



## Tyne and Wear Integrated Transport Authority

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Meeting to be held on Thursday 23 January 2014 at 10.00 am in a Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

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## Appendix D – ITA Reserves

The table below sets out the current and forecast position on the ITA’s General and earmarked reserves:

	<b>12/13 Actual £000</b>	<b>13/14 Original Estimate £000</b>	<b>13/14 Revised Estimate £000</b>	<b>14/15 Original Estimate £000</b>
ITA General Reserve	2,382	2,260	500	500
Tyne Tunnels Reserve	35,598	34,636	27,472	27,046
Metro Reinvigoration Reserve	12,325	9,800	9,600	9,000
<b>Total Usable Reserves</b>	<b>50,305</b>	<b>46,496</b>	<b>35,572</b>	<b>36,546</b>

The revised estimate for the reserves position on the ITA General Reserve and the Tyne Tunnels Ringfenced Reserve is significantly different from the original estimate due to the transaction which was approved by the ITA at its November meeting to allow the Treasurer to make a lump sum payment to the Tyne and Wear Pension Fund to pay down the historic pension deficit, in order to achieve an ongoing saving on the revenue budget. This is discussed further in paragraphs 4.2 and 4.5 of the main report. The saving has enabled the establishment of a contingency of £232,470 in the ITA’s general budget for 2014/15, and consideration of the use of this reserve will be made during 2014/15, when the position of the Combined Authority is clearer and there is an updated forecast of the costs of operational transport within the Nexus Budget for 2015/16 and future years.

The Tyne Tunnels reserve must be used to fund the costs relating to the Tyne Tunnels and will be used to fund the capital financing costs of the Tunnels in the coming years, replace external debt on the tunnels that comes to maturity, as well as meet any risks associated with the capital costs of improving the Pedestrian and Cycle Tunnels.

The main item of cost in the ITA’s budget is the capital financing costs relating to historic debt to fund Transport Infrastructure capital investment. There is no significant interest rate risk relating to this cost as the majority of the loans have fixed rates of interest and it is not intended to take out any new loans that come to their end of their life. Instead the Tyne Tunnels reserve will be used to finance the Tunnels, reducing the external financing costs in the Tyne Tunnels budget.

The ITA General Reserve has been reduced to £0.5m, which is the minimum level that the Treasurer considers a prudent balance to cover risks which may fall on the ITA and to set a balanced budget for 2014/15. This view takes account of the contingency in the ITA budget; the substantial earmarked reserves held for the Tyne Tunnels and Metro Reinvigoration, and the fact that Nexus also hold reserves of their own to cover operational transport costs and risks.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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