2009/10 to date.

Following discussions at the last Standards and Audit Committee the current year performance indicators have been reported in a slightly different format to provide members with the relevant information. The figures shown in brackets represent the number of audits to which the performance indicator relates.

Description	Target	Actual
Assignments for which Terms of Reference issued not less than 20 days before the start of fieldwork (5) (see Note 1 below)	>95%	40%
Average variance of time spent per assignment over budget (5) (see note 2 below)	<10%	-18% Actual time taken 25 days against budgets totalling 30 days
Average number of working days to issue draft reports after end of fieldwork (5)	<8	7
Average number of working days to finalise reports after issue of the draft report (5)	<20	20
Percentage of Internal Audit recommendations followed up	100% High 100% Medium	N/A 100% Medium

Satisfaction Surveys: Issued (5) Returned (4) Ave Score (max 5)	100% 100% 4	100% 80% 4.3

Note 1
The actual number of terms of reference issued not less than 20 days before the start of fieldwork is below the target figure of 95%. The adverse variance occurred where terms of reference were issued and assignments begun promptly to meet client needs.

Note 2
The total number of audit days required to complete the audits in the plan was less than the number of days stated within the service level agreement. This was due to less time being required on 3 audits, i.e. Tolls Income, Payments to the Concessionaire and Capital Payments. The level of control and quality of information available were the predominant factors resulting in time savings.

It should be noted that there are a number of key functions which were not specifically recorded within the audit plan for 2009/10 but were undertaken by Internal Audit. These include:

- Attendance at ITA Officer Co-ordination Group;
- Preparation of reports and attendance at Standards and Audit Committee;
- Liaison with external audit;
- General advice and guidance to officers on day to day activities;

When taking these factors into account the actual level of resource committed to TWITA is in excess of 30 days.

The audit plan for 2010/11 takes into account these factors and provides for an increased number of audits being completed.

6. Update on NCC fundamental financial systems audits

Internal Audit has completed its review of fundamental systems, and where appropriate included review of TWITA transactions. A summary of relevant systems and the outcomes of the audits are provided in the table below.

Audit	**Opinion**
Main Accounting	Satisfactory
Treasury Management	Satisfactory
Creditors	Some weaknesses
Payroll	Satisfactory

There are no issues arising from these audits which represent concerns in respect of TWITA.

7. Further comments by the:

- **Clerk** (none);
- **Treasurer** – the Treasurer has seen this report and is satisfied with its contents
- **Legal Advisor** (none);
- **Director General** (none).

8. Background Papers

All appropriate background papers to support this report are retained by Internal Audit.

9. Contact Officer (s)

Philip Slater – Head of Audit and Strategic Risk – telephone 0191 2116511
Ian Pattison – Acting Principal Auditor – telephone 0191 2116513

Appendix I

Summary of completed audits – April 2010 to June 2010

Audit Work	Audit coverage	Assessment	Recommendations			Status
			High	Medium	Low	
Corporate Governance	To ensure TWITA has adequate and effective controls in place to prepare its Annual Governance Statement on a timely basis.	**Satisfactory**	0	1	0	Audit complete

Good Practice Identified	Main Areas for Development
✓ There is a Local Code of Corporate Governance which is reviewed annually; ✓ All relevant officers provide input to the production of the annual governance statement; ✓ The Local Code of Corporate Governance and Annual Governance Statement are approved by Standards and Audit Committee.	▪ Arrangements for preparing the annual governance statement and monitoring progress against weaknesses identified should be formalised (Medium priority)

Audit Work	Audit coverage	Assessment	Recommendations			Status
			High	Medium	Low	
Capital Payments	To assess whether all significant risks associated with the capital payments in respect of the New Tyne Crossing project were adequately and effectively controlled.	**Good**	0	0	0	Audit complete.

Good Practice Identified	Main Areas for Development
✓ The Project Agreement clearly set out capital payments due and the milestones to draw down these payments; ✓ Payment are made in line with the Project Agreement and only upon receipt of appropriate, documentary evidence to confirm milestones have been achieved; ✓ Value added tax on payments is treated correctly ✓ Payments are authorised appropriately and are coded correctly on the general ledger.	• No areas were identified

Definitions for Individual Findings and Recommendations Ratings

It is for management to accept and implement internal audit findings and recommendations, or accept the risk resulting from not taking action (CIPFA Code of Practice for Internal Audit in Local Government).

We have recorded our findings on an exception basis in the sections below. Each finding has been allocated a priority rating (as explained below) and action to be taken has been agreed with management.

High Priority: Issues arising referring to important matters that are fundamental and material to the organisation's system of internal control. We believe that the matters observed might cause a system objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency.
Medium Priority:: Issues arising referring mainly to issues that have an important effect on the organisation's controls but do not require immediate action. A system objective may still be met in full or in part or a risk adequately mitigated but the weakness represents a significant deficiency in the system.
Low Priority: Issues arising that would, if corrected, improve the organisation's internal control in general but are not vital to the overall system of internal control.

Definitions for Overall Report Rating

The following definitions are used to provide an overall opinion for the area under review. The opinion is based on the work carried out in the audit, including a review of selected transactions. Our work should not be relied upon to disclose all weaknesses that may exist. The opinion given, therefore, is not a guarantee that all aspects of the systems reviewed are adequate and effective.

Good – There is an adequate and effective system of risk management, control and governance to address the risk that objectives are not met.

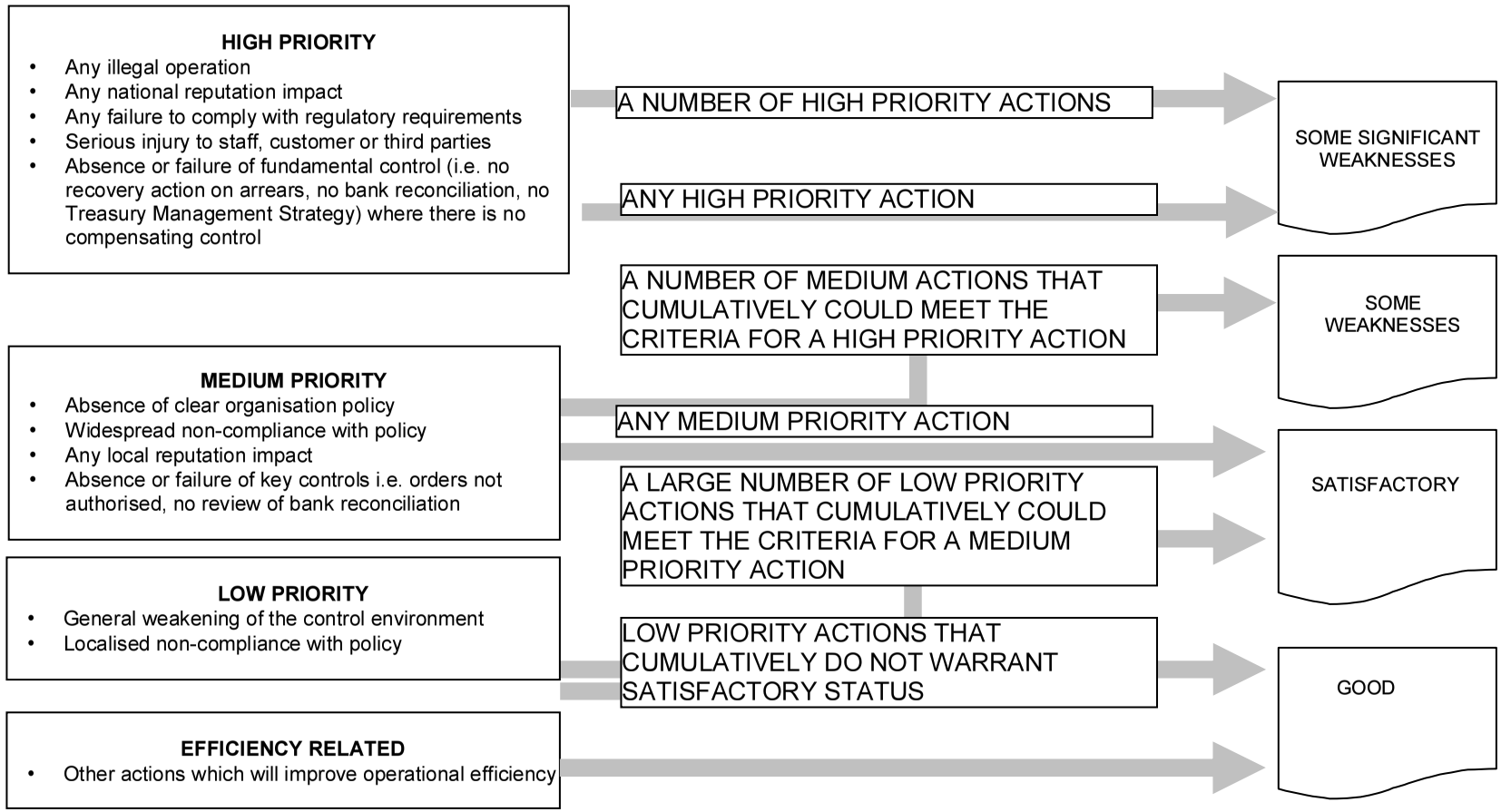
Satisfactory – There is a medium risk that the system will fail to meet its objectives. Slight improvements are required in these areas to increase the adequacy and effectiveness of risk management, control and governance.

Some Weaknesses – Improvements are required in a number of areas to increase the adequacy and effectiveness of risk management, control and governance and ensure objectives are met. The Clerk to the PTA should, taking into account the corporate impact, consider whether this assessment should be included in his/her annual assurance statement, together with any actions agreed and/or taken to improve the system.

Some Significant Weaknesses – There is a real and substantial risk that the system will fail to meet its objectives. Immediate significant improvements are required to increase the adequacy and effectiveness of risk management, control and governance. The Clerk to the PTA would be expected to refer to this assessment in his/her annual assurance statement, taking into account the corporate impact, and state any actions agreed and/or taken to improve the system.

Definitions for Overall Report Rating

Each audit report includes an overall assessment of the area being reviewed. The assessment is determined by the type and number of control issues identified using the frameworks below as guidance.



Appendix III

INTERNAL AUDIT

QUALITY ASSURANCE QUESTIONNAIRE

Audit: TWITA Corporate Governance **Date of Audit:** May 2010
Code: E-IA75/2010/1

Department: TWITA **Date of Issue:** 07 June 2010

Internal Audit is continuously looking at ways of improving the service we give. Please could you complete this questionnaire to help us ensure that the service we provide is of the highest possible standard.

Ratings:

5 = Very good 4 = Good 3 = Satisfactory 2 = Just adequate 1 = Poor

How do you rate the following aspects of the audit?

1. That sufficient notice was given to arrange the visit	4
2. In the level of consultation on the scope and objectives of the audit	3
3. The Auditor's understanding of your systems and operational issues	4
4. The audit was carried out efficiently with minimum disruption	5
5. The level of consultation during the audit	3
6. The audit was carried out professionally and objectively	4
7. The draft report and/or exit interview addressed the key issues and was soundly based	4
8. Your opportunity to comment on the findings made	4
9. The final report in terms of its clarity and conciseness	4
10. The prompt issue of the final report	5
11. The recommendations in the final report will improve control and/or performance	3
12. The audit was constructive and added value overall	3

Continued overleaf …

If you have marked any of the questions overleaf as a 2 or a 1, please could you take a moment to detail why in the box below.

Your views on any ways in which Internal Audit could be improved, observations on the manner or general approach in which the audit was conducted, and any areas which could benefit from future audit reviews, would also be appreciated. Please provide details in the box below.

Form completed by:

Name: Richard Elliott **Designation Head of Strategy, Planning & Performance**

Signature: **Date: 16/6/10**

Appendix III

INTERNAL AUDIT

QUALITY ASSURANCE QUESTIONNAIRE

Audit: New Tyne Crossing – Risk Management **Date of Audit:** October 2009
Code: E-IA75/2010/2

Department: Tyne and Wear Integrated Transport Authority **Date of Issue:** 17/12/2009

Internal Audit is continuously looking at ways of improving the service we give. Please could you complete this questionnaire to help us ensure that the service we provide is of the highest possible standard.

Ratings:

5 = Very good 4 = Good 3 = Satisfactory 2 = Just adequate 1 = Poor

How do you rate the following aspects of the audit?

12. That sufficient notice was given to arrange the visit	5
13. In the level of consultation on the scope and objectives of the audit	4
14. The Auditor's understanding of your systems and operational issues	5

15. The audit was carried out efficiently with minimum disruption	5
16. The level of consultation during the audit	5
17. The audit was carried out professionally and objectively	5

18. The draft report and/or exit interview addressed the key issues and was soundly based	4
19. Your opportunity to comment on the findings made	4
20. The final report in terms of its clarity and conciseness	5
21. The prompt issue of the final report	4
22. The recommendations in the final report will improve control and/or performance	5

12. The audit was constructive and added value overall	4

Continued overleaf …

If you have marked any of the questions overleaf as a 2 or a 1, please could you take a moment to detail why in the box below.

Your views on any ways in which Internal Audit could be improved, observations on the manner or general approach in which the audit was conducted, and any areas which could benefit from future audit reviews, would also be appreciated. Please provide details in the box below.

The audit was undertaken in a most professional way, at a time that was mutually convenient and the reports delivered as expected - generally very pleased with the process. Potential future audits:- 1 Asset register 2 Performance monitoring arrangements

Form completed by:

Name: Paul Fenwick **Designation** **Project Director**

Signature: Date: 15 June 2010

Appendix III

INTERNAL AUDIT

QUALITY ASSURANCE QUESTIONNAIRE

Audit: TWITA Capital Payments **Date of Audit:** April 2010
Code: E-IA75/2010/5

Department: TWITA **Date of Issue:** 06 May 2010

Internal Audit is continuously looking at ways of improving the service we give. Please could you complete this questionnaire to help us ensure that the service we provide is of the highest possible standard.

Ratings:

5 = Very good 4 = Good 3 = Satisfactory 2 = Just adequate 1 = Poor

How do you rate the following aspects of the audit?

23. That sufficient notice was given to arrange the visit	5
24. In the level of consultation on the scope and objectives of the audit	4
25. The Auditor's understanding of your systems and operational issues	5

26. The audit was carried out efficiently with minimum disruption	5
27. The level of consultation during the audit	5
28. The audit was carried out professionally and objectively	4

29. The draft report and/or exit interview addressed the key issues and was soundly based	4
30. Your opportunity to comment on the findings made	4
31. The final report in terms of its clarity and conciseness	4
32. The prompt issue of the final report	4
33. The recommendations in the final report will improve control and/or performance	4

12. The audit was constructive and added value overall	4

Continued overleaf …

If you have marked any of the questions overleaf as a 2 or a 1, please could you take a moment to detail why in the box below.

Your views on any ways in which Internal Audit could be improved, observations on the manner or general approach in which the audit was conducted, and any areas which could benefit from future audit reviews, would also be appreciated. Please provide details in the box below.

The audit was carried out in a construction supportive and professional manner.

