

Date: 1 February 2022

Subject: Budget 2022/23 and Medium-Term Financial Strategy

Report of: Chief Finance Officer

Executive Summary

This report provides an updated forecast of outturn against the 2021/22 budgets agreed in February 2021 and presents the NECA revenue budget for 2022/23 and indicative estimates for 2023/24 and 2024/25 for consideration and approval.

The updated forecast outturn for 2021/22 is for total expenditure of £0.195m in relation to NECA corporate expenditure and costs relating to the Accountable Body role for the JTC.

In 2022/23 the NECA corporate costs are estimated to be £0.123m and the budget for the JTC Accountable Body role is proposed to be set at £0.090m. After estimated investment income of £0.039m, the level of contributions from constituent authorities is proposed to set as follows:

- £25,000 from each of the four constituent authorities in NECA to cover NECA corporate costs; and
- £10,000 from the seven local authorities in the JTC area to cover the JTC Accountable Body role

The NECA corporate costs and budgets for the JTC Accountable Body role primarily covers employee and Service Level Agreement (SLA) charges and regular costs such as independent members' allowances, telecoms charges and meeting expenses. The budget will need to be kept under review for any new areas of work that are identified over and above the budget that is agreed and to take account of inflation and other pressures.

The budget proposals contained in this report have been subject to consultation with the NECA Leadership Board, members of the NECA Overview and Scrutiny Committee and relevant officer groups.

The report also sets out the proposals in relation to the Transport budget and levies which will be considered by the North East Joint Transport Committee (JTC) at its meeting on 2 February 2022. NECA is required to issue the levies agreed to its constituent authorities and, in its role as Accountable Body for transport, to administer the transport grants agreed to the delivery bodies.

Recommendations

The Leadership Board is recommended to:

- i. Note the updated position in terms of forecast of outturn for 2021/22;
- ii. Unanimously agree a budget for 2022/23 for the corporate costs of NECA of £0.123m, with an equal contribution of £25,000 from each of the constituent authorities in NECA to help meet these costs, as set out in section 2.7;
- iii. Unanimously agree a budget for 2022/23 in respect of the accountable body role for the JTC in 2022/23 of £0.090m, with equal contributions of £10,000 from the seven local authorities in the JTC area to help meet these costs, as set out in section 2.7;
- iv. Issue the levies as determined by the JTC on its meeting on 2 February 2022;
- v. Make arrangements to administer payment of a transport revenue grant to Durham County Council for the delivery of transport services in the Durham area and to Nexus for the delivery of transport services in Tyne and Wear as determined by the JTC on its meeting on 2 February 2022;
- vi. Note that the North of Tyne Combined Authority will issue the Transport levies to Newcastle City Council, North Tyneside Council and Northumberland County Council that have been agreed to the JTC and will pass the levy income from Newcastle City Council and North Tyneside Council to NECA in order to meet costs relating to the Tyne and Wear area;
- vii. Note that the North of Tyne Combined Authority will issue the transport revenue grant to Northumberland County Council agreed by the JTC and make a £10,000 contribution to NECA in respect of Northumberland County Council's contribution to the costs of the JTC;
- viii. Authorise the Chief Finance Officer and the Monitoring Officer to take such other steps as are necessary to give effect to the proposals in this report;
- ix. Note the section on the level of reserves set out in section 2.8-2.9.

1. Background Information

- 1.1 The arrangements set out in the Order which set up the North of Tyne Combined Authority (NTCA) require decisions about the Transport Revenue Budget and Transport Levies and the Transport Capital Programme to be taken by the North East Joint Transport Committee (JTC). The transport functions and assets still rest with each Combined Authority but can only be exercised or deployed through the decisions of the JTC. Accordingly, the JTC is an integral part of the decision-making in relation to the budget of each Combined Authority.
- 1.2 The NECA Leadership Board take decisions about the non-transport elements of its budget and incorporate the transport elements decided by the JTC into its budget.

2. Proposals

2021/22 Updated Forecast of Outturn

- 2.1 The NECA budget for corporate costs is required to support operational costs including staffing employed by NECA, Service Level Agreements (SLAs), independent members allowances and expenses, and supplies and services costs. The report to the Leadership Board on 2 February 2021 set a net NECA Corporate budget for 2021/22 of £202,940 which provided for NECA corporate capacity and to fulfil the JTC Accountable Body role. This is funded from contributions from NECA constituent authorities totalling £100,000 (£25,000 per authority), contributions from JTC constituent authorities totalling £70,000 (£10,000 per authority) and interest income on short term investments.
- 2.2 Although subject to a small increase in December, interest rates remain at extremely low levels. This has had an impact on the level of interest that the authority has been able to achieve on its investments, part of which contributes to the NECA Corporate budget. In December the Bank of England's Monetary Policy Committee (MPC) voted to increase the bank rate to 0.25% from its previous low of 0.1%. It is considered increasingly likely that, should current high levels of inflation be sustained, the MPC may need to increase rates further in 2022.
- 2.3 Accordingly, the forecast for investment income receivable in 2021/22 is forecast to be below the budget set for the year in February 2021. The small forecast deficit resulting can be met from the NECA Corporate reserve in year, which is higher than was forecast at the time of setting the budget due to slightly higher investment income received in 2020/21, and totalled £426k at 1 April 2021. There have also been some savings on employee expenditure on the NECA Corporate budget due to a vacant post for part of the year.
- 2.4 The forecast has been updated on the most recent information and is set out in the table below.