Other areas for audit could include performance monitoring process and the management of the asset register

Tyne and Wear Integrated Transport Authority

Standards and Audit Committee

Date: **25 June 2010**
Title: **Internal Audit Annual Report and Opinion of the Head of Audit and Strategic Risk 2009/10**
Report of: **Head of Audit and Strategic Risk**

Reasons for confidentiality – N/A
District Implications - All

---

1. Summary / Purpose of Report

1.1 This report sets out the Internal Audit Annual Report and Opinion of the Head of Audit and Strategic Risk as required by the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 ("the Code").

2. Recommendations

2.1 Standards and Audit Committee is recommended to receive and consider the Internal Audit Annual Report and Opinion of the Head of Audit and Strategic Risk.

3. Introduction / Background

3.1 The Head of Audit and Strategic Risk's Opinion on the overall adequacy and effectiveness of Tyne and Wear Integrated Transport Authority's (TWITA) control environment for 2009/10, as required by the Code is:

Satisfactory (2008/09 Satisfactory): the control environment throughout the year has been adequate and effective. No system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not provide such an assurance.

3.2 A summary of the work carried out by Internal Audit on which the Opinion is based is set out in section 5.3 below and together with a summary of significant issues arising which have been reported to the service in audit reports and to Audit Committee at quarterly meetings of the Committee.

4. Information

4.1 Section 10.4 (Annual Reporting and Presentation of Audit Opinion) of The Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

states that:

4.2 The Head of Internal Audit must provide a written report to those charged with governance timed to support the Annual Governance Statement.

4.3 The Head of Internal Audit's annual report to the organisation must:

(a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment (5.1 below);
(b) disclose any qualifications to that opinion, together with the reasons for the qualification (5.2 below);
(c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies (5.3 below);
(d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement (5.4 below);
(e) compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria (5.5 below);
(f) comment on compliance with these standards and communicate the nternal audit quality assurance programme (5.6 below).

5. Opinion of the Head of Audit and Strategic Risk

5.1 Opinion

5.1.1 The Opinion of the Head of Audit and Strategic Risk, based on the internal audit work carried out since the date of the previous Internal Annual Report is:

Satisfactory (2008/09 Satisfactory): the control environment throughout the year has been adequate and effective. No system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not provide such absolute assurance.

5.2 Qualifications to the Opinion

5.2.1 There are no qualifications to the above opinion.

5.3 Summary of Audit Work from which the Opinion is derived

5.3.1 Set out below are the Internal Audit reports which have been issued and reported to Standards and Audit Committee during the year since the date of the last Internal Audit Annual Report along with their respective assessment categories.

Audit Committee – January 2010

Audits	Assessment
Risk Management (New Tyne Crossing Project)	Satisfactory

Audit Committee – April 2010

Audits	Assessment

Tolls Income	Good
Payments to the Concessionaire	Good

Audit Committee – June 2010

Audits	Assessment
Capital Payments	Good
Corporate Governance	Satisfactory

5.3.2 The year end completion of the 2009/10 Audit Plan was reported to the Standards and Audit Committee of 25 June 2010. In addition to the above audits advice and guidance has been provided by Internal Audit to TWAM over the year on control and efficiency issues.

5.3.3 TWITA uses a number of City Council fundamental financial systems. Internal Audit undertook audits of those systems in 2009/10 which provides TWAM with assurance (or otherwise) on the adequacy of the controls in operation. The assessments given for each of those audits is shown below.

Audits	Assessment
Main Accounting	Satisfactory
Treasury Management	Satisfactory
Creditors	Some weaknesses
Payroll	Satisfactory

There are no issues arising from these audits which represent concerns in respect of TWITA.

5.4 Issues Relevant to the Annual Governance Statement

5.4.1 There are no issues relevant to the Annual Governance Statement

5.5 Comparison of Audit Work with Plan and Summary of Internal Audit Performance

5.5.1 **Comparison of Audit Work with Plan**

Internal Audit's performance in completing audit work in the 2009/10 Plan was reported to the Standards and Audit Committee of 25 June 2010 and all assignments included in the 2009/10 plan have been completed.

5.5.2 **Summary of Internal Audit Performance**

Internal Audit's performance against its Key Performance Indicators is set out below. Internal Audit has met all of its KPI targets for 2009/10.

Description	Target	Actual
Assignments for which Terms of Reference issued not less than 20 days before the start of fieldwork (5) (see Note 1 below)	>95%	40%
Average variance of time spent per assignment over budget (5) (see Note 2 below)	<10%	-18% Actual time taken 25 days

		against budgets totalling 30 days
Average number of working days to issue draft reports after end of fieldwork (5)	<8	7
Average number of working days to finalise reports after issue of the draft report (5)	<20	20
Percentage of Internal Audit recommendations followed up	100% High 100% Medium	N/A 100% Medium
Satisfaction Surveys: Issued (5) Returned (5) Average Score (max 5)	100% 100% 4	100% 100% 4.3

Note 1
The actual number of terms of reference issued not less than 20 days before the start of fieldwork is below the target figure of 95%. The adverse variance occurred where terms of reference were issued and assignments begun promptly to meet client needs.

Note 2
The total number of audit days required to complete the audits in the plan was less than the number of days stated within the service level agreement. This was due to less time being required on 3 audits, i.e. Tolls Income, Payments to the Concessionaire and Capital Payments. The level of control and quality of information available were the predominant factors resulting in time savings.

It should be noted that there are a number of key functions which were not specifically recorded within the audit plan for 2009/10 but were undertaken by Internal Audit. These include:

- Attendance at ITA Officer Co-ordination Group;
- Preparation of reports and attendance at Standards and Audit Committee;
- Liaison with external audit;
- General advice and guidance to officers on day to day activities;

When taking these factors into account the actual level of resource committed to TWITA is in excess of 30 days.

The audit plan for 2010/11 takes into account these factors and provides for an increased number of audits being completed.

5.6 Compliance with CIPFA Code and Internal Audit Quality Assurance

5.6.1 Internal Audit for TWITA is managed and operated in precisely the same manner as that of NCC. As a result TWITA can gain assurances on the adequacy of Internal Audit compliance with the CIPFA Code from independent examination and assessment completed for NCC Internal Audit.

5.6.2 The Audit Commission completed a triennial review of Internal Audit against the

CIPFA Code in 2008/09. This report was finalised during 2009/10 and its main conclusion was as follows.
"Our review identified that IA is COMPLIANT with all the standards set out in the CIPFA Code and Manual. Adequate arrangements are in place, although some of them require formalising in the section's IA Manual/ Charter, as appropriate. Some minor areas for improvement have been identified against most of the standards but performance has improved in eight of the eleven areas and has not deteriorated in any. IA meets all CIPFA standards and has improved in most areas".

5.6.3 The Head of Audit and Strategic Risk has completed a Self Assessment of the service against the requirements of the CIPFA Code which confirms that the service remains compliant and enhancements have been made.

6. Further comments by the:

- **Clerk** (none);
- **Treasurer** – the Treasurer has seen this report and is satisfied with its contents
- **Legal Advisor** (none);
- **Director General** (none).

7. Background Papers

All appropriate background papers to support this report are retained by Internal Audit.

8. Contact Officer (s)

Philip Slater – Head of Audit and Strategic Risk – telephone 0191 2116511
Ian Pattison – Acting Principal Auditor – telephone 0191 2116513

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Tyne and Wear Integrated Transport Authority

STANDARDS & AUDIT COMMITTEE

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25 June 2010

TITLE: **REVENUE BUDGET MONITORING REPORT (APRIL 2010 –May 2010)**

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

Reasons for confidentiality (if confidential)

District Implications-all

---

1. **Summary / Purpose of Report**

1.1 The purpose of this report is to provide members with a revenue budget monitor report for the period April 2010 to May 2010

1.2 The monitor includes current financial information relating to ITA administration and financing and the Tyne Tunnels.

1.3 The report sets out expenditure to date and compares this with and the original estimate presented to the Passenger Transport Authority at its meeting of the 28 January 2010.It shows that the likely outturn position is anticipated to be within budget .

1.4 The report also provides an update on the level of the ITA's borrowing and lending for information.

2. **Recommendations**

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

3. **Introduction / Background**

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

3.2 For the ITA, expenditure at £11.83m is 16% of the annual budget for the year, with no unexpected costs incurred to date. There is some variation in the % spending on individual budget items, but this is broadly in line with expectation apart from the following -

- Support Services. – The majority of the costs of officer support activity of the ITA are charged into the revenue account in the second half of the year. Overall costs are expected to be in line with the budget.

It is anticipated that the likely outturn position will be within budget, based on the expenditure to date and the known commitments at this time

3.3 2010/11 is the second full year of the contract with TT2 for the operation of the Tyne Tunnels. Payment to TT2 is linked to the tolls income. For the first two months of 2010/11the 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 4% of the budgeted net income for the first two months of 2009/10.

- Actual traffic is approximately 2% higher than for the first two months of 2009/10 which is reflected in the higher tolls income.

Treasury Management Update – Borrowing and Lending

Borrowing

3.4 The ITA's approved Authorised borrowing limit for the 2010/11 year is £231 million and its Operational borrowing limit is £226 million. The level of external borrowing as at 31 May 2010 is £155.56million. 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 4.30%.

Lending

3.5 The ITA currently has no external lending .

4. **Next Steps**

4.1 The budget and the ITA's treasury management position will continue to be

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.

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 May 2010

7 Contact Officer (s)

7.1 Marilyn France 0191 277 7517

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.

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

ITA	Spend to 31.05.10	Budget	Spend against Budget	Expected Spend (%)	traffic light	Notes
	Spend to 31st May 2010 (2010/11)					
Revenue Expenditure	£	£	%	%		
Travel Costs	-	4,000	0%	17%	G	
Supplies & Services	4,457	105,850	4%	17%	G	
Support Services	-	403,190	0%	17%	G	Primarily year-end expenditure
PTA Website Charges	5,667	34,000	17%	17%	G	
Pension Costs	72,750	510,000	14%	17%	G	
Grant to Nexus	11,425,788	68,554,730	17%	17%	G	
LGA Subscription	36,000	36,040	100%	100%	G	
Financing Charges	293,627	2,874,370	10%	17%	G	Expenditure flow uneven throughout the year
	11,838,288	72,522,180	16%	17%		
Income						
Levy Income	(11,950,951)	(71,705,700)	17%	17%	G	
Interest on Balances	0	(35,000)	0%	17%	G	Primarily year-end expenditure
	(11,950,951)	(71,740,700)	17%	17%		
Contribution from Reserves	-112,663	781,480				

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

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

Tyne Tunnels	Spend to 31.05.10 £	Original Budget for Year £	Spend as a % of Original Budget %	traffic light	Notes
		Spend to 31st May 2010 (2010/11)			
TT2 Contract					
Toll Income	(2,402,154)	(13,150,000)		G	
Payments to TT2	244,175	2,962,000		A	
Total	(2,157,979)	(10,188,000)	21%		See paragraph 3.3
Other					
Employee Costs	5,361	33,310	16%	G	Expenditure on target
Other Expenses	6,748	42,630	16%	G	
Community Fund	-	10,000	0%	A	No expenditure In current Year
Pension Costs	93,718	588,410	16%	G	
New Tyne Crossing suport services	149	170,810	0%	G	Year-end expenditure
Financing Charges	-	3,594,520	0%	G	Year-end expenditure
Miscellaneous Income	(387)	-			
Interest on Balances	-	-483,000	0%	G	Year-end expenditure
Total	105,590	3,956,680	3%		
Net Surplus on Existing Tunnels	(2,052,388)	(6,231,320)	33%	G	

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

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Tyne and Wear Integrated Transport Authority

Standards and Audit Committee

Date: **25 June 2010**
Title: **Standards and Audit Committee Self Assessment of Effectiveness**
Report of: **Head of Audit and Strategic Risk**

Reasons for confidentiality – N/A
District Implications – All

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1. Summary / Purpose of Report

1.1 CIPFA Audit Committees, Practical Guidance for Local Authorities sets out the arrangements it would expect to see in place for an effective Audit Committee which contributes towards good governance.

1.2 The guidance provides a self assessment checklist against which Audit Committees can assess its operation and determine its effectiveness.

1.3 The Standards and Audit Committee work programme includes an annual self assessment of the Committees effectiveness. Standards and Audit Committee agreed to complete a self assessment at its meeting in June 2010.

2. Recommendations

2.1 Standards and Audit Committee is recommended to:

- Agree timescales for completion of the review;
- Agree the review mechanism for finalisation of its self assessment of effectiveness.

3. Information

3.1 Standards and Audit Committee members have been provided with a self assessment questionnaire for completion. Members are requested to return these questionnaires to Internal Audit as soon as possible to facilitate the co-ordination of responses.

3.2 The following process is proposed following receipt of questionnaires:

- Internal Audit to co-ordinate responses from members and produce a summary document containing all comments which will be shared with members;
- An overarching self assessment document to be completed which

represents the overriding views of members;
- An action plan to be completed which sets out any areas for improvement identified through the review;
- Members to comment on the process and establish an approach for future self assessment.

4. Further comments by the:

- **Clerk** (none);
- **Treasurer** – the Treasurer has seen this report and is satisfied with its contents
- **Legal Advisor** (none);
- **Director General** (none).

5. Background Papers

All appropriate background papers to support this report are retained by Internal Audit.

6. Contact Officer (s)

Philip Slater – Head of Audit and Strategic Risk – telephone 0191 2116511
Ian Pattison – Acting Principal Auditor – telephone 0191 2116513

Tyne and Wear Integrated Transport Authority

Standards and Audit Committee

Date: **25 June 2010**

TITLE: **ANNUAL GOVERNANCE STATEMENT 2009/10**

REPORT OF **ITA OFFICER CO-ORDINATION GROUP**

Not Confidential / District Implications - All

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1. Summary / Purpose of Report

1.1 ITA Officers submitted a report to Standards and Audit Committee in April 2010 on the requirement for the ITA to conduct an annual review of its governance and internal control arrangements and to produce an Annual Governance Statement

1.2 Officers from the ITA Co-ordination Group ("Officer Group") carried out the review on 25 May 2010 – this report explains and presents the outcome.

1.3 There are two key documents which Committee are asked to consider:

(a) **Appendix A** - draft Annual Governance Statement 2009/10 ("AGS"); and

(b) **Appendix B** – draft Local Code of Corporate Governance ("Local Code").

1.4 The role of this Committee, as per the relevant paragraphs of its Terms of Reference are:

9.2 To review annually the effectiveness of the Authority's internal control environment

10.1 To consider and promote the Authority's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice

10.6 To review the Authority's Annual Governance Statement and to recommend its adoption to the Authority.

2. Recommendations

2.1 To consider the draft Annual Governance Statement provided in **Appendix A** and recommend it to the ITA for approval on 28 June 2010, as part of the draft Annual Report and Accounts 2009/10/

2.2 To note that the AGS must be up to date at the time of final publication which does not take place until the Accounts have been audited and finalised in September 2010. The AGS will therefore be updated (if necessary) and submitted to this Committee for final consideration in September 2010.

2.3 To consider the updated Local Code of Corporate Governance provided in **Appendix B** and recommend it to the ITA for approval on 28 June 2010.

3. Introduction / Background

3.1 The ITA is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

3.2 The ITA also has a duty[1] to make arrangements to secure continuous improvement in the way in which it exercises its functions, having regard to a combination of economy, efficiency and effectiveness.

3.3 To discharge this responsibility, the ITA is responsible for putting in place proper arrangements (a Governance Framework) to:

(a) Govern its affairs: in relation to this, we have adopted a Local Code. This is a public document which sets out the main elements of our governance framework, evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA[2]; and

(b) Facilitate the effective exercise of our functions, including arrangements for managing risk: in relation to this, we have a system of internal control designed to manage risk to a reasonable level.

3.4 The ITA has a statutory duty to do the following on an annual basis :

(a) Review and update the Local Code and demonstrate how we have complied with it in practice;

(b) Conduct a review of the effectiveness of our governance framework, including the system of internal control;

(c) Identify significant weaknesses and the actions that have taken place (or will take place) to address them;

(d) Report these to the public in the AGS which is part of the Accounts.

4. Review Process

4.1 The Officer Group met on 25 May 2010 to draw together their knowledge of the ITA's activities during the 2009/10 financial year. Where available, the Officer Group drew upon the information sources highlighted in Section 4 of the AGS.

4.2 The Local Code was also updated as part of this review, to reflect changes and improvements in the governance framework and to ensure there were no significant

[1] Local Government Act 1999
[2] CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

gaps in our arrangements that may need to be referenced in the AGS.

4.3 The main parts of the review were:

(a) **Assurances provided by Internal Audit during the year:** All key officers and the Officer Group are informed of the outcomes of all audits completed during the year and any impact upon the ITA's operations. Key officers also receive a copy of all final reports. A summary of all Internal Audit work completed in the year is provided in the Internal Audit Annual Report and Opinion of the Head of Audit and Strategic Risk which is included on this agenda. As part of this report the effectiveness of Internal Audit and its compliance with CIPFA Code for Internal Audit is considered.

(b) **Assurances provided by External Audit (Audit Commission) during the year:** officers attend regularly monthly meetings with the external auditors which enables continuing feedback. The "Value for Money Conclusion" is an important source of formal information arising from the external auditors and this will not be available until later in the year. This will be taken into account before the AGS is finalised in September.

(c) **Local Transport Plan Partnership:** a review of the main governance and internal control arrangements through an assurance statement.

(d) **TT2 Ltd:** there is a governance structure in place which provides management, contract monitoring and assurance in relation to the operation of the project agreement. The New Tyne Crossing Project Director has considered TT2 Ltd's annual report and is satisfied that this provides the necessary assurances.

(e) **Nexus:** consideration of their Annual Governance Statement. The Officer Group has satisfied itself that the Nexus Annual Governance Statement provides the ITA with an appropriate level of assurance since:

(i) There is external auditing of Nexus accounts; and

(ii) There is senior ITA officer representation on Nexus Executive Board.

(f) **Newcastle City Council's Draft Annual Governance Statement:** the ITA uses and relies upon the governance and internal control arrangements of the lead authority and therefore, if there are material issues within this framework, it is relevant for the ITA to take these into account.

(g) **ITA Strategic Risk Register:** officers considered risks set out in the Strategic Risk register.

(h) **Views of the Officer Group:** the group is represented by policy and management, finance, legal, internal audit, risk management, project management and democratic / member services, all working on behalf of the ITA.

4.5 Committee is asked to note that Paragraph 9.3 of its Terms of Reference require it to carry out an annual self-assessment of its effectiveness. This has not been completed yet, however this should be completed prior to agreeing the final AGS in September 2010. This would be one of the sources of assurance relevant to the review.

5. Conclusions of the Review

5.1 The annual review must consider whether any of the following concerns have been

identified and should be included in the AGS :

(a) Significant weaknesses (Section 5 of the AGS): where there are or have been significant gaps, where we have experienced a serious incident from a failure in our arrangements or where there was a systemic weakness in our arrangements during the majority of the year under review.

(b) Significant improvements needed (Section 6 of the AGS): where there are essential parts of our arrangements which, whilst not 'weaknesses', need significant improvement and/or have not been working as they should during the year under review.

5.2 There are criteria provided by CIPFA which guide us on what to include as a "significant weakness". These are provided in **Appendix C** for information. The "significant improvement" section is not mandatory – we do this to ensure transparency, focus and continuous improvement in our arrangements, even though they fall below the materiality thresholds recommended by CIPFA.

5.3 Significant weaknesses:

There are no areas of significant weakness that have been identified in the review in 2009/10.

5.4 Significant improvements needed:

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

5.5 Items Removed

The following items were included in last year's AGS (as ones where significant improvements were required) and have now been resolved or are no longer considered relevant for inclusion:

Information Governance	In 2009/10 work to improve information security, particularly the secure disposal of office waste and facilities to encrypt high priority mobile devices and e-mails, was completed and in place for the majority of the year.	
Scrutiny Processes	To strengthen the work programme, the Committee agreed in 2009/10 to adopt a theme-based approach to its work focussing on the five goals in Delivering a Sustainable Transport System (the national transport ambitions). Linking the work programme to key national ambitions ensures that the Committee is able to maximise its influence on ITA policy making and to hold to account those delivering decision making locally. The effectiveness of the Committee's more robust approach was supported by the ITA at its meeting on	

	24th September, 2009 when considering if the membership should be reviewed.	
Action Planning	Progress in the Lead Authority's arrangements for action planning continued in 2009/10, particularly improvements to the Council's corporate and service planning process. Not only are all new plans outcomes focused and closely aligned to the Corporate Plan and therefore the Sustainable Community Strategy, but also a number of unnecessary layers of planning have been removed. These previously resulted in wasted effort and diluted management attention on progress against the real action plans. Actions requiring input from more than one part of the Council or from both Council and partners are clearly identified. Improvements to the Lead Authority's approach to programme and project management also includes specific guidance on how to structure action plans.	
Standards and Audit Committee	Terms of Reference of the Standards and Audit Committee have been embedded and the work programme has been established and implemented.	

6. Monitoring

The ITA Officer Co-ordination Group will monitor progress in addressing the issues highlighted in Paragraph 5 and provide a monitoring report to this committee in December 2010.

7. Next Steps

6.1 The ITA will consider and approve the AGS, as recommended by this Committee, on 28 June 2010.

6.2 The AGS will be signed by the Chair of the ITA, Clerk and Deputy Clerk (Section 151 Officer) before being published with the Draft Accounts.

6.3 The AGS must be up to date when the Final Accounts are published – this does not take place until September 2010, following external auditing of the Draft Accounts. In addition, the AGS is subject to relevant assurance sources not available at drafting, such as the Annual Value for Money Conclusion. The AGS will therefore be reviewed at that time to ensure that any relevant issues highlighted during that period are taken into account.

6.4 The final AGS will then need to be considered and approved by this Committee before it receives final approval from the ITA in September 2010.

7. Further comments by the:

- **Clerk** (none);
- **Treasurer** –
- **Legal Advisor** The Legal Advisor to the ITA is a member of the Co-ordination

Group and has been involved in the preparation of this report. He has nothing to add;

- **Director General** (none).

8. Background Papers

8.1 (a) Report to ITA Standards and Audit Committee "Annual Governance Review 2008/09" dated 14 April 2010.

9. Contact Officer (s):

Richard Elliott – Head of Strategy, Planning & Performance, Newcastle City Council 0191 277 7669

Roger Gill – ITA Policy Manager – 0191 211 4805

APPENDIX C

CIPFA CRITERIA FOR SIGNFICANT INTERNALCONTROL ISSUES

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

Factors which may be helpful in exercising that judgement include:

1. The issue has seriously prejudiced or prevented achievement of a principal objective;

2. The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from another aspect of the business;

3. The issue has led to a material impact on the accounts;

4. The audit committee, or equivalent, has advised that it should be significant for this purpose;

5. The Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;

6. The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;

7. The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

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Appendix A

ANNUAL GOVERNANCE STATEMENT 2009/10

SECTION 1: SCOPE OF RESPONSIBILITY

The Tyne and Wear Integrated Transport Authority (ITA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The ITA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The ITA also has a general power of promoting well-being within its area that was introduced by the Local Transport Act 2008.

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

(i) the governance of our affairs and

(ii) facilitating the effective exercise of our functions, including arrangements for the management of risk.

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

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

In 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 2010 and up to the date of approval of the Annual Report and Accounts.

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

SECTION 3: THE GOVERNANCE FRAMEWORK

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

CORE PRINCIPLE 1: FOCUSSING ON OUR PURPOSE AND OUTCOMES FOR RESIDENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance is reported to the ITA.

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

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

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

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

There is a clear scheme of delegation to officers.

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

Membership of the ITA Scrutiny Committee was reviewed in September, 2009 to ensure it provided effective measures to hold the ITA to account

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

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

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

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

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

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

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

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

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

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

The ITA has developed and maintains an effective scrutiny function which encourages constructive challenge and enhances overall performance. The Scrutiny Committee consists of members who are not ITA Members, so are able to provide independent scrutiny. Scrutiny Committee membership is made up of two Councillors from each of the Tyne & Wear Districts, for equality of representation

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

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

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

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

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

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

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

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

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

The ITA has an agreed whistle-blowing policy.

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

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

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

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

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

ITA Members also undertake site visits, where they are able to see progress in action at first hand. For example, site visits have taken place to the Tyne Tunnel, Haymarket Metro development and Sunderland Station development.

CORE PRINCIPLE 6: ENGAGING WITH LOCAL PEOPLE AND STAKEHOLDERS

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

Meetings are held in public

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

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

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

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

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

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

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

The NESTI partnership is made up from all local authorities across the North East in order to provide a smart ticketing transport infrastructure across the region. The ITA is leading on this. A collaboration agreement between the ITA and other authorities is currently being drawn up.

SECTION 4: ANNUAL REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK

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

The review is informed by :

(a) The executive managers within the ITA who have responsibility for the development and maintenance of the governance environment

(b) The views of our internal auditors which are regularly reported to Standards and Audit Committee through regular progress reports and through the Annual Internal Audit Opinion.

(c) An annual review of the effectiveness of our Internal Audit arrangements (as required by Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2006).

(d) The views of our external auditors, regularly reported to Standards and Audit Committee through regular progress reports and through the Annual Audit and Inspection Letter, Annual Governance Report and through regular meetings with officers.

(e) The independent views of inspection agencies.

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

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

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

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

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

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

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

SECTION 5: SIGNIFICANT GOVERNANCE ISSUES

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

2008/09

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

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

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

SECTION 6: SIGNIFICANT IMPROVEMENTS NEEDED TO GOVERNANCE AND INTERNAL CONTROL

The review also identifies:

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

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

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

(i) Scrutiny Processes

(ii) Action Planning

(iii) Standards and Audit Committee

SECTION 7: CONCLUSION

We consider the governance and internal control environment operating during 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**
Clerk	**Chair of the ITA**	**Treasurer and Deputy Clerk**
Date:	**Date:**	**Date:**

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Appendix B

Tyne and Wear Integrated Transport Authority

LOCAL CODE OF CORPORATE GOVERNANCE

TYNE and WEAR INTEGRATED TRANSPORT AUTHORITY

LOCAL CODE OF CORPORATE GOVERNANCE

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Tyne and Wear Integrated Transport Authority

LOCAL CODE OF CORPORATE GOVERNANCE

INTRODUCTION

1. The Tyne and Wear Integrated Transport Authority (ITA) recognises that in order to fulfil its purpose and deliver the intended outcomes for its citizens and service users it needs to have in place comprehensive arrangements for corporate governance and accountability designed to ensure that it operates in an effective, efficient and ethical manner.

2. The Cadbury Report (1992) defined corporate governance as "the systems by *which organisations are directed and controlled*". It identified three fundamental principles of corporate governance:-

   - *Openness*: This ensures that all interested parties are confident in the organisation itself. It leads to effective and timely action and lends itself to necessary scrutiny.
   - *Integrity*: This is straightforward dealing reflected in the honesty of the annual report in portraying a balanced view. It depends on the integrity of those who prepare the report which is a reflection of the professional standards within the organisation.
   - *Accountability*: This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) adapted the Cadbury definition for the local government sector. It defines corporate governance as "*the systems and processes, the cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities*".

4. The Nolan Committee (1995) identified seven general principles of conduct which should underpin public life and which all holders of public office should practise:-

   - Selflessness
   - Honesty
   - Objectivity
   - Leadership
   - Openness
   - Integrity
   - Accountability

5. The Relevant Authorities (General Principles) Order 2001 added four additional principles to those identified by the Nolan Committee:-

   - Respect for others
   - Duty to uphold the law

- Stewardship (using resources prudently)
- Personal judgement

6. Building on these principles the Good Governance Standard for Public Services (2004) set out six core principles that should underpin the governance arrangements of all public bodies.

7. In 2007 CIPFA published a Framework for Delivering Corporate Governance in Local Government to assist Authorities to review their governance arrangements and to highlight any gaps. It adapts the six core principles of good governance for the local government sector and recommends that all Authorities should comply with them.

8. The ITA believes that effective corporate governance is achieved by:-
   - putting in place sound control systems and processes
   - regular checking to make sure those systems and processes are working in practice
   - reviewing those control systems and processes at least annually

9. This Code demonstrates how the ITA does this in practice and how it complies with each of the six principles. These are:-

   i) Focusing on the ITA's purpose and on outcomes for its Tyne and Wear residents and service users
   ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles
   iii) Promoting high standards of conduct and behaviour across the ITA
   iv) Making transparent decisions which are subject to scrutiny and risk management
   v) Developing the capacity of members and officers to be effective
   vi) Engaging with local people and stakeholders

10. The Code brings together in one document all the governance and accountability arrangements which the ITA currently has in place.

11. The Code will be reviewed and updated annually.

12. As part of the annual accounts process, the ITA is required to conduct an annual review of its governance arrangements, including its system of internal controls, and to publish a statement of that review known as the Annual Governance Statement (AGS), within the Annual Report and Accounts. The purpose of the AGS is to represent how the governance arrangements operated in each financial year, and to highlight significant improvements needed. The Code will facilitate the ITA's review of its corporate governance arrangements for the purposes of the AGS.

    This Local Code of Corporate Governance was approved by the ITA on 29 June 2009.

CORE PRINCIPLE 1 – Purpose and Outcomes

Core Principle 1 – Focusing on the purpose of the Tyne and Wear Integrated Transport Authority and on outcomes for the community and implementing a vision for the area

Summary: Good governance helps to ensure that we fulfill our purpose and achieve the intended outcomes for our citizens and service users and that we operate in an effective, efficient, economic and ethical manner. We have therefore developed a clear vision of our purpose and intended outcomes which are communicated both within the ITA and to external stakeholders. Our Passenger Transport Policy Statement sets out our vision and values and the intended outcomes for local people. It is used as a basis for corporate and service planning.