2.5 **Table 1: NECA Corporate Budget Forecast Outturn 2021/22**

	NECA Corporate	JTC Accountable Body	Total
	£	£	£
Expenditure			
Employees	39,160	12,384	51,544
Service Level Agreements	54,060	76,330	130,390
Independent Members Allowances	6,000	0	6,000
Supplies and Services	7,235	0	7,235
Total Expenditure	106,456	88,714	195,169
Income			
NECA Corporate Contributions	(100,000)		(100,000)
JTC Accountable Body Contributions		(70,000)	(70,000)
Interest income	(10,000)	(13,000)	(23,000)
Total Income	(110,000)	(83,000)	(193,000)
In year (surplus)/deficit	(3,544)	5,714	2,169

Budget Proposals 2022/23 and Estimates for 2023/24 and 2024/25

2.6 Appendix 1 sets out the budget for 2022/23 recommended for approval, along with Medium Term Financial Strategy estimates for 2023/24 and 2024/25. The constituent authority contributions to the NECA Corporate budget and the NECA budget for fulfilment of the JTC Accountable Body role are included at the current levels of £25,000 and £10,000 respectively for 2022/23 and beyond, however these will need to be subject to review for 2023/24 onwards and is dependent upon investment income recovering to the rates achieved during 2020/21 and balances held being at a sufficient level.

2.7 The proposals set out for approval are largely unchanged from the draft proposals reported to the NECA Leadership Board in November 2021 and have been updated for the latest known information. The 2022/23 budget proposal is shown in the table below.

Table 2: NECA Corporate Budget 2022/23

	NECA Corporate	JTC Accountable Body	Total
	£	£	£
Expenditure			
Employees	54,510	13,430	67,940
Service Level Agreements	54,060	76,330	130,390
Independent Members Allowances	6,500	0	6,500
Supplies and Services	7,560	0	7,560
Total Expenditure	122,630	89,760	212,390
Income			
NECA Corporate Contributions	(100,000)	0	(100,000)
JTC Accountable Body Contributions	0	(70,000)	(70,000)
Interest income	(20,000)	(19,000)	(39,000)
Total Income	(120,000)	(83,000)	(193,000)
In year (surplus)/deficit	2,630	760	3,390

Reserves

- 2.8 The Corporate reserve of NECA was £426k at 1 April 2021. After meeting the small in-year deficit for 2021/22, it is forecast to be approximately £423k. Based on current budgets, this is considered a prudent level of reserves to hold to mitigate against unforeseen costs which may arise specifically in relation to this area of the budget.
- 2.9 Separate reserves are held for Transport activity (including Nexus and the Tyne Tunnels), and decisions on these reserves will be taken by the JTC as part of its own budget considerations.

Transport budgets and levies

- 2.10 A copy of the report to the extraordinary JTC meeting on 2 February 2022 setting out detailed proposals for transport budgets is attached as Appendix 2. This includes the proposed Transport Levies, the Transport North East budget and budgets in relation to the Tyne Tunnels.
- 2.11 The budget proposals will be presented for agreement by the JTC at its meeting on 2 February 2022. NECA must agree to issue the levies agreed by the JTC to its constituent authorities and, in its role as Accountable Body for the JTC, make arrangements for the payment of the Transport Grants to Durham County Council

and Nexus for the delivery of public transport services in Durham and Tyne and Wear on behalf of the JTC. The North of Tyne Combined Authority will issue the Transport Levies to Newcastle City Council, North Tyneside Council and Northumberland County Council and will pass the levy income from Newcastle City Council and North Tyneside Council to NECA in order to meet costs relating to the Tyne and Wear area. The North of Tyne Combined Authority will issue the Transport Grant to Northumberland County Council and make a £10,000 contribution to NECA in respect of Northumberland County Council's contribution to the central costs of the JTC.

3. Reasons for the Proposals

- 3.1 This report sets out budget proposals for 2022/23 for the NECA Corporate budget, including fulfilment of its Accountable Body role for the JTC.
- 3.2 The report identifies that NECA Corporate contributions will be maintained at £25,000 per authority and contributions to the JTC Accountable Body role will be maintained at £10,000 per authority in 2022/23 and will be reviewed for 2023/24.
- 3.3 The two Combined Authorities in the JTC area are required to issue the Transport Levies before 15 February 2022 to enable their constituent councils to take the levies and other contributions into account in setting their own budgets.

4. Alternative Options Available

- 4.1 Option 1: agree the proposals as set out in the report.
Option 2: suggest amendments or alternative budget proposals to be agreed.
Option 1 is the recommended option.

5. Next Steps and Timetable for Implementation

- 5.1 Letters confirming the Transport levies and dates for payment will be issued to NECA constituent authorities in February 2022. The revenue budget will be monitored and reported to the Leadership Board during the financial year.

6. Potential Impact on Objectives

- 6.1 The budget and medium-term financial strategy 2022/23 to 2024/25 has been and will continue to be prepared to reflect the objectives of the Authority and feedback from constituent authorities. Future reports will set out the revenue and capital budget proposals in detail for agreement that will help deliver the objectives of the Authority.

7. Financial and Other Resources Implications

- 7.1 The financial and other resources implications are set out in the main body of the report.

8. Legal Implications

- 8.1 The budget must be approved unanimously in accordance with the requirements of the NECA Order and the NECA Constitution.

9. Key Risks

- 9.1 Appropriate risk management arrangements are put in place in each budget area by the delivery agencies responsible. Reserves are maintained to help manage financial risk to the authority.

10. Equality and Diversity

- 10.1 There are no equality and diversity implications arising from this report.

11. Crime and Disorder

- 11.1 There are no crime and disorder implications arising from this report.

12. Consultation/Engagement

- 12.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The draft proposals were subject to consultation with the Leadership Board, members of the NECA Overview and Scrutiny Committee and officer groups. Comments raised as part of the consultation process have been taken into account in the preparation of the final reports.

13. Other Impact of the Proposals

- 13.1 There are no other impacts arising from these proposals.

14. Appendices

- 14.1 Appendix 1 – NECA Corporate and JTC Accountable Body Budget estimates 2022/23-2023/24.