Exercising strategic leadership by developing and clearly communicating the ITA's purpose and vision and its intended outcome for citizens and service users

Evidence of compliance

- Passenger Transport Policy Statement - published thee yearly and reviewed annually by Members - sets out ITA priorities and targets for action in the coming year and records its key achievements in the preceding year providing the context for service delivery throughout the year and the following two years
- ITA Vision Statement March 2009
- Emerging ITA Vision and High level objectives
- Annual Review and Update of ITA constitutional documents
- ITA Key Output Measures aligned with Multi-Area Agreement and Local Area Agreement Indicators
- ITA Officer Statement July 2009
- ITA Signing of Nottingham Declaration September 2009
- ITA input on emerging City Region Transport Strategy
- ITA Terms of Reference for Working Groups
- NESTI Collaboration Agreement
- Consultation Panel on the Duty to Involve
- Annual Performance Plan
- Community Engagement Strategy
- Corporate Communications Plan
- Policy seminars
- Market research reports
- Consultation and Involvement Policy/Strategy
- Annual Performance Plan

- Annual Report and Accounts
- Annual Governance Statement

Areas for Further Improvement

- Update and refresh the ITA website (Spring 2010)
- Revise and refresh ITA Officer Statement (July 10)

Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning

Evidence of compliance

- Passenger Transport Policy Statement
- Annual Investment Strategy
- Annual Governance Statement
- Annual Performance Plan
- Policy seminars
- Market research reports
- Household survey
- Bus Strategy consultations
- Consultation and Involvement Policy/Strategy
- Community Engagement Strategy
- Local Transport Plan
- Bus Strategy
- Bus Network Development
- Annual audits - internal and external
- Nexus Metro Passenger Charter
- Stakeholder workshops
- Nexus, Tyne Tunnels and ITA complaints procedures
- Access For all
- Policy work programme
- Policy briefings
- Response to consultations
- Benchmarking against other Integrated Transport Authorities and Passenger Transport Executives
- Performance Reports to ITA on Metro performance
- Equality and Diversity Policy

Areas for Further Improvement

- Develop and improve partnership and project management arrangements
- Developing relationships with district local strategic partnerships
- Developing plans to tackle climate change causes and impacts
- Implement findings of City Region Transport Governance Review
- Website development

Ensuring that the ITA makes best use of resources and that tax payers and service users receive excellent value for money

Evidence of compliance

- Annual Performance Plan
- Annual audits - internal and external
- PTEG and Nova International Business Improvement Groups
- Major project and cross-cutting business cases
- Efficiency statements (forward and backward looking)
- Annual Treasury and Investment Strategy Statement
- Newcastle City Council procurement documents
- Nexus business reviews
- Capital financing records, indicating sources of external funding
- Risk Management Framework
- Scrutiny and ITA Scrutiny Advisory Committees
- Use of Resources Value for Money Self Assessment
- Annual Financial Strategy for the next 3 years
- Medium Term Plan
- Regular monitoring against plan
- Annual budget process
- Key output measures

Areas for Further Improvement

- Stakeholder workshops and briefings

CORE PRINCIPLE 2 – Members and officers working together

Core Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles

Summary: Elected members are collectively responsible for the governance of the ITA. The ITA is a joint authority and comprises sixteen representatives of the five local authorities in the (former) metropolitan county of Tyne and Wear. Those representatives must be members of those five authorities and Schedule 10 of the Local Government Act 1985 (as amended from 1 April 2006) specifies the numbers to be as follows:

- Newcastle 4
- Sunderland 4
- Gateshead 3
- North Tyneside 3
- South Tyneside 2

The Local Government Act 2000 introduced a number of changes to the way in which local authorities carry out their work. While major innovations, such as the change to cabinet-style government, do not apply to the ITA, a number of improvements, such as dispensing with the committees such as those that formerly dealt with the Tyne Tunnel and Passenger Services, and replacing them with leading members acting as spokespersons for various portfolios, have been made. These changes bring the operating procedures of the ITA more closely in line with those of its five constituent councils.

The ITA has a Scrutiny Committee; the purpose of this body is to help ensure the ITA delivers its objectives. Scrutiny can do this by providing a mechanism for the ITA decisions and policies to be reviewed and examined in order to contribute to service improvement and ensuring value for money.

The ITA also has a Standards and Audit Committee, whose terms of reference ensure probity and further scrutiny of ITA activities. The Committee consists of 5 members from the ITA, and a further 4 independent members ensuring greater objectivity.

The ITA recently established 3 new working groups to help advise it in its discharge of its broader remit. These working groups are the LTP Working Group, the Equality and Diversity Working Group and the Bus Strategy Working Group. Each has a developed Terms of Reference. In addition, the ITA has recently agreed to set up a Metro Sub Committee.

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

Ensuring effective leadership throughout the ITA and being clear about the roles and responsibilities of its members and officers and of the scrutiny function

Evidence of compliance

- Annual Review and Update of the ITA constitutional documents (particularly terms of reference of each committee and delegations to officers) reported to Annual General Meeting
- Delegations to Officers
- Job Descriptions and Person Specifications (Director General of Nexus), Clerk and Deputy, etc)
- Standing Orders
- Development and refresh of Equality and Diversity Policy
- Scrutiny Committee Terms of Reference, Annual Report to the ITA and Work Programme
- Standards and Audit Committee Terms of Reference, Annual Report to the ITA and Work Programme
- Member Code of Conduct
- Employee Code of Conduct (inc. Lead Authority Code)
- Service Level Agreement between the ITA and the Lead Authority
- Independent Review of Corporate Governance

Areas for Further Improvement

- Update Employee Code of Conduct when a statutory code is published

Ensuring that a constructive working relationship exists between ITA Members and Officers and that the responsibilities of members and officers are carried out to a high standard

Evidence of compliance

- Member Code of Conduct
- Employee Code of Conduct (inc. Lead Authority Code)
- ITA meetings
- ITA Working Groups
- ITA Scrutiny Committee meetings
- ITA Standards and Audit Committee meetings
- Metro Sub Committee
- ITA Policy Seminars

- Consultation and Involvement Strategy
- Member induction process
- ITA Officer Statement
- Member training and briefing sessions
- Policy Work Programme

Areas for Further Improvement

- Update Employee Code of Conduct when a statutory code is published
- Consider role of ITA, sub committees or lead portfolio roles.

Ensuring relationships between the ITA, its partners and the public are clear so that each knows what to expect of the other

Evidence of compliance

- ITA Vision Statement March 2009
- ITA Policy Statement
- Complaints System
- Nexus Metro Passenger Charter
- Passenger Transport Policy statement
- Community Engagement Strategy
- ITA meetings
- ITA Working Groups
- New Tyne Crossing communication strategy
- Stakeholder consultations
- ITA Policy Seminars
- Member and Employee Codes of Conduct
- Independent Remuneration Panel / Members Allowance Scheme
- Service Level Agreements with Lead Authority
- ITA Officer Statement
- City Region Transport Strategy and City Region Transport Sub Group
- New Tyne Crossing Project Agreement
- Tyne and Wear Leaders / Treasurers groups
- ITA Officer & Nexus Liaison groups

Areas for Further Improvement

- Embed LSP engagement
- Update and refresh the ITA website (Summer 2010)
- Scrutiny Committee Annual Report

CORE PRINCIPLE 3 – Conduct and Behaviour

Core Principle 3 – Promoting values for the ITA and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Summary: We recognise that good governance is underpinned by shared values and demonstrated in the behaviour of our members and staff. Our values (the way in which we will work for the community in pursuing our aims) are set out in our Policy Statement. The standards of conduct and behaviour we expect of members and officers are clearly set out in the Member and Employee Codes of Conduct. This is supported by training programmes for both members and staff.

Ensuring ITA members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance

Evidence of compliance

- Performance Plan
- Members Handbook
- Employee Contracts of Employment
- Member and Employee Codes of Conduct (inc. Lead Authority Codes)
- Protocol for Dealing with Complaints Against Councillors
- Policy for the Confidential Reporting of Concerns ("Whistleblowing Policy")
- Standing Orders and Officer Delegations
- Members Training Programme
- Freedom of Information Procedures
- Standards and Audit Committee Terms of Reference include responsibility for promoting high standards of conduct across the ITA
- Standards and Audit Committee Annual Report to the ITA and inclusion within Annual Report and Accounts
- Financial Regulations

Ensuring that organisational values are put into practice and are effective

Evidence of compliance

- Member Training Programme
- Standing Orders and Officer Delegations
- Financial Regulations
- Standards and Audit Committee Terms of Reference and agendas
- Standards and Audit Committee Terms of Reference include responsibility for promoting high standards of conduct across the ITA

- Standards and Audit Committee Annual Report to the ITA and inclusion within Annual Report and Accounts
- Procedures in place for dealing with complaints against members - ITA Protocol
- Register of interests and register of gifts and hospitality for both members and employees (inc. lead authority)
- Nexus Metro Passenger Charter
- Internal Audit work programme
- Monitoring Officer role
- Member Code of Conduct
- Employee Code of Conduct (inc. Lead Authority Code)
- Nexus Strategies
- Strengthening the Audit function of the Standards and Audit Committee by increased relevant membership

CORE PRINCIPLE 4 – Decision Making

Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Summary: We recognise that all ITA decisions are potentially subject to legal challenge and that we need to be able to successfully defend such challenges. In order to do so we must be able to demonstrate that decision makers followed a proper process, the decision was properly documented and was taken having regard to all relevant considerations whilst ignoring any irrelevant considerations. Members and officers must therefore have all relevant information before them, including the outcome of any constructive scrutiny and a detailed assessment of the risks to ensure that ITA resources are used legally and efficiently.

Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny

Evidence of compliance

- ITA meetings
- ITA Working groups advising full ITA
- ITA Policy Seminars
- Policy Work Programme
- The ITA has appointed a Scrutiny Committee – it was first appointed by the ITA on 2 October 2003. Establishing the new committee of the ITA was a response to the requests of councillors who wished to extend the scrutiny arrangements for the ITA
- Agendas and minutes of Scrutiny Committee
- Scrutiny Committee Annual Work Programme
- Scrutiny Annual Report to ITA
- Standards and Audit Committee Terms of Reference include responsibility for promoting high standards of conduct across the ITA
- Standards and Audit Committee Annual Report to the ITA and inclusion within Annual Report and Accounts

Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs

Evidence of compliance

- Reports to ITA / Scrutiny / Standards and Audit committees and LTP, Bus Strategy and Equality and Diversity Working Groups
- Delegation to Officers / Officer Co-ordination Group meetings
- Lead Authority policies and procedures

- ITA Policy Seminars
- Complaints procedures
- Communication strategies (Nexus and New Tyne Crossing)
- Stakeholder consultations
- Specific legal and financial input sections to ITA reports

Ensuring that an effective risk management system is in place

Evidence of compliance

- Risk Management Framework
- Strategic Risk Register
- Performance and Risk Monitoring report to ITA
- Standards and Audit Committee Terms of Reference
- Standards and Audit Committee Annual Report to the ITA and inclusion within Annual Report and Accounts
- Member training sessions

Using their legal powers to the full benefit of the citizens and communities in their area

Evidence of compliance

- S73 responsibilities
- Role of Monitoring Officer and Head of Legal Services
- Stakeholder consultations
- Nexus Metro Passenger Charter
- Complaints against members Protocol
- Members induction
- Member training
- ITA Work Programme
- Delegation to Officers
- Ongoing monitoring of policy
- Use of 'well-being powers' for the NESTI project
- ITA Report Template

CORE PRINCIPLE 5 – Effective members and officers

Core Principle 5 – Developing the capacity of members and officers to be effective

Summary: Authorities need people with the right skills to direct and control them. The ITA is serviced by officers from the Lead Authority. In addition, Nexus officers work closely with the Lead Authority.

Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles

Evidence of compliance

- Members Induction and Training
- Lead Authority and Nexus training programmes
- Policy briefings
- Officer job descriptions and person specifications
- Regular finance training for members
- Member and officer attendance at conferences, etc

Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group

Evidence of compliance

- Member training
- Lead Authority / Nexus personal development plans
- Internal and external audit processes
- Benchmarking and knowledge sharing with other ITAs

Encouraging new talent for membership of the ITA so that best use can be made of individuals' skills and resources in balancing continuity and renewal

Evidence of compliance

- Member and officer training
- ITA, ITA Standards and Audit Committee and ITA Scrutiny Advisory Committees – increases in membership
- Complaints and comments procedures
- ITA Policy Seminars
- Lead Authority officer pool

- Equality and Diversity Working Group
- Consultation and Involvement strategy
- Work with Access For All

CORE PRINCIPLE 6 – Local Engagement

Core Principle 6 – Engaging with local people and stakeholders to ensure robust public accountability

Summary: Nexus has arrangements in place for consulting with service users, key stakeholders and partners this is set out in the Consultation and Involvement Policy Strategy to help ensure that key messages about services are taken into account. There is a separate communications plan to ensure that key messages are communicated to stakeholders and other target audiences.

Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships

Evidence of compliance

- ITA agendas and minutes
- Scrutiny Committee
- Standards and Audit Committee
- LTP, Bus Strategy and Equality and Diversity Working Groups
- Annual Performance Plan
- Annual Governance Statement
- Relationship with internal and external auditors
- ITA Policy Seminars
- Consultation and Involvement Strategy
- LTP 3 development
- Consultation on ITA Vision
- Nexus Passenger Panel
- Complaints and comments systems
- Scrutiny Committee Annual reports to ITA on scrutiny function - included in Annual Report and Accounts
- Reports on scrutiny work programme
- Reports to the ITA on outcome of call-in of decisions under the scrutiny process
- Lead Authority delegated decisions system
- Household Survey
- Focus Groups as necessary
- Citizen Panel
- Links with local strategic partnerships

Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning

Evidence of compliance

- Positive relationship with the Audit Commission
- Positive Relationship with the Tyne and Wear Districts through the Local Transport Plan group
- Positive relationship with central government departments e.g. Department for Communities and Local Government and the Treasury
- Website
- Publication of agendas and minutes of meetings
- Annual Performance Plan
- Consultation And Involvement Strategy
- Communications Plan
- Work with Access for All
- Equality and Diversity Review Sub group
- Annual Report and Accounts
- Compliance with Freedom of Information Act 2000 – information requests are monitored to ensure that requests are responded to within the statutory timescales

Making best use of human resources by taking an active and planned approach to meet responsibility to staff

Evidence of compliance

- Lead Authority / Nexus HR policies and procedures

Tyne and Wear Integrated Transport Authority

STANDARDS & AUDIT COMMITTEE

TITLE:	**Draft ITA Annual Report and Accounts 2009/10**
REPORT OF:	**The Deputy Clerk and Treasurer (ITA)**
DATE:	**25 June 2010**

1. **Purpose**

1.1 The purpose of this report is to seek comments on the draft ITA Annual Report and Accounts, which are to be taken, unaudited, to the ITA on June 28 2010, and are attached.

1.2 Any suggestions or improvements to the content and presentation of the accounts are welcomed.

2. **Recommendations**

2.1 The Committee is recommended to:

1. Discuss and scrutinise the Annual Report and Accounts;
2. Comment on the content and presentation of the Authority's draft Annual Report and Accounts for 2009/10; and
3. Consider and agree a description of the Committee's activity in 2009/10.

3. **Background**

3.1 The Authority is required by statute to prepare an Annual Report and Accounts document, the format and content of which is laid out in CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice.

All background papers are held by:

Marilyn France tel. 0191 2777517

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Tyne and Wear Integrated Transport Authority

DATE: **28 June 2010**

TITLE: **Annual Report and Accounts 2009/10 (Pre-Audit)**

REPORT OF: **The Deputy Clerk and Treasurer (ITA)**

Reasons for confidentiality (if confidential)

District Implications – All

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1. **Summary / Purpose of Report**

1.1 The purpose of this report is to seek approval for the 2009/10 Annual Report and Accounts (pre-audit) and draw attention to some key issues.

The draft ITA Annual Report and Accounts are attached. The draft accounts are being considered by the ITA Standards and Audit Committee on 25 June and their comments will be reported to the ITA to be considered alongside this report.

2. **Recommendations**

2.1 **The ITA is recommended to: -**

a) Discuss and scrutinise the content of the accounts, taking into account the comments of Standards and Audit Committee;

b) Approve the Statement of Accounts shown at the appendix to this report on behalf of the ITA and authorise the Chair to certify the approval of the accounts by the Committee; and

c) To delegate authority to the Deputy Clerk and Treasurer to make any non-material amendments to the accounts as are appropriate, subject to material changes being reported back to this committee for approval.

3. Introduction / Background

3.1 The Annual Accounts for 2009/10 have been prepared to comply with regulations. The accounts of such a large and diverse organisation as the ITA are by their nature technical and complex. The significant differences between how local authorities have to present their accounts to comply with accounting standards and what needs to be taken into account when setting the budget requirement and calculating the level of Levy adds to that complexity. A summary of key financial issues is provided in this report and is further described in the Explanatory Foreword to the accounts.

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

4. Implementation of 2009 'Statement of Recommended Accounting Practice' (SORP)

4.1 Over the years local authority accounting practice has been updated to harmonise with private sector practices. This process has continued for 2009/10 and is reflected in the 2009 SORP.

Significant changes to the presentation of local authority accounts were made for 2006/07. These have been added to by changes brought about from the implementation of the 2009 SORP. The accounts now presented bring into line both the 2008/09 and 2009/10 figures to comply with current guidance. These changes result from the move to bring local authority accounting in line with International Financial Reporting Standards (IFRS).

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

4.2 Main Changes

The main change to the 2009 SORP affecting the ITA accounts relates to the treatment of the public and private partnership, this includes the relationship with TT2 for the New Tyne Crossing which complies with IFRIC 12.

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

5. Core Financial Statements

5.1 Income and Expenditure Account (I&E)

This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day to day expenses and related income for the year. It also includes non cash items relating to depreciation and pensions and the real projected value of retirement benefits earned by employees in the year.

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

5.2 Statement of Movement on the General Fund Balance

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

In summary the Income and Expenditure Account for 2009/10 shows:

	£'000
Net Operating Expenditure	64,769
Met by:	
Levy Income	(70,646)
Net Surplus for the year	(5,877)
Reconciling Items	7,818
Net Decrease in General Fund Balance	1,941
Made up of:	
-ITA	785
-Tyne Tunnels	1,156

The reconciling items include adjustments for the capital financing costs that replace depreciation in the accounts and the transfer to earmarked reserves. The Authority's earmarked reserves stand at £12.87m and are shown in the balance sheet.

5.3 Statement of Total Recognised Gains and Losses

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

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

5.4 **Group Accounts**

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

6. **Further comments by the:**

- **Clerk** (if any);
- **Treasurer**
- The budget outturn for 2009/10 is lower than anticipated at revised estimates owing to a change in accounting policy and changes in financing of the New Tyne crossing
- **Legal Advisor** (if any);
- **Director General** (if any).

7 Background Papers

7.1 Final accounts working papers

8 Contact Officer (s)

8.1 Marilyn France 0191 277 7517

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 & Wear Integrated Transport Authority

Annual Report & Accounts Subject to Audit

for the Financial Year ended
31 March 2010

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

Annual Report & Accounts 2009/10

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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 District Councils of Tyne and Wear.

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

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

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

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

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

Chairman's Foreword and Introduction

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

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

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

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

While we build for tomorrow I am delighted the high quality public transport we and our partners provide today is attracting people in greater numbers.

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

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

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

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

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

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

New capital schemes, primarily implemented through Nexus include: -

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

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

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

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

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

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

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

Councillor David Wood
Chair of Tyne & Wear Integrated Transport Authority

Clerk's Foreword

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

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

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

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

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

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

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

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

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

Barry Rowland
Clerk to the ITA

The Authority Members during 2009/10

John McElroy
Vice Chair

Stuart Green

Peter Maughan

Gateshead Council

David Wood
Chairman

Wendy Taylor

Gerry Keating
Leader of the Opposition

Greg Stone

Newcastle City Council

Alison Austin

Ed Hodson

Frank Lott

North Tyneside Council

A Mc Millan

Tom Hanson
Vice Chair

South Tyneside Council

J Blackburn

John Scott
Statutory Vice Chair

Robert Symonds

Peter Wood

Sunderland City Council

Explanatory Foreword by the Treasurer

Introduction

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

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

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

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

- An understanding of the accounting statements
- A review of the Authority's financial results in 2009/10 and its financial position
- An overview of activities and significant matters which occurred during the year

The Tyne & Wear Integrated Transport Authority's Finances

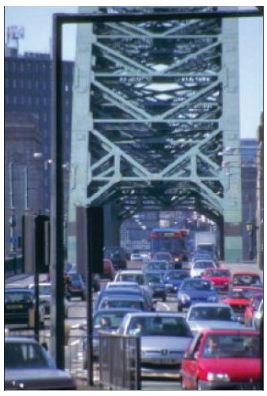
The Authority's main source of income is the levy applied to the five constituent local authorities of the ITA based upon population. This provides over 80% of its total income. The other main source of income is derived from the tolls from the Tyne Tunnels.

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

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

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

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



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

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

The New Tyne Crossing is a major construction project that will provide a new tunnel alongside the existing one. The new tunnel will convey two lines of southbound traffic, and the existing tunnel will be fully refurbished and altered to convey two lines of northbound traffic. Both tunnels are expected to be completed and operational by the start of 2012. Progress on the site is going well and the ITA started to make capital payments to the concessionaire towards the year end of £31.4m. Further information is given in the New Tyne Crossing review on pages 17 to 22.

Key Issues during 2009/10

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

Further developments on the New Tyne Crossing

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

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

New Tyne Crossing borrowing and investments

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

Reserves position

The ITA's reserves decreased by £0.78m to £4.29m which was due to the use of the reserves to limit the levy increase to 1.75% in 2009/10. A further use of reserves income is planned in 2010/11 to reduce the levy on the Tyne & Wear districts from 1.75% to 1.5%, and to provide additional resources to Nexus. Tyne Tunnels balances also decreased during the year by £1.1m to £21.08m. The prior period adjustment for changes in accounting for the New Tyne crossing reduced the Tyne Tunnel reserves by £2.93m. These reserves are being set aside to finance the New Tyne Crossing project. In addition a further contribution of £0.57m was made to the earmarked reserve from interest on investments, increasing it to £13.4m specifically held for Metro Re-invigoration. This was established in 2007/08 from the revenue support to Nexus and agreed by the ITA.

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

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

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

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

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

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

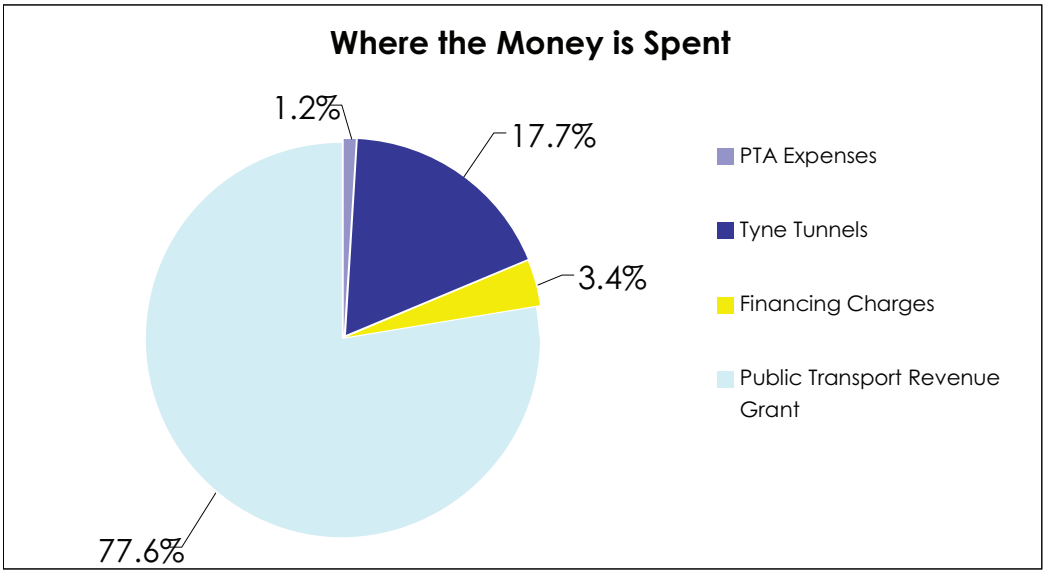
Notes to the Accounts – these provide further detail to the statements above in order to provide the reader with a fuller understanding of them

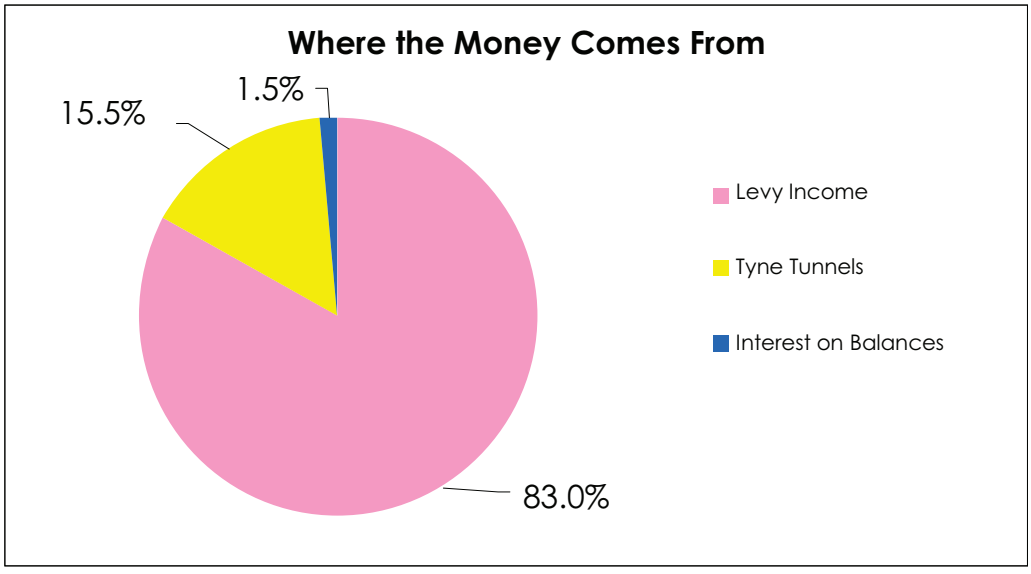
Group Accounts – these provide the same information as above, but incorporate the Nexus accounts within the figures. All subsidiaries have to be included within separate group accounts. Notes also provide further detail where this has not been provided within the single entity accounts

Principal Financial Results for 2009/10

1. Revenue Expenditure

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





The following table provides a summary of actual spending against the revised budget for 2009/10 as reported to the 28 January 2010 meeting of the Tyne and Wear Integrated Transport Authority. To provide a comparison across years, the table also shows actual spend for 2008/09: -

	2008/09	2009/10		
		Revised Budget	Actual	Variation
	£'000	£'000	£'000	£'000
ITA Expenditure				
ITA Budget				
- Expenses of the ITA	680	610	562	(48)
- Pensions	510	510	510	-
- Transport financing charges	3,040	2,930	2,966	36
- Interest on Reserve	(677)	-	(567)	(567)
- Interest on revenue balances	(152)	(122)	(136)	(14)
- Net gain on prudential borrowing	(1,663)	-	(66)	(66)
	1,738	3,928	3,269	(659)
Tyne Tunnels	(9,198)	(8,614)	1,156	9,770
Revenue Support to Nexus	64,180	67,595	67,595	-
Net Expenditure	56,720	62,909	72,020	9,111
Less **Levy on Tyne & Wear Councils**	(69,431)	(70,646)	(70,646)	-
Contribution to earmarked reserve	2,277	-	567	567
Contribution to / (from) Reserves	10,434	7,737	(1,941)	(9,678)

2. Analysis of Revenue Expenditure against Budget

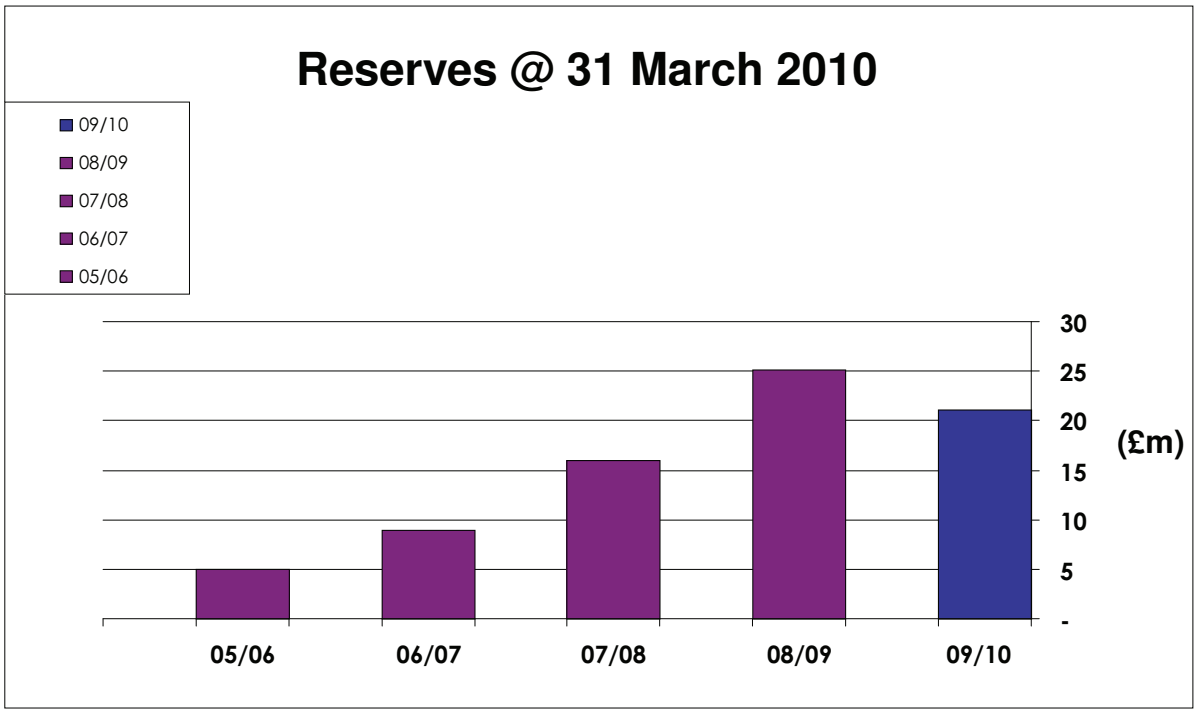
Budget Heading	Budget £	Actual £	Difference £
Staffing & Charges for Servicing Officers	364,490	326,665	(37,825)
Audit Fees	46,600	48,804	2,204
Members allowances and expenses	88,200	86,200	(2,000)
Accommodation Charges	7,670	8,714	1,044
Subscriptions	40,040	40,036	(4)
Conferences	3,570	3,187	(383)
Travel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