Appendix 2 – Transport Budget and Levies 2022/23 – report to North East JTC

15. Background Papers

- 15.1 NECA Corporate Budget 2021/22 – Leadership Board 2 February 2021
[Leadership-Board-2-February-2021-Agenda-Pack.pdf \(northeastca.gov.uk\)](https://www.northeastca.gov.uk/Leadership-Board-2-February-2021-Agenda-Pack.pdf)

NECA Constitution [northeastca.gov.uk/wp-content/uploads/2021/07/NECA-Constitution-Version-9-June-2021.pdf](https://www.northeastca.gov.uk/wp-content/uploads/2021/07/NECA-Constitution-Version-9-June-2021.pdf)

16. Contact Officers



North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

16.1 Eleanor Goodman, NECA Finance Manager,
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17. Sign Off

- 17.1
- Head of Paid Service: ✓
 - Monitoring Officer: ✓
 - Chief Finance Officer: ✓

Appendix 1 – NECA Corporate and JTC Accountable Body Budget 2022/23-2024/25

	2022/23 Proposed Budget			2023/24 Draft Budget			2024/25 Draft Budget		
	NECA Corporate	JTC Accountable Body	Total	NECA Corporate	JTC Accountable Body	Total	NECA Corporate	JTC Accountable Body	Total
Expenditure									
Employees	54,500	13,400	67,900	54,500	13,400	67,900	54,500	13,400	67,900
Service Level Agreements	54,060	76,330	130,390	54,600	77,100	131,700	55,100	77,900	133,000
Independent Members Allowances	6,500	0	6,500	6,500	0	6,500	6,500	0	6,500
Supplies and Services	7,600	0	7,600	5,940	0	5,940	5,970	0	5,970
Total Expenditure	122,660	89,730	212,390	121,540	90,500	212,040	122,070	91,300	213,370
Income									
NECA Corporate Contributions	(100,000)	0	(100,000)	(100,000)	0	(100,000)	(100,000)	0	(100,000)
JTC Accountable Body Contributions	0	(70,000)	(70,000)	0	(70,000)	(70,000)	0	(70,000)	(70,000)
Interest Income	(20,000)	(19,000)	(40,000)	(20,000)	(20,000)	(40,000)	(22,000)	(20,000)	(42,000)
Total Income	(120,000)	(89,000)	(209,000)	(120,000)	(90,000)	(210,000)	(122,000)	(90,000)	(212,000)
Net (to)/from Corporate Reserve	2,660	730	3,390	1,540	500	2,040	70	1,300	1,370

North East Joint Transport Committee

Appendix 2

Date: 2 February 2022
Subject: Transport Budget and Levies 2022/23
Report of: Chief Finance Officer

Executive Summary

This report sets out the 2022/23 Transport Revenue Budget and associated Transport Levies for the North East Joint Transport Committee (JTC) together with indicative forecasts for future years also exemplified for consideration and approval. The budget proposals contained in this report take into account comments received during consultation on the outline proposals presented to this committee in November 2021 and input from members of the JTC Overview and Scrutiny Committee.

The two Combined Authorities in the JTC area are required to set the Transport Levies before 15 February 2022 to enable their constituent councils to take the levies and other contributions into account in setting their own budgets. The two Combined Authorities will formally determine to issue the levies that are agreed by the JTC at their meetings on 1 February 2022 (NECA) and 25 January 2022 (NTCA).

The report provides an update on the Revenue Budget outturn for 2021/22 and sets out the revenue resources planned to be used in 2022/23 to deliver the objectives of the JTC. A separate report on this agenda sets out the 2022/23 Transport Capital Programme and provides an update on the delivery of the 2021/22 Transport Capital Programme.

The proposed budget and levy for public passenger transport activity in County Durham is £15.619m for 2022/23, of which £15.609m will be payable as a grant to Durham County Council and £10,000 retained to contribute to the central costs of the JTC. This compares with a levy for 2021/22 of £15.467m, of which £15.457m was payable as transport grant.

The proposed budget and levy for public transport activity in Northumberland is £6.357m for 2022/23, of which £6.347m will be payable as a grant to Northumberland County Council and £10,000 retained to contribute to the central costs of the JTC. This compares with a levy of £6.328m for 2021/22, of which £6.318m was payable as transport grant.

The proposed budget and levy for public transport activity in Tyne and Wear is £65.225m for 2022/23, of which £63.125m will be payable as a grant to Nexus. This represents a year on year increase of £4.125m (6.75%) in the levy compared with 2021/22 when the Tyne and Wear Levy was £61.100m. As in previous years, £2.100m of the Tyne and Wear levy will be retained and used to help fund central costs of the JTC, primarily relating to the former Tyne and Wear Integrated Transport Authority (TWITA) functions.

The gross expenditure budget for Transport North East (TNE) is £3.922m in 2022/23, funded through a range of sources, including a contribution from the Local Transport Plan Integrated Transport Block grant of £500,000 (equating to £62,500 for each of the seven local authorities and Nexus), contribution from Transforming Cities Fund (TCF) grant to meet programme management costs relating to the TCF programme, a contribution from the Retained Levy Budget and other specific revenue grants received from central government, which includes funding towards the Enhanced Partnership / Bus Service Improvement Plan next year.

The Tyne Tunnels revenue account forecast for 2021/22 is a breakeven position. The budget estimates for 2022/23 have been prepared on the basis that increases in the Retail Price Index (RPI) measure of inflation will trigger an increase in the toll for Class 3 vehicles (HGVs). This is a decision for the Tyne and Wear Sub Committee, who will be recommended to agree the increase at their meeting on 13 January 2022.

Recommendations

The North East Joint Transport Committee is recommended to receive this report for consideration and, taking into account the comments from consultation, to:

- i) Note the position of the Transport budget in 2021/22 and approve the revised estimates for the year;
- ii) Agree a Transport net revenue budget for 2022/23 of £87.201m, as set out in section 2.5 of this report;
- iii) Agree the following Transport Levies for 2022/23:

a. Durham County Council	£15,619,000
b. Northumberland County Council	£6,357,000
c. Tyne and Wear councils (detailed in Table 6)	£65,225,000
- iv) Agree a transport revenue grant to Durham County Council for the delivery of transport services of £15,609,000, as outlined in section 2.7;
- v) Agree a transport revenue grant to Northumberland County Council for the delivery of transport services of £6,347,000, as outlined in section 2.9;
- vi) Agree a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £63,125,000 as outlined from section 2.37;
- vii) Note that a fare increase for Metro and the Ferry service which is slightly in excess of RPI is included in Nexus' budget estimates, pending agreement from the Tyne and Wear Sub-Committee when it meets on 13 January 2022;
- viii) Approve the budget for the Tyne Tunnels set out in section 2.69, which includes a recommended increase in the Tyne Tunnels tolls for inflation to be considered for approval by the Tyne and Wear Sub Committee on 13 January 2022;

- ix) Approve the budget for Transport North East as set out in section 2.61;
- x) Agree to make permanent three posts within the Transport North East team, funded by a top slice of EP / BSIP grant funding to be received from 2022/23, as set out in section 2.60;
- xi) Agree the forecast level and use of reserves at section 2.71.

1. Background Information

- 1.1 The draft budget proposals were presented to this committee for consideration on 21 September 2021 and 16 November 2021 and have been the subject of consultation with officer groups, members of the JTC Overview and Scrutiny Committee and the Tyne and Wear Sub-Committee (for proposals relating to Tyne and Wear).
- 1.2 This report sets out the final budget proposals, taking into account the comments received during the budget setting process and the latest available information.
- 1.3 The report outlines the proposed Transport revenue budget and levies for 2022/23, together with indicative forecasts for future years also exemplified for consideration and approval. The report also provides an updated forecast for the current year.
- 1.4 The proposals in this report are presented on the basis of no continuation of Covid-grant support to Nexus to offset the reduction in patronage on the Metro from April 2022.

2. Proposals

Transport Revenue Budgets 2021/22 Forecast

- 2.1 The main area of income and expenditure in the JTC revenue budget is the Transport Levies and the revenue grants paid to Durham County Council, Northumberland County Council and Nexus for the delivery of public transport services.
- 2.2 As the Transport Levies and revenue grants are normally fixed for the year, there is no change in the Levies payable and minimal change in the Joint Transport Committee revenue budget itself in year.
- 2.3 Any surplus or deficit against the budgets for the three main delivery agencies (Durham County Council, Northumberland County Council and Nexus) is retained or managed within the reserves of those organisations.
- 2.4 *Table 1: 2021/22 Transport Levies and Grants:*

	2021/22 Original Budget	Spend to date (to 31 Oct 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Total Transport Levies	(82.895)	(48.355)	(82.895)	0.000
Grant to Durham	15.457	9.017	15.457	0.000
Grant to Northumberland	6.318	3.686	6.318	0.000
Grant to Nexus	57.813	33.724	57.813	0.000
Nexus Contribution to Metro Futures Planning Studies budget (21/22 only)	1.187	1.187	1.187	0.000
Tyne and Wear Levy rebate (2021/22 only)	1.200	1.200	1.200	0.000
Retained Transport Levy budget (to meet central costs)	2.120	1.236	2.120	0.000
Net	84.095	50.050	84.095	0.000

	2021/22 Original Budget	Spend to date (to 31 October 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Contributions (to)/from Nexus Reserves held by NECA	1.200	1.200	1.200	0.000
Contribution to/ (from) JTC unearmarked reserves	0.000	0.495	0.000	0.000

Budget and Levy Proposals for 2022/23

2.5 The overall total proposed net revenue budget for transport levies in 2022/23 is £87.201m, as summarised in Table 2 below. This represents a net increase of £4.286m when compared to 2021/22.

Table 2: Transport Levies 2021/22:

	2022/23 Proposed Levy	Change from 2021/22	Levy per person ¹
	£m	£m	£
Durham	15.619	0.152	29.30
Northumberland	6.357	0.029	19.63
Tyne and Wear	65.225	4.125	56.88
Total	87.201	4.286	

2.6 The variation in the figures for the levy per person reflects the higher costs of concessionary travel demand and capital financing costs in the Tyne and Wear area and demonstrates why three separate levies are required. The following table sets out a summary of the transport net revenue spending planned for 2022/23. Circa £48.221m (55%) is planned to be spent on concessionary travel and £19.145m (22%) on subsidised bus services. It should be noted that these figures do not include the costs of home to school transport for children and young people as these are within the budgets of the relevant local authorities.

Table 3: Summary of the 2022/23 Transport Budget:

	Durham	N'Land	Tyne & Wear	Total
	£m	£m	£m	£m
Statutory Concessionary Travel	12.205	4.931	28.262	45.398
Discretionary Concessionary Travel	-	-	2.823	2.823
Subsidised Bus Services	2.688	1.230	15.227	19.145
Bus Stations/Infrastructure	(0.092)	0.028	2.128	2.064

¹ ONS mid-2020 Population estimates, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2020>

	Durham	N'Land	Tyne & Wear	Total
	£m	£m	£m	£m
Public Transport Information	0.089	0.025	1.287	1.401
Metro (incl. Discretionary Travel)	-	-	17.396	17.396
Local Rail	-	-	0.279	0.279
Ferry	-	-	1.293	1.293
Staffing in Durham/Northumberland	0.719	0.133	-	0.852
Funded from Reserves	-	-	(5.570)	(5.570)
Transport Grant	15.609	6.347	63.125	85.081
JTC General Transport Costs and former TWITA Costs	0.010	0.010	2.100	2.120
Transport Levy	15.619	6.357	65.225	87.201

Durham

- 2.7 The budget and levy for public passenger transport activity in County Durham will be set at £15.619m for 2022/23. This compares with a levy for 2021/22 of £15.467m. The budget and levy for 2021/22, including the forecast outturn position for 2021/22 and 2022/23 is summarised in the table below.