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

3. Reserves Position

Reserves at 31st March 2010	2008/09 £'000	2009/10 £'000	Difference £'000
Metro Re-invigoration Reserve	(12,875)	(13,441)	(566)
Integrated Transport Authority	(4,053)	(3,268)	785
Tyne Tunnel	(22,235)	(21,079)	1,156
Total	**(39,163)**	**(42,094)**	**1,375**

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



4. Capital Expenditure

During 2009/10, the tunnels spent £33.054m on capital works. These were primarily New Tyne Crossing construction costs: -

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

5. Pension Liabilities

The ITA is a member of the Tyne & Wear Superannuation Fund and the assets and liabilities of the fund that may be attributed to the Authority are evaluated by the pension fund's actuaries. The actuary has estimated for accounting purposes that the pension fund is currently in a deficit position and that the ITA's share of the deficit is £16.580m as at 31 March 2010 (£13.841m as at 31 March 2009). A strategy has been agreed with the actuary for the deficit to be recovered over the next twelve years with regular tri-annual revaluations of the fund due in 2010 with enhanced contributions likely. In line

with the approach taken by Newcastle City Council, the ITA has challenged the primary financial assumptions used by the actuaries in the estimation of the deficit position. The figures included in these financial statements should therefore be treated as draft.

6. Changes in Accounting Policies & Practices

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

Private Finance Initiative or Similar Contracts

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

Disclosures

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

- Expenditure on Publicity

7. Metro Reinvigoration

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

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

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

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

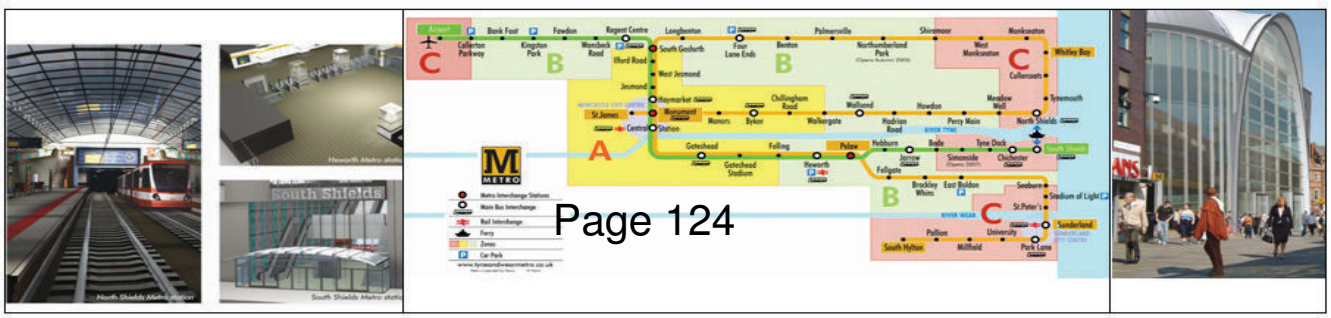
Around 400 people who worked for Nexus on Metro duties including train driving and control, train maintenance and station operation have transferred to the employment of DB Regio Tyne and Wear Ltd. A further 270 people who also currently work on Metro have remained with Nexus in roles involved with managing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

infrastructure including tracks, communications, power supply, station buildings and equipment.

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

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

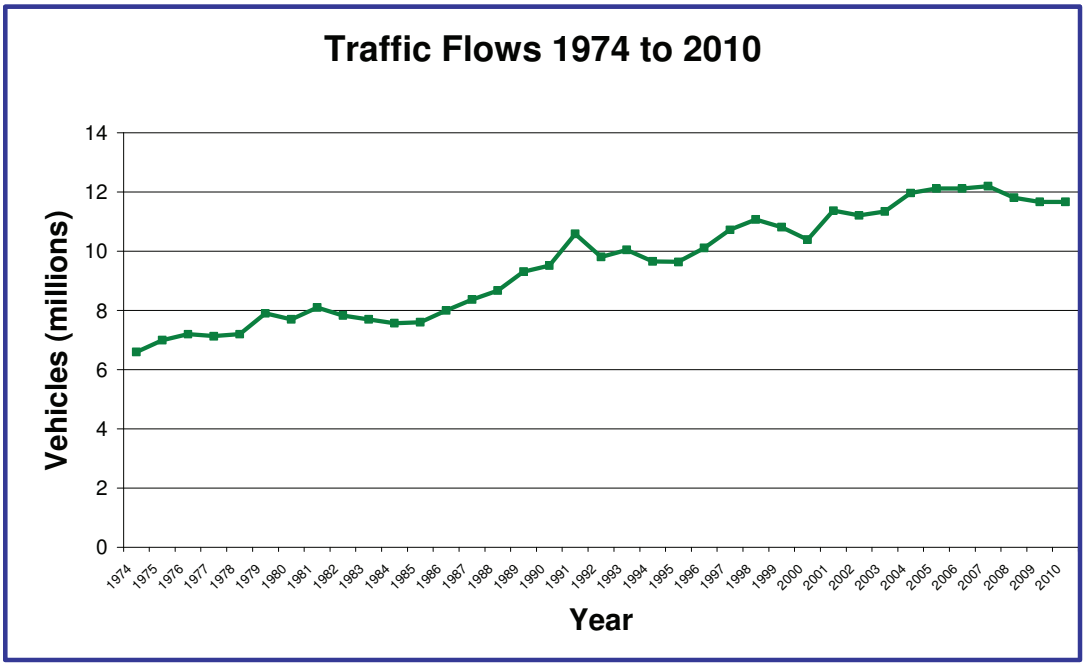
- Managing the regional fund for smart ticketing on behalf of North East Smart Ticketing Initiative, these monies are held as a provision on the balance sheet
- The need to actively manage investments and debt to minimise risk and deliver net financing costs within budget
- To work closely with Nexus to deliver a cash limited levy for 2011/12 to continue to improve the value for money for the districts and local taxpayers that fund the ITA

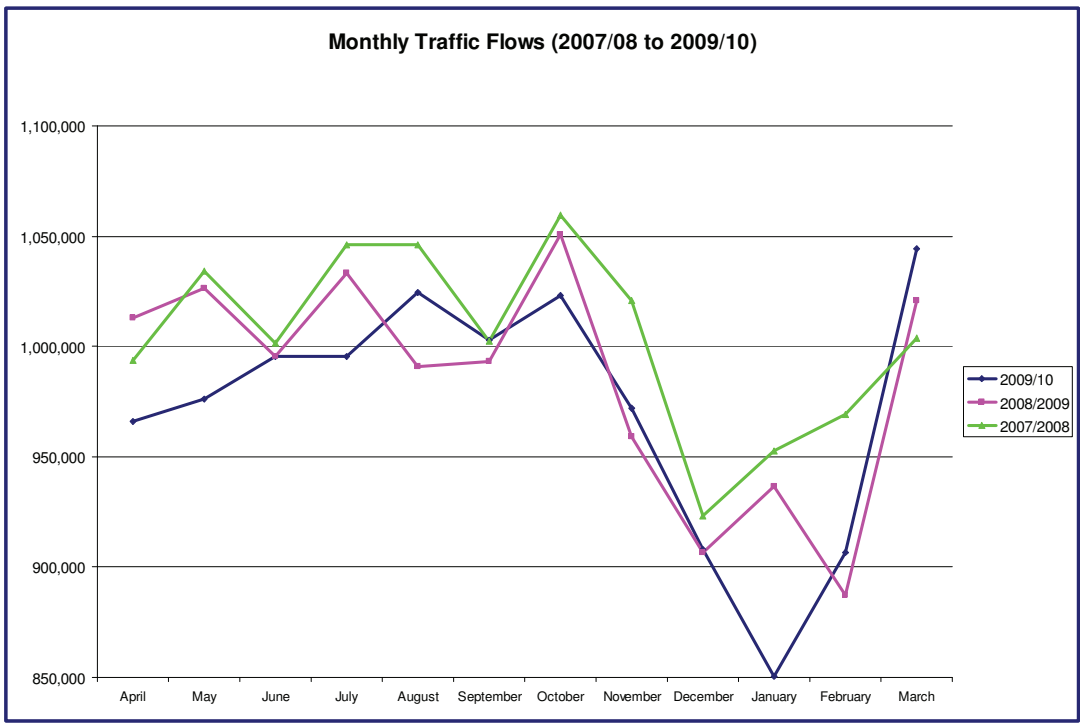


Tyne Tunnels and New Tyne Crossing Review

The Tyne Tunnels

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





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

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

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

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

New Tyne Crossing Project Review of Progress

Project Director's Review of Progress in 2009/10

The concession contract was signed on 23 November 2007 and the staff and operation of the Tyne Tunnels transferred to TT2 Ltd on 1 February 2008. Financial year 2009/10 was the second full year of the contract which has a 30 year term.

Operations

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

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

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

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

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

Construction

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

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

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

Environmental Monitoring

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

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

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

Communications

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

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

Programme

The current key delivery dates are: -

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

Land

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

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

Acknowledgement

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

Paul Fenwick
New Tyne Crossing Project Director

Scrutiny Advisory Committee - A Review of 2009/10

"… Giving Advice and Holding to Account …"

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

Membership of the Scrutiny Committee 2009/10

David Forbes
[Chairman]
Sunderland

Graeme Miller
Sunderland

Brian Richmond
[Vice-Chairman]
Gateshead

Lawrence Hunter
Newcastle

Mike Lynch
Newcastle

David Charlton
North Tyneside

Julia Macauley
North Tyneside

Malcolm Graham
Gateshead

Bill Brady
South Tyneside

[Vacancy]
South Tyneside

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

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

Work Programme June 2009 - April 2010

To maximise the scrutiny contribution to policy debate the committee agreed, at the start of this year, to base its meetings on the five national ambitions for transport planning[1]. This new approach also recognises the enhanced role of the ITA from The Transport Act 2008. The committee's new approach aims to deliver a sharper focus on key issues. Outcomes, against national priorities are as follows

National Goal	Work of the Scrutiny Committee 2009/10
Support national economic competitiveness and growth by **delivering reliable and efficient transport networks**	• Scrutinising the Tyne and Wear Traffic and Accident Data Unit. TADU manages traffic flow data. • Understanding the contribution of the ITA to regional transport strategy, with a watching brief on the review of governance arrangements. Also what was available under new 'well-being' powers. • Walking the site of the new Tyne Tunnel. • Monitoring representations being made to press the case for high speed rail to the North East. • Understanding national priority being given to improvements to A19 junctions.
Reduce transport's emissions of carbon dioxide and other greenhouse gases with the desired outcome of **tackling climate change**	• Scrutinising ITA and Nexus Action Plans following their signing of the Nottingham Declaration on climate change. • Understanding investment in the Tyne Foot Tunnel, suggesting opportunities to promote its use as part of cycling and walking networks.
Contribute to better safety, security and health and longer life expectancy by **reducing the risk of death, injury or illness arising from transport** and **by promoting travel modes that are beneficial to health**	• Writing to the DVLA requesting more use of the tax disc reminder to promote safe driving. • Writing to Nexus to suggest a more formalised dialogue with local NHS Trusts. • Understand the work of TADU in supporting Road Safety officers across Tyne and Wear. • Commenting, as part of national review, on the safety of mobility scooters and powered wheel chairs. • Understanding the ITA's approach to recording risk.
Promoting greater equality of opportunity for all citizens with the desired outcome of **achieving a fairer society**	• Promoting the Nexus 'Bridge' card developed to help those with limited mobility take a seat on local buses. • Understanding the take up/promotion of concessionary fares. • Commenting on consultation proposals on a developing vision for transport in Tyne and Wear. • Commenting on how the ITA is addressing equalities.
Improving quality of life for transport users and non transport users and to promote a healthy natural environment	• Understanding the North East Smart Ticketing initiative. • Commenting on public consultation proposals to support a review by the ITA of its subsidy to local bus services.

ITA Standards & Audit Committee - A Review

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

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

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

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

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

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

Independent Members

Mark Scrimshaw
(Chairman)

Liz Green

Tony Atkinson

George Clark

ITA Members

Councillor
Stuart Green

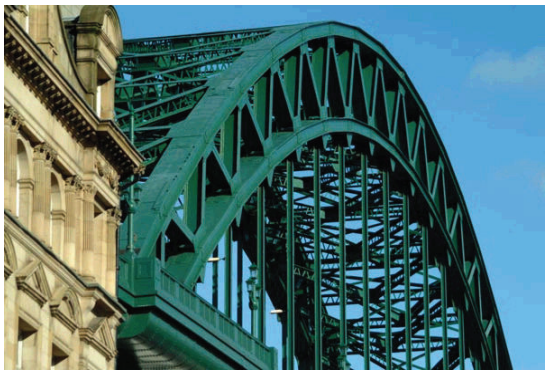
Councillor
James Blackburn

Councillor
Ann MacMillan

Councillor
Greg Stone

Councillor
Peter Wood

Statement of Responsibilities for the Statement of Accounts



The Authority's responsibilities

The Authority is required: -

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

Signed .....

Chair of Tyne & Wear Passenger Transport Authority

Date: 28 June 2010

The Treasurer's responsibilities

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

In preparing this statement of accounts, the Treasurer has: -

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

The Treasurer has also: -

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

Treasurer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2010, required by the Accounts and Audit Regulations are set out in the following pages.

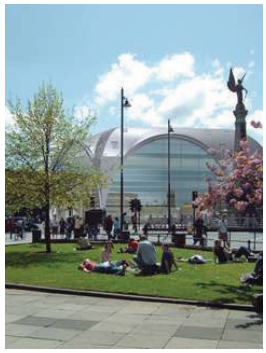
I further certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31st March 2010 and its income and expenditure for the year ended 31st March 2010.

Signed .....