Table 4: Durham Transport Budget and Levy 2022/23:

	2021/22 Original Budget	Spend to date (to 31 Oct 2021)	2021/22 Forecast	2021/22 Forecast Variance	2022/23 Budget
	£m	£m	£m	£m	£m
Concessionary Fares	11.932	6.268	11.932	0.000	12.205
Subsidised Services	2.556	1.161	2.671	0.115	2.688
Bus Stations	0.177	1.196	0.078	(0.099)	0.176
Bus Shelters	0.019	0.062	0.066	0.047	(0.268)
Passenger Transport Information	0.088	0.023	0.074	(0.014)	0.089
Staffing	0.685	0.400	0.685	0.000	0.719
Share of NECA Transport Costs	0.010	0.000	0.010	0.000	0.010
Net Expenditure / Levy	15.467	9.110	15.516	0.049	15.619

Northumberland

- 2.8 The forecast outturn position for 2021/22 is currently estimated to be a £0.330m underspend to year end. Further guidance is awaited from the Department for Transport on ongoing payments to operators at pre-pandemic levels and if any post Covid-19 recovery funding will be made available to both operators and local transport authorities.

In common with Northumberland’s approach to funding supported services in 2020/21, Northumberland has continued to fund supported services at pre-Covid-19 levels with the majority of these services now returning to pre-Covid-19 frequency having operated at reduced frequency. These supported services include instances of services running commercially at popular and peak times, but where support is given to maintain journeys at other times for example early mornings or late evenings.

Northumberland County Council also makes payments to operators under the Government’s English National Concessionary Travel Scheme (ENCTS) which entitles pass holders to free off-peak travel after 9.30 on local bus services. ENCTS scheme journeys are still significantly reduced due to the ongoing implications of the Covid-19 pandemic and subsequent messaging regarding only travelling for essential purposes. During the early part of 2021/22 the Council has reduced payments to those operators not running pre Covid mileage in line with government advice, those operators are currently being reimbursed based on the proportion of mileage currently being operated when compared with pre covid mileage, any shortfall is claimable by operators as part of the commercial CBSSG claim, which means despite the reduction in concessionary travel payment operators are no worse off. All other operators continue to be reimbursed at pre-pandemic levels to ensure the viability of routes and operators is maintained, in line with the Cabinet Office Procurement Policy Note 02/20 – Supplier Relief due to Covid-19, for at least the period of the outbreak to enable the resumption of socially necessary services afterwards.

2.9 The draft budget and levy for public transport activity in Northumberland is £6.357 million for 2022/23. This compares with a budget of £6.328 million for 2021/22. The reason for the small increase is due to an allowance for some inflation. The Council is currently developing its 2021/22 budget proposals. The budget and levy for 2021/22 and 2022/23 is summarised in the table below:

Table 5: Northumberland Transport Budget and Levy 2022/23:

	2021/22 Original Budget	Spend to date (to 31 Oct 21)	2021/22 Forecast Outturn	2021/22 Forecast Variance	2022/23 Initial Budget
	£m	£m	£m	£m	£m
Concessionary Fares	4.903	1.961	4.643	(0.260)	4.931
Subsidised Services	1.230	0.438	1.160	(0.070)	1.230
Bus Stations	0.026	(0.002)	0.026	0.000	0.028
Passenger Transport Information	0.025	0.025	0.025	0.000	0.025
Staffing	0.134	0.078	0.134	0.000	0.133
Share of NECA Transport Costs	0.010	0.000	0.010	0.000	0.010
Net Expenditure / Levy	6.328	2.500	5.998	(0.330)	6.357

Tyne and Wear Levy

- 2.10 The levy for Tyne and Wear includes a centrally retained budget of £2.1m, required to fund central transport costs (primarily relating to the former Tyne and Wear Integrated Transport Authority).
- 2.11 The apportionment of the Tyne and Wear levy between the constituent councils is revised each year to consider the mid-year population estimates. In 2022/23 the split of the levy will be based on the mid-2020 population estimates, as set out in Table 6 below. The movement in population estimates means that the levy change per council may be higher or lower than the headline percentage change of 6.75%. Stripping out the impact of the population changes shows the change in levy per authority directly resulting from the requested increase.

Table 6: Tyne and Wear Levy Apportionment 2022/23:

Council	2020 Population	2021/22 Levy restated for population	2022/23 Proposed Levy	Change excluding population impact
		£	£	£
Gateshead	201,950	10,761,283	11,487,801	726,518
Newcastle	306,824	16,349,689	17,453,494	1,103,805
North Tyneside	208,871	11,130,081	11,881,498	751,417
South Tyneside	151,133	8,053,404	8,597,108	543,704
Sunderland	277,846	14,805,543	15,805,099	999,556
Total	1,146,624	61,100,000	65,225,000	4,125,000

Nexus Revenue Budget

Updated Nexus Forecast of Outturn 2021/22

- 2.12 The 2021/22 budget was set using pre-Covid service levels on the basis that government support would continue in the form of Light Rail Revenue Restart Grant (LRRRG) and Local Authority Coronavirus Bus Services Support Grant (LACBSSG). The original budget included £21.944m of Covid support with the remaining shortfall between income and expenditure of £2.680m being funded from reserves.
- 2.13 In July the DfT confirmed that a final tranche of LRRRG support would be available to the end of the financial year and then it would be discontinued. LRRRG is now expected to be in excess of the original budget and is currently envisaged to be sufficient in order to cover Metro's expected fare and commercial revenue losses over the remainder of the year.
- 2.14 Elsewhere within the budget, there are positive variances which means that the call on reserves is currently forecast to be £0.993m better than the original budget, which given the financial challenges that lie ahead, represents a positive outcome. A summary of the forecast outturn is set out below:

2.15 *Table 7: Nexus Forecast of Outturn 2021/22:*

	2021/22 Original Budget	Spend to date (to Period 7)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Concessionary Fares	38.604	20.215	37.772	(0.832)
Bus Services	14.833	8.324	14.782	(0.051)
	2021/22 Original Budget	Spend to date (to Period 7)	2021/22 Forecast Outturn	2021/22 Forecast Variance
	£m	£m	£m	£m
Metro	24.103	13.107	24.530	0.427
Other	4.897	2.544	4.779	(0.118)
COVID-19 Support	(21.944)	(12.233)	(22.363)	(0.419)
Levy	(57.813)	(31.520)	(57.813)	0.000
Total Expenditure	2.680	0.437	1.687	(0.993)
Reserves	(2.680)	(0.437)	(1.687)	0.993

Metro

- 2.16 The estimated LRRRG that Nexus will receive across the year is £21.102m. This is required to cover fare and commercial revenue losses, a shortfall on investment income and some (marginal) Covid related costs in relation to PPE, cleaning materials, IT equipment and licences.
- 2.17 Taking into account these other losses/increased costs, which are currently forecast to be £0.145m (investment income losses) and £0.120m (Covid related costs), this will require fare and commercial revenue of £30.035m to be generated in year, in order to make up the shortfall against the 2021/22 fare and commercial revenue budget.
- 2.18 To the end of P7, £16.612m fare and commercial revenue has been generated, which represents a 60% recovery rate (against an evenly profiled pre-Covid budget). To the extent fare and commercial revenue generated across the year is in excess of £30.035m, LRRRG can be used to cover additional costs to a maximum level set by the DfT.
- 2.19 Nexus has received intelligence from NEPO that the average price of HV Power could be up to 20% higher than budget across 2021/22. NEPO have confirmed that they have now purchased energy requirements for the remainder of the year and Nexus are expecting further information regarding the cost of this to estimate the budget pressure but given the size of this budget, it is likely to be in excess of £1.0m. In the current year, and noting that LRRRG can be used to cover additional costs to a maximum level set by the DfT, it is currently envisaged that this will be accommodated from within the overall Metro operating budget.

Concessionary Travel

- 2.20 In line with government supplementary guidance, bus operators were given notice that from 19 July 2021, concessionary fares would be reimbursed based on the

number of services operating, rather than at pre-COVID budgeted levels. To the end of period 7, service levels have been on average around 7% less than pre-COVID and deductions in concessionary fares reimbursement amount to £0.832m. Given the uncertainty around levels of service provision, the forecast for the year at this stage assumes no further deductions although to the extent that services do not recover to pre-COVID levels, further savings in this budget are likely.

Bus Services

- 2.21 Bus commercial revenue to the end of P7 is £1.229m which is £0.446m higher than budget. The LACBSSG required was budgeted to be £0.594m to the end of P7, however as revenue is £0.446m higher than budget, this brings the fare loss support required to £0.148m.
- 2.22 The bus shuttle service to the Nightingale vaccination centre in the Sunderland area ended on 17 October 2021. The costs for this totalled £0.372m and as this service is a direct result of Covid-19 the costs have been claimed from LACBSSG.
- 2.23 Covid costs of £0.004m in relation to IT licences have been identified year to date. In addition, £0.358m has been claimed as a pass-through, on behalf of small operators who do not have access to LACBSSG funding.
- 2.24 This brings the total LACBSSG required to support Bus Services to £0.882m.
- 2.25 Additional scholar's services for the summer term (April to July) cost £0.770m and have been funded from the Department for Education. At this time there are no further additional services arranged for the new school term.
- 2.26 Taxi Card membership continues to be lower than budget with net savings of £0.051m identified to the end of period 7.

Other

- 2.27 Ferry revenue to the end of period 7 is £0.181m which is £0.051m higher than budget but remains £0.042m (19%) lower than pre-covid levels. The MHCLG scheme was available for the first quarter of the financial year and a claim has been submitted to cover losses in this period. Thereafter, any revenue shortfall will be borne by Nexus, which is reflected in the forecast in table 7.
- 2.28 Salary savings from vacancies are currently forecasting a positive variance of £0.140m in 2021/22 which is reflected in the forecast under the category 'Other'.