PV Woods, Treasurer and Deputy Clerk

Date: 28 June 2010

Statement of Accounting Policies



1. General Principles

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

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

2. Accruals

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

3. Detailed Accounting Policies

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 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. In 2009/10 the ITA has a provision of £7.178m for the NESTI project equal to the contributions received by the 31 March 2010.

c. Fixed Assets

General

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

Arising from the Code of Practice:

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

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

De-minimis Levels

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

Basis of Asset Valuations

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

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

The closing balances at 31 March 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;
- The tunnels are depreciated replacement cost.
- The SORP requires detailed descriptions of the category 'Non-operational Assets' analysing them into investment properties, assets under construction or surplus assets held for disposal. These assets are valued at market value apart from assets under construction which are at cost until brought into use.

Revaluation of Assets

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

Charges to Revenue for Fixed Assets

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

Depreciation

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

Life Expectancy of Assets (in years)			
	Initial	2008/9	2009/10
Freehold Land	n/a	n/a	n/a
Tyne Tunnels	120	74	73
Infrastructure	40	34	33
Other Properties	n/a	n/a	n/a

Grants

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

Assets under Construction

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

Disposals

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

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 allocated on the basis of the average debt outstanding. The interest rate for 2009/10 was 4.40% (4.56% for 2008/09).

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 Act 2003. This has been set at 4% of the Authority's opening credit ceiling for supported capital expenditure and existing debt, for capital expenditure from 2008/09 financed by prudential borrowing the MRP calculation is based on the equal annual instalment method.

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

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

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

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.

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

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

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

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

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

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

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

l. Other Accounting Policies

Employee Costs

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

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

Overheads

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

Value Added Tax

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

Tyne Tunnel Income

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

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 2009/10 accounts, the Authority has fully complied with the requirements of the 2009 SORP, providing group figures for the 2009/10 accounts and comparators for 2008/09. The group financial statements are prepared in accordance with the

policies set out in the Statement of Accounting Policies above, with the following additions and exceptions:

Local Government Pension Scheme

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

Value Added Tax

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

Tangible Fixed Assets

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

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

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

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

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.

Tyne and Wear
Integrated Transport Authority

Annual Accounts
for the Financial Year Ended 31 March 2010 Subject to Audit

2009/10

Income and Expenditure Account for the Year Ended 31 March 2010

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

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

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

Statement of Movement on the General Fund Balance

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

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

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

		2008/09 £'000		2009/10 £'000	
Amounts Included in the Income and Expenditure Account but required by a statute to be excluded when determining the Movement on the General Fund Balance for the year					
Amortisation of intangible fixed assets					
Depreciation and impairment of fixed assets	3 & 11	343		(1,591)	
Transfer (to) or from Financial Instruments account		9		(262)	
Write down of revenue to be financed from capital resources by statute	3	(113)		(6,090)	
Write down of grants used to finance capital resources by statute		-		13,269	
Net charges made for retirement benefits in accordance with FRS17	28	(640)		(1,000)	
			(401)		**4,326**
Amounts not included in the Income and Expenditure Account but required by a statute to be included when determining the Movement on the General Fund Balance for the year					
Minimum Revenue provision for capital financing	3 &5	1,802		1,804	
Capital expenditure charged in year to general fund balance		-		20	
Employers contribution payable to the pension fund and retirement benefits payable direct to pensioners	28	1,099		1,101	
			2,901		**2,925**
Transfers to or from the General Fund that are required to be taken into account when determining the movement on the General Fund balance for the year					
Voluntary revenue provision for capital financing		-		-	
Net transfer to or from earmarked reserves	26	2,277		567	
			2,277		**567**
Net additional amount required to be credited to the General Fund Balance for the year			**4,777**		**7,818**

Statement of Total Recognised Gains & Losses

	Note	2008/09 £'000	2009/10 £'000
Surplus for the Year on the Income & Expenditure Account		(12,675)	(5,877)
Unrealised (gain) / loss from the revaluation of fixed assets	36		-
Actuarial (gains) / losses on pension fund assets / liabilities	28	3,830	2,840
Financing of fixed assets & deferred charges written off		-	
Any other gains or losses - receipt from sale of assets		-	
Any other gains or losses - movement in other reserves		-	
Total recognised (gains)/losses for the year		**(8,845)**	**(3,037)**
Balance at 1 April 2009		(93,447)	(102,292)
Balance at 31 March 2010		**(102,292)**	**(105,329)**

Reconciliation of Balances	2008/09 £'000
Balance at 1st April	(93,839)
Adjusted re IFRIC12	392
Restated Balance at 1st April	(93,447)

Balance Sheet as at 31 March 2010

		2008/09		2008/09 Restated *		2009/10	
Fixed Assets	**Notes**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Operational Assets	11, 12						
- Other Land & Buildings			12,135		12,135		12,135
- Vehicles, Plant, Furniture & Equipment			-		2,192		2,117
- Infrastructure Assets: Tunnels			101,617		101,617		100,240
- Infrastructure Assets: Other			3,889		3,889		3,771
Non Operational Assets							
- Assets under Construction			10,995		10,995		43,991
			128,636		130,828		162,254
Long Terms Debtors							
- Loans to Nexus	16		53,914		53,914		51,825
- Prepayments	17		340		340		340
Total Long-Terms Assets			182,890		185,082		214,419
Current Assets							
- Debtors	22, 39	7,547		7,547		7,889	
- Investments	21, 39	126,263		126,263		44,966	
- Cash & Bank	18	25,667		25,667		18,862	
			159,477		159,477		71,717
Current Liabilities							
- Creditors	23, 39	(3,988)		(6,919)		(10,051)	
- Borrowing repayable within 12 months	19	(38,142)		(38,142)		(1,438)	
			(42,130)		(45,061)		(11,489)
Total Assets Less Current Liabilities			300,237		299,498		274,647
Long Term Borrowing	20, 39		(183,365)		(183,365)		(145,560)
Liability related to defined benefit pension scheme	28, 32		(13,841)		(13,841)		(16,580)
Provision for NESTI	27						(7,178)
Total Assets Less Liabilities			103,031		102,292		105,329
Being represented by:							
Capital Adjustment Account	15		(64,370)		(66,562)		(73,975)
Revaluation Reserve	36		(10,449)		(10,449)		(10,449)
Financial Instruments Adjustment Account	25		41		41		303
Earmarked Balances	26		(12,875)		(12,875)		(13,441)
General Fund Reserve - Tyne Tunnel	32				(22,235)		(21,079)
General Fund Reserve - ITA	32		(29,219)		(4,053)		(3,268)
Pensions Reserve	28, 32		13,841		13,841		16,580
Total Net Worth			(103,031)		(102,292)		(105,329)

*Balance Sheet has been restated for IFRIC12

Treasurer's Certificate

I certify that the accounts set out on pages 39 to 66 present a true and fair view of the financial position of the Tyne and Wear Integrated Transport Authority as at 31 March 2010 .

Signed

Deputy Clerk and Treasurer
Date: 28 June 2010

Chair of the Authority
Date: 28 June 2010

Cash Flow Statement for Year Ended 31 March 2010

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

	Notes	2008/09	2009/10
		£'000	£'000
Net Cash Inflow from Revenue Activities	29	(12,082)	(12,756)
Servicing of Finance			
Payments			
Interest and Lease Payments		11,180	7,967
Receipts			
Interest on Revenue Balances		(6,872)	(6,146)
Interest reimbursed by Nexus		(2,813)	(3,551)
Net Cash Outflow from Servicing of Finance		1,495	(1,730)
Capital Activities			
Payments			
Purchase of Fixed Assets		2,154	33,016
Other Capital Cash Payments			6,790
Receipts			
Repayment of Long Term Debtors		(2,334)	(2,291)
Capital Grant received		-	(7,774)
Other Capital cash receipts		-	(4,566)
Net cash outflow from Capital Activities		(180)	25,175
Net cash outflow before financing		(10,767)	10,689
Management Of Liquid Resources			
Temporary Investments		12,350	(77,884)
Financing			
Payments			
Repayments of Amounts Borrowed		44,478	74,000
Receipts			
New Loans Raised		(14,858)	-
Newshort term loans raised		(38,142)	-
Net Cash (Inflow)/Outflow from Financing	31	(8,522)	74,000
(Increase)/Decrease in Cash and Equivalents	30	**(6,939)**	**6,805**

Disclosure Notes to the Core Financial Statements

1 Tyne Tunnels Expenditure

	2008/09	2009/10
	£'000	£'000
Expenditure		
Employees	38	35
FRS 17 Current Service Costs Pension Adjustment	-	-
FRS 17 Past Service Costs Pension Adjustment	-	-
FRS 17 Loss on Curtailment	-	-
Premises	67	29
Transport	-	27
Supplies and Services	26	11
Usage Payments	2,953	5,659
Central Support Costs	121	103
Capital Charges and Impairment	1,846	1,591
Provision for NESTI	-	7,178
	5,051	14,633
Income		
Toll Income *	(12,987)	(13,180)
Other Income **	(88)	(15)
Contribution to NESTI	-	(7,178)
	(13,075)	(20,373)
Net Expenditure	(8,024)	(5,740)

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

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

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

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

	2008/09	2009/10
	£'000	£'000
Net Expenditure	(8,024)	(5,740)
Adjustments		
- New Tyne Crossing Prelim Costs	40	40
- Pension Adjustment	589	589
- Capital Charges	(1,846)	(1,590)
- Financing Charges	1,194	1,775
- Interest	(1,151)	(1,096)
- Contribution to NESTI	0	7,178
Figures as per the Explanatory Foreword	(9,198)	1,156

2 New Tyne Crossing preliminary costs:

	2008/09	2009/10
	£'000	£'000
Premises	-	-
Supplies and Services	4	-
Support Services	36	40
Interest Charges	-	-
	40	40

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.

3 Capital Financing

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

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

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

	2008/09	2009/2010		
	Total	Tyne Tunnel	ITA	Total
Statutory MRP:	£'000	£'000	£'000	£'000
- Department of Transport	-	-	-	-
- PWLB	4,093	338	3,715	4,053
- Nexus Principal Repayment	(2,291)	-	(2,249)	(2,249)
Less : Deferred Charges	(113)	-	(6,090)	(6,090)
	1,689	338	(4,624)	(4,286)
Revenue Contributions	-	20	-	20
Less Grant	-	7,179	6,090	13,269
Less: Provision for Depreciation and Impairment	(1,846)	(1,591)	-	(1,591)
Appropriation	(157)	(1,233)	1,466	7,412

4 Levy on Districts and Revenue Support Grant to Nexus

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

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

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

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

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

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

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

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

5 Minimum Revenue Provision (MRP)

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

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

6 Members' Allowances

The total paid in members' allowances during the year:

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

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

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

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

8 Fees Payable to Audit Commission

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

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

9 Support Services

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

10 Integrated Transport Authority Lead Officers

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

Responsibility	Title
Policy / Legal / Administration:	Clerk - *Barry Rowland*
Financial advice:	Deputy Clerk and Treasurer - *Paul Woods*
Engineering:	Engineer to the Tunnels - *Vacant*

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

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

12 Movements on Fixed Assets

Movements in fixed assets during the year were as follows:

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

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

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

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

13 Capital Expenditure and Financing

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

14 Tyne Tunnel Capital Expenditure

	2008/09 £'000	2009/10 £'000
Main items of expenditure were:		
Tyne Tunnels Improvements	-	21
Major capital commitments at the start of following year are:		
Pedestrian Tunnels Lift Improvements	330	300

Consideration is also being given to major improvements of the Passenger Cycle tunnel.

15 Capital Adjustment Account

	2008/09 £'000	2009/10 £'000
Opening Balance 1st April	(64,527)	(66,562)
Revenue Reserve	-	(21)
Capital receipts	-	
Capital contributions applied	-	(5,495)
Government grants for RECS & fixed assets applied	-	(7,774)
MRP	(1,802)	(1,804)
RECS written off	113	6,091
Depreciation	1,591	1,590
Prior Year adjustment re IFRIC 12 vehicles & plant re-instated on Balance Sheet	(2,268)	-
Revaluation / Impairment	331	-
Closing Balance 31st March	(66,562)	(73,975)

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

16 Long Term Debtors

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

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

17 Prepayments

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

18 Cash

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

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

19 Short Term Borrowing (< 1 year)

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

20 Long Term Borrowing (> 1 year)

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

The decrease in borrowing is a result of repayment of debt to reduce risk in a period of uncertainty.

21 Investments

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

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

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

22 Debtors

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

23 Creditors

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

24 General Reserves

The movement in reserves is explained by the following summary:

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

25 Financial Instruments Adjustment Account

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

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

26 Earmarked Reserve

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

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

27 Provision for NESTI

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

2008/09 £'000	2009/10 £'000
-	(7,178)

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

28 Local Government Pension Scheme (LGPS) Funded Benefits

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

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

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

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

Principal financial assumptions (% per annum)

	31 March 2008	31 March 2009	31 March 2010
Inflation	3.7%	3.3%	3.8%
Rate of general increase in salaries	5.2%	4.8%	5.3%
Rate of increase to pensions in payment	3.7%	3.3%	3.8%
Rate of increase to deferred pensions	3.7%	3.3%	3.8%
Discount rate	6.8%	6.8%	5.5%

Principal demographic assumptions

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

Expected Return on Assets

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

	Asset split at 31 March 2008	Asset split at 31 March 2009	Asset split at 31 March 2010
Equities	63.6%	66.1%	67.8%
Property	10.6%	8.4%	7.4%
Government bonds	10.9%	10.2%	9.3%
Corporate bonds	8.9%	10.4%	11.4%
Cash/ other	6.0%	4.9%	4.1%
Total	100%	100.0%	100.0%
Long-term expected rate of return as at 31 March	7.0%	6.2%	7.3%

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

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

Reconciliation of Funded Status to Balance Sheet

	Value as at 31 March 2008 £m	Value as at 31 March 2009 £m	Value as at 31 March 2010 £m
Notional value of assets	18.27	15.44	21.69
Present value of liabilities	27.97	28.52	37.33
Net present asset/ (liability)	(9.70)	(13.08)	(15.64)

Analysis of Income & Expenditure/ Profit & Loss Charge

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

Changes to the Present Value of Liabilities during the Accounting Period

	Period ending 31 March 2009 £m	Period ending 31 March 2010 £m
Opening present value of liabilities	27.97	28.52
Current service cost	0.00	0.00
Interest cost	1.88	1.92
Contributions by participants	0.00	0.00
Actuarial (gains)/ losses on liabilities *	(0.81)	7.48
Net benefits paid out #	(0.52)	(0.59)
Past service cost	0.00	0.00
Closing present value of liabilities	28.52	37.33

* includes changes to the actuarial assumptions

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

Changes to the Fair Value of Assets during the Accounting Period

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

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

Actual return on Assets

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

Analysis of amount in STRGL*

	Period ending 31 March 2009 £m	Period ending 31 March 2010 £m
Total actuarial gains/ (losses)	(3.84)	(2.66)
Total gain/ (loss) in STRGL	(3.84)	(2.66)

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

	As at 31 March 2009 £m	As at 31 March 2010 £m
Fair value of assets	15.44	21.69
Present value of liabilities	28.52	37.33
Surplus/ (deficit)	(13.08)	(15.64)

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

History of experience gains & losses

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

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 restated for periods 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.

28b Local Government Pension Scheme (LGPS)

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

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

Assumptions - the latest actuarial valuation of unfunded LGPS benefits took place as at 31 March 2007. The

Principal financial assumptions (% per annum)

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

Principal demographic assumptions

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

Reconciliation of Funded Status to Balance Sheet

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

Analysis of Income & Expenditure/ Profit & Loss Charge

	Period ending 31 March 2009 £m	Period ending 31 March 2010 £m
Interest Cost	0.04	0.05
Expense recognised	0.04	0.05

Changes to the Present Value of Liabilities during the Accounting Period

	Period ending 31 March 2009 £m	Period ending 31 March 2010 £m
Opening present value of liabilities	0.77	0.76
Interest cost	0.05	0.05
Actuarial (gains)/ losses on liabilities *	(0.01)	0.18
Net benefits paid out	(0.05)	(0.05)
Closing present value of liabilities	0.76	0.94

* includes changes to the actuarial assumptions

Analysis of amount in STRGL*

	Period ending 31 March 2009 £m	Period ending 31 March 2010 £m
Total actuarial gains/ (losses)	0.01	(0.18)
Total gain/ (loss) in STRGL	0.01	(0.18)

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

	As at 31 March 2009 £m	As at 31 March 2010 £m
Present value of liabilities	0.76	0.94
Surplus/ (deficit)	(0.76)	0.94

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

History of experience gains & losses

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

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

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

Analysis of amount recognised in STRGL*

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

	Period ending 31 March 2009 £'000	Period ending 31 March 2010 £'000
Total actuarial gains/(losses)	(3.83)	(2.84)
Total gain/(loss) in STRGL	(3.83)	(2.84)

The cumulative gains / losses in STRGL are	**£m**	**£m**
2009-2010		(9.62)
2008-2009	(6.78)	(6.78)
2007-2008	(2.95)	(2.95)
2006-2007	(0.94)	(0.94)
2005-2006	(0.49)	(0.49)

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6th April 2007. The history of total gain/(loss) shown has not been re-stated for periods ending 2004, 2005, 2006 and 2007 and includes the experience relating to unfunded liabilities.

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

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

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

	2009/10	
	Balance 31.3.09	Balance 31.3.10
	£'000	£'000
Cash in hand and at bank	25,667	18,862
Cash in Hands of Officers	-	-
	25,667	18,862

31 This statement analyses Net Cash Inflow from financing:-

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

32 Details of Total Movements in Reserves

	Capital Reserves				Revenue Reserves		Total
	Revaluation Reserve	Capital Adjustment Account (CAA)	Financial Instrument Adjustment Account	Capital Earmarked reserve	Pension Reserve	General Fund	
	£000	£000	£000	£000	£000	£000	**£000**
Balance at 1st April 2009	**(10,449)**	**(64,370)**	**41**	**(12,875)**	**13,841**	**(29,219)**	**(103,031)**
Prior Year adjustment		(2,194)				2,931	**737**
Restated Balance at 1st April 2009	**(10,449)**	**(66,564)**	**41**	**(12,875)**	**13,841**	**(26,288)**	**(102,294)**
Net (surplus)/deficit for year	-	-	-	(566)		1,941	**1,375**
Unrealised (gain)/loss from the revaluation of fixed assets	-	-	-	-	-	-	-
Effects of disposals of fixed assets							
Net (surplus) deficit on disposals	-	-	-	-	-	-	**-**
Disposal of fixed assets	-	-	-	-	-	-	**-**
Financing of fixed assets and deferred charges written off	-	5,858	262	-	-	-	**6,120**
Government grant/Contributions applied	-	-	-	-	-	-	-
Proceeds from assets	-	-	-	-	-	-	-
Movements in Pensions Reserve							
Actuarial losses/(gains) in the year	-	-	-	-	2,739	-	**2,739**
Unfunded pensions paid	-	-	-	-	-	-	**-**
	-	-	-	-	-	-	**-**
Balance at 31st March 2010	**(10,449)**	**(60,706)**	**303**	**(13,441)**	**16,580**	**(24,347)**	**(92,060)**

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

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

33 Future Capital Commitments

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

In 2009/10 the payment under the contract was £34.259m (£2.859m for usage payments and capital payments of £31.400m) (2008/09 £2.293m). The payment under the contract in 2010/11 is estimated to be £4.762m (£2.962m for usage payments and capital payments of £38.800m). On completion of the second tunnel planned for February 2011 it will be included on the ITA's balance sheet (at an estimated value of £295m) and the contribution by TT2 will be recognised as a finance lease (estimated value £205m) which will be written down over the remaining life of the contract.

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

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

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

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

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

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

35 Contingent Liabilities

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

36 Revaluation Reserve

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

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

37 Grants

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

38 Leasing transactions

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

	2008/09	2009/10
	£'000	£'000
Building rentals paid	128	135
Operating leases commitments to further rental charges at 31 March		
Expiring between two and five years of the Balance Sheet date	270	202

39 Financial instruments - amounts recognised in the Balance Sheet

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

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

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

Recognised gains and losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40 Authorisation of the Accounts for Issue

Events happening between the balance sheet date and the date the accounts are authorised for issue are classed as post balance sheet events. Post balance sheet events which arose due to events happening before the balance sheet date have been incorporated into the financial statements.

Any post balance sheet events which arose due to events happening after the 31st March 2010 would be classed as non-adjusting events, which would require disclosure but would not be included in the financial statements. There have been no such events requiring disclosure since the balance sheet date.

The accounts are authorised for issue on 28th June 2010. This is the date that the financial statements were approved by the Authority and signed by the Chair and the Deputy Clerk and Treasurer.

Tyne and Wear
Integrated Transport Authority

Group Accounts
for the Financial Year Ended 31 March 2010

Subject to audit

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

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

Group Income & Expenditure Account for the Year Ended 31 March 2010

	Note	2008/09 £'000	2008/09 Restated £'000	2009/10 Gross Expenditure £'000	2009/10 Income £'000	2009/10 Net Expenditure £'000
General Fund Services	3					
Planning and Development		1,167	1,167	1,257		1,257
Corporate & Democratic Core		2,382	2,382	2,616	(47)	2,569
Non-Distributed Costs		5,596	5,596	(6,460)		(6,460)
Transport		83,268	83,268	164,604	(66,488)	98,116
Exceptional Items not included in specific services	4	(168)	(168)	-	-	-
Net Cost of Services		92,245	92,245	162,017	(66,535)	95,482
Trading Accounts						
Tyne Tunnels		(8,024)	(7,677)	14,633	(20,373)	(5,740)
Interest Payable		7,404	7,404	7,404	-	7,458
Interest on revenue balances		(10,680)	(10,680)	-	(6,579)	(6,579)
Pensions Interest costs and Expected Return on Pension Assets	5	2,490	2,490	5,660	-	5,660
Taxation of Group Entities		(995)	(995)	-	203	203
Net Operating Expenditure		**82,440**	**82,787**	**189,714**	**(93,284)**	**96,484**
Levy /grant Income		(103,132)	(103,132)			(104,258)
Net Income & Expenditure Account (surplus)/deficit		**(20,692)**	**(20,345)**			**(7,774)**

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

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

Statement of Movement on General Fund Balance

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

***Analysis of Surplus**

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

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

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

Note of Reconciling Transactions

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

Statement of Total Recognised Gains & Losses

	Note	2008/09 £'000	2009/10 £'000
Surplus for the Year on the Income & Expenditure account		(20,345)	(7,774)
Unrealised (gain)/loss from the revaluation of fixed assets		-	-
Actuarial (gains)/losses on pension fund assets/liabilities		37,520	20,160
(Surplus) or deficit arising on revaluation of available for sale Financial assets		-	-
Financing of fixed assets & deferred charges written off		-	-
Any other gains or losses		-	-
Total recognised gains for the year		17,175	12,386
Balance at 1st April		(131,271)	(114,096)
Balance at 31st March		(114,096)	(101,710)

Reconciliation of Balances	2008/09 £'000
Balance at 1st April	(390,781)
Adjusted re IFRIC 12	392
Adj re classification of cap grants deferred	259,118
Restated Balance at 1st April	(131,271)

Group Balance Sheet as at 31 March 2010

Fixed Assets	Notes	2008/09 £'000	2008/09 £'000	2008/09 restated £'000	2008/09 restated £'000	2008/09 £'000	2008/09 £'000
Operational Assets	**8/9**						
- Other Land & Buildings		14,809		14,809		15,049	
- Vehicles, Plant & Machinery		36,826		39,018		43,958	
- Infrastructure Assets		396,169		396,169		395,504	
- Community Assets		16,084		16,084		16,855	
Non Operational Assets		21,688		21,688		60,655	
Long Term Investments		1		1		1	
			485,577		487,769		532,022
Prepayments		340		340		340	
Long Term Debtors		-	340	-	340	-	340
Total Long-Terms Assets			485,917		488,109		532,362
Current Assets							
- Stock		3,165		3,165		3,444	
- Debtors	**12**	16,944		16,944		18,984	
- Short Term Investments		164,421		164,421		92,102	
- Cash		26,341		26,341		19,427	
			210,871		210,871		133,957
Current Liabilities							
- Creditors	**13**	(19,575)		(22,506)		(33,179)	
- Short Term Borrowing	**10**	(38,142)		(38,142)		(1,438)	
			(57,717)		(60,648)		(34,617)
Total Assets Less Current Liabilities			639,071		638,332		631,703
Long Term Borrowing	**11**	(183,365)			(183,365)	(145,560)	
Provisions for Liabilities & Charges	**14**	(3,151)			(3,151)	(9,563)	
Deferred Capital Grants	**15**	(260,849)			(260,849)	(279,739)	-
Pension Liability		(76,871)	(524,236)		(76,871)	(95,130)	(529,992)
Total Assets Less Liabilities			114,835		114,096		101,710
Being represented by:							
Capital Adjustment Account			(125,041)		(127,233)		(134,741)
Revaluation Reserve			(10,449)		(10,449)		(10,449)
Financial Instruments Adjustment Account			41		41		303
Usable Capital receipts reserve			-		-		-
General Fund Reserve			(43,382)		(40,451)		(38,512)
Earmarked Reserve			(12,875)		(12,875)		(13,441)
Pension Reserve			76,871		76,871		95,130
Total Balances & reserves			(114,835)		(114,096)		(101,710)

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

Treasurer's Certificate

I certify that the accounts set out on pages 67 to 78 present a true and fair view of the financial position of the Tyne and Wear Integrated Transport Authority as at 31 March 2010 .

Signed

Deputy Clerk and Treasurer
Date:

Chair of the Authority
Date:

Group Cash Flow Statement for Year Ended 31 March 2010

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

	Notes	2008/09 £'000	2009/10 £'000
Net cash flow from revenue activities	**16**	(20,196)	(31,394)
Servicing of finance			
Payments			
Interest and Lease Payments		11,742	7,967
Receipts			
Interest on Revenue Balances		(9,380)	(8,271)
Net cash flow from servicing of finance		2,362	(304)
Taxation		-	-
Capital Activities			
Payments			
Purchase of Fixed Assets		21,559	61,017
Other capital cash payments		-	3,206
Receipts			
Sale of Fixed Assets		(41)	(17)
Grant Finance Raised		(12,290)	(26,163)
Other capital cash receipts			(4,524)
Net cash flow from capital activities		9,228	33,519
Net cash flow before financing		**(8,606)**	**1,820**
Management of Liquid Resources			
Temporary Investments		12,350	74,000
Net cash flow from management of liquid resources		**12,350**	**74,000**
Financing			
Payments			
Repayments of Amounts Borrowed		44,403	(77,884)
Receipts			
New Loans Raised		(54,240)	-
Net cash flow from financing		**(9,837)**	**(77,884)**
(Increase)/Decrease in Cash and Equivalents	**17**	**(6,093)**	**(2,064)**

Disclosure Notes to the Group Core Financial Statements

1 These accounts have been prepared by merger accounting conventions, combining the Tyne and Wear Integrated Transport Authority and Nexus. They have been merged as at 31 March 2010.

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

3

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

4 **Exceptional Item**

Proceeds from disposal of Airspace	-	-
Recovery of deposits	168	-
Total	168	-

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

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

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

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

6 Fees Payable to Audit Commission

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

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

7 Integrated Transport Authority Lead Officers

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

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*
Director of Strategy	*Tobyn Hughes*

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

8 Fixed Assets

Movements in fixed assets during the year were as follows:

	2009/10						
Operational Assets	Land & Buildings	Vehicles, Plant, etc	Ferry	Infra-Structure	Other Assets		Total
	£'000	£'000	£'000	£'000	£'000		£'000
Cost or Vested Value							
Value at 31 March 2009	16,966	118,068	6,249	855,444	24,751		1,021,478
add back vehicles - IFRIC 12		2,192					2,192
Adjusted balance as at 31 March 2009	16,966	120,260	6,249	855,444	24,751	-	1,023,670
Additions				20			20
Disposals					(143)		(143)
Transfers	487.99	9,646		9,873	2,369		22,376
Depreciation							
Value at 31 March 2008	(2,157)	(81,242)	(2,101)	(463,423)	(8,667)		(557,590)
Disposals					143		143
Depreciation for Year	(248)	(4,707)	(233)	(10,325)	(1,596)		(17,110)
Impairment							-
Revaluations							-
Net Book Value at 31 March 2010	15,049	43,958	3,915	391,589	16,856	-	471,366

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

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

9 Total Capital Expenditure funded by ITA

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

10 Short Term Borrowing

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

11 Borrowing

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

12 Debtors

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

13 Creditors

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

14 Provision for Liabilities and Charges

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

15 Deferred Capital Grants

	2008/09 £'000	2009/10 £'000
Value at 1 April	259,118	260,849
Additions	11,658	30,219
Amortisation to revenue account	(9,927)	(11,329)
Value at 31 March	260,849	279,739

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

Deficit / (Surplus) for the year	2008/09 £'000	2008/09 restated £'000	2009/10 £'000
General Fund (after grants)	(19,697)	(20,345)	(7,774)
Items in another classification in the cash flow statement			
Revenue - Levy Income	-	-	-
Servicing of Finance			
- Payments	(12,628)	(12,628)	(9,932)
- Receipts	13,293	13,293	6,579
Financing			
- Payments	(5,831)	(5,831)	(13,269)
Non-Cash Transactions			
- Depreciation	(16,792)	(19,328)	(17,109)
- Movement on Deferred Capital Grants	15,645	15,645	24,598
- Movement on Provisions	632	1,627	766
- Movement on Pensions	3,869	3,869	1,901
- Losses on Disposal	36	36	17
-Other adjustments	(330)	(330)	-
Items on an Accruals Basis			
- Movement in Debtors	3,148	3,148	(6,135)
- Movement in Creditors	(1,554)	635	(11,315)
- Movement in Stock	13	13	279
- Deferred Income	-	-	-
Net Cash Flow on Revenue Activities	(20,196)	(20,196)	(31,394)

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

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

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