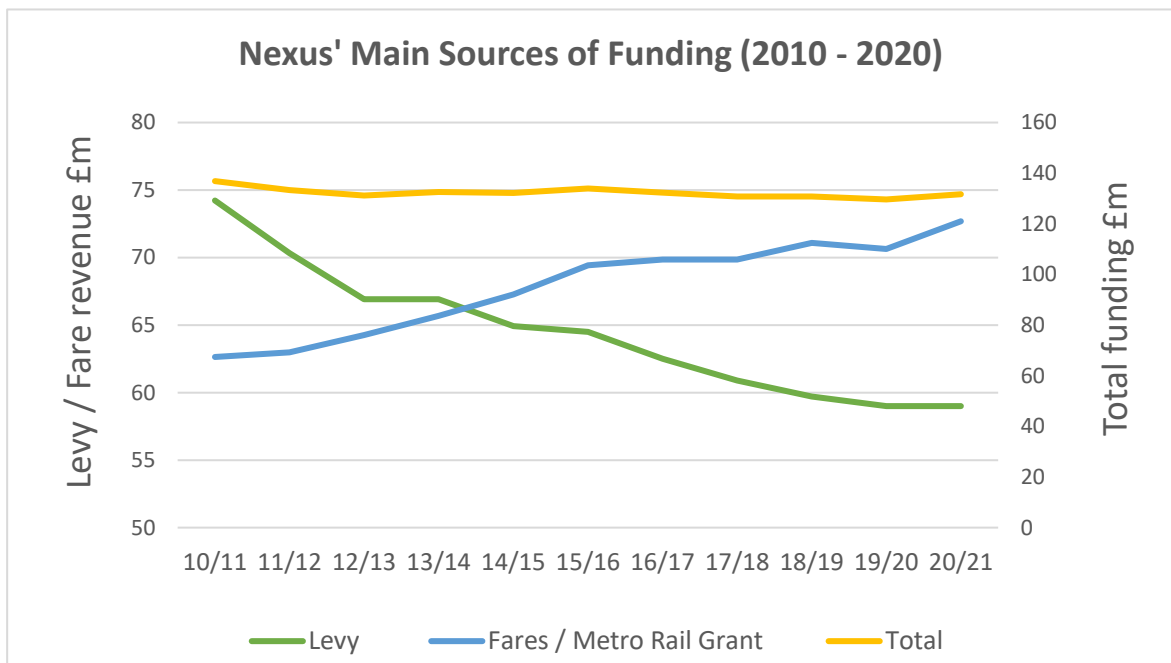
Nexus Revenue Budget 2022/23

- 2.29 Over the past decade, Nexus' main sources of funding have reduced by £5.1m, from £136.0m to £130.9m between 2010 and 2020 (in real terms, this reduction is estimated at around £45.0m):
 - a) The Tyne and Wear transport levy has reduced from £74.2m to £59.0m (£15.2m or 20%) - had it increased in line with inflation, it would now be more than £100.0m;

b) By contrast, funding for Tyne and Wear Metro has increased, although not by enough to fully compensate for the reduction in the levy. In the decade prior to Covid, Metro fare revenue had grown by £8.6m (or 23%) whilst Metro Rail Grant (MRG)² from the DfT had increased by £1.5m (or 6%). Consequently, by 2020, only £3.3m of Nexus' Tyne and Wear transport levy funding was directed towards meeting Metro's operating costs, even though Metro's gross budget is in the order of £115.0m.

2.30 The support for Metro provided by the levy effectively compensates for revenue forgone in the provision of the Gold Card. However, previous estimates show that £3.3m is only around half of what would be required under the 'no better, no worse' requirement for reimbursing third parties i.e. commercial bus operators. Whilst Nexus has maintained non-Metro services during this period, it is fair to say that the relative buoyancy of Metro's funding has been a contributory factor in enabling this to happen.

2.31 The following graph illustrates Nexus' change in funding since 2010:



2.32 As previously indicated, over this time Nexus has not reduced its service output. Moreover, it has had to contend with significant financial pressures on services that are funded in their entirety by the Tyne and Wear transport levy e.g. growth in concessionary fares reimbursement, and secured bus service contractual inflation.

2.33 In terms of Metro, investment in upgrading the infrastructure has led to an increase in certain costs, especially following the introduction of digital assets e.g. new ticket vending machines, gatelines and smartcard technology, a new rail traffic management system (RTMS), and a new radio system. Recently, funding has also been required to invest in a revised Train Crew Agreement, necessary because of the introduction of another replacement asset e.g. the new fleet (although addressing

² Revenue grant only

significant attrition in the driver establishment was also a factor). In addition, measures to extend gateline operations to address anti-social behaviour and ticketless travel have recently been introduced.

2.34 Against a backdrop of shrinking levy funding and growth in Metro funding (but which has been re-invested to meet increasing cost) Nexus has also:

- Reduced headcount by 20% (a saving of 200 posts, reducing the employee cost base by around £10.0m per annum);
- Reduced external debt, despite unprecedented investment in its asset base, by £26m (over 40%) since 2010, which has led to a reduction of £2.0m per annum in debt charges;
- Provided a £3.2m 'rebate' to Tyne and Wear Councils (£2.0m in 2013/14 and £1.2m in 2021/22 in lieu of the levy being frozen (not cut) in those years);
- Set aside £25.0m to provide the local contribution required by DfT for the new fleet; and
- Increased usable reserves by over £10.0, since 2014, which are available to support frontline services.

Planning for 2022/23

2.35 When the North East Joint Transport Committee (JTC) met on 16 November 2021, Nexus reported that the impact of Covid-19 has been profound. The government advised that Covid-19 funding for Metro operations will be withdrawn at the end of 2021/22 but patronage on the Metro will not have returned to pre-pandemic levels which leads to a major financial challenge.

2.36 It was also reported that a range of additional budget pressures have arisen that were not previously factored into the medium term financial planning assumptions. These include inflationary pressures over and above those previously anticipated e.g. increased employers national insurance contributions as a result of the health and social care levy, high voltage power cost increases, the Metrocar fleet maintenance contract, construction materials, general utilities and secured bus contracts. In addition, with interest rates at a record low, investment income is now forecast to be less than previously estimated. Taking these additional pressures into account, including the confirmation from the DfT that the Metro Rail Grant will no longer be indexed (see paragraph 2.41), means that the deficit for 2022/23 is now forecast at £21.2m, an increase of £2.0m, on the £19.2m previously reported.

2.37 The budget strategy contained in this report sets out the measures that are proposed in the absence of a positive response to the lobbying for continued Covid-19 funding in order to set a balanced budget next year. The measures include:

- A reduction of £7.5m in the budget used to fund Concessionary bus travel reimbursement in Tyne and Wear;
- Efficiency savings and additional stretched income targets for Nexus of £4.0m;
- Use of £5.6m of Nexus' reserves; and

- As a last resort, a levy increase in 2022/23 of 6.75%, or £4.1m year on year increase.

- 2.38 These measures, with additional commentary in respect of each of them set out below, would fully protect the services that Nexus operates which are described in Appendix 2.
- 2.39 There continues to be a significant reduction in concessionary pass holders using the English National Concessionary Travel Scheme (ENCTS), with uptake only recovering to circa 60% at this point. In 2022/23, in accordance with DfT guidance, the reduction in concessionary journeys will require a reduction in concessionary fares reimbursement, which Nexus estimates at £7.5m. Should any commercial bus routes be cut by operators, the budget challenges facing Nexus mean that it will be unable to provide financial support through its secured services budget, something that would have been possible if Nexus was better resourced. In this regard, it is worth noting that the Bus Service Improvement Plan (BSIP) submitted to DfT by Transport North East, made the case for additional subsidy in order to compensate
- 2.40 The proposed measures include the delivery of efficiencies without a cut to services. To balance the budget £2.4m of efficiency savings are included which are funded from a pay freeze in the current year, renegotiating key contracts and containing other cost pressures from within existing budgets are required. In addition to this, a stretch target to achieve additional Metro revenue in 2022/23 (expressed as a percentage of pre-Covid revenue and amounting to an additional £1.6m) has been included as shown within paragraph 2.42.
- 2.41 Since the JTC meeting in November, an additional pressure has arisen in respect of the revenue Metro Rail Grant (MRG) from the Department for Transport (DfT). The previous modelling had assumed an inflationary increase in this grant, in line with prior years, in each of the three years 2022/23 to 2024/25. However, the DfT have confirmed that MRG will no longer be indexed and will be cash flat. The modelling in respect of the fares review which is currently taking place suggests that an RPI+ increase could generate an estimated £0.8m of additional fare revenue. This is £0.4m above the amount of additional fare revenue that was budgeted for in respect the annual fares review meaning that the loss of grant previously expected in 2022/23 can be funded from additional fare revenue. This, i.e. making up the loss of MRG through additional fare revenue, is something that will need to be repeated across the period of the MTFP.
- 2.42 The table below shows Nexus' estimate of Metro fare revenue across the medium term using 2019/20 as the base year. Following the withdrawal of Covid-19 funding, Nexus is not forecasting to return to pre-pandemic levels until 2024/25 despite the impact of successive fares reviews and two major capital interventions.

Table 8: Nexus' estimate of Metro fare revenue to 2025

	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	19/20	20/21	21/22	22/23	23/24	24/25
	£m	£m	£m	£m	£m	£m
Fare Revenue	44.0	13.3	28.0	37.6	40.9	44.5
LRRRG	1.1	31.7	20.8	-	-	-
Impact of New Fleet	-	-	-	-	0.3	1.3
Impact of Metro Flow	-	-	-	-	-	0.5
Total	45.1	45.0	48.8	37.6	41.2	46.3
Total as a % of 19/20	N/A	100%	108%	84%	91%	103%

- 2.43 Nexus is also proposing to underpin the revenue budget in 2022/23 by contributing £5.6m of reserve funding. Further reserves will be required in 2023/24, which at this point will mean the level of reserves earmarked to help underpin the revenue budget will have reduced to £1.5m. This leaves very little scope for addressing any additional budgetary pressures that might arise. It is also not a sustainable long term solution and further efficiencies or increases in the Tyne and Wear Levy may need to be considered in 2023/24 and beyond depending on how patronage numbers recover.
- 2.44 As a last resort, Nexus is seeking a 6.75% or £4.125m increase in the Tyne and Wear transport levy. Considering the financial challenges that the five local authorities in Tyne and Wear are facing, this is a significant financial burden placed on them, bearing in mind that the levy, save for underwriting revenue forgone in connection with Metro's Gold Card concessionary travel scheme has not been used in the past to fund the Tyne and Wear Metro. This proposal will need to be considered in order to set a balanced budget. It would, if accepted, be revised to reflect any new grant funding announcements and any increases in patronage on Metro beyond the latest estimates but is put forward in order to ensure the JTC complies with its legal obligations to set a balanced budget and to allow the constituent authorities to factor this into their budget planning. The proposed levy increase on each of the five constituent Councils is shown in table 6 at paragraph 2.11.
- 2.45 The alternative to an increased levy would be cuts to Nexus services to the value of £4.125m. However, Nexus is not proposing a cut to Metro services as this is considered counterproductive, particularly when significant investment is being made in the new fleet and the removal of the only single line operations on the network (Metro Flow). Modelling shows that operating a service with a reduced frequency would deliver £3.7m of annual savings, however, it would have a major impact on revenue with an estimated loss of £4.0m per year.
- 2.46 This demonstrates that a cut to Metro services would effectively require cuts elsewhere e.g. policing and security, cleaning and potentially maintenance, all of which, together with the incurrence of significant redundancy costs would lead to the closure of the system with a detrimental impact to the region including increased car usage (estimated 12million cars a year) and £8.50 per journey lost to the local economy.

Budget 2022/23

2.47 Nexus' 2022/23 budget and its main sources of funding are summarised in the table below and in more detail at Appendix 3, 4 and 5.

Table 9: Nexus Revenue Budget 2022/23

	Gross Exp ³	Comm Revenue ⁴	Govt Grant	Net position
	£m	£m	£m	£m
Concessionary Fares	28.3	(0.1)	-	28.1
Discretionary Concessions	3.3	(0.5)	-	2.8
Metro	113.6	(40.7)	(55.5)	17.4
Ferry	1.9	(0.4)	(0.2)	1.3
Local Rail	0.6	-	(0.3)	(0.3)
Bus Services	18.0	(1.8)	(0.9)	15.3
Bus Infrastructure	3.0	(0.5)	(0.4)	2.1
Public Transport Information	1.5	(0.2)	-	1.3
Total	170.2	(44.2)	(57.3)	68.7
JTC Grant from Levy				(63.1)
Deficit funded from reserves				5.6

As shown above, the proposed levy increase of £4.1m would mean the levy receivable by Nexus in 2022/23 is £63.1m. Assuming the levy is increased, a split of the services which it funds, between Metro and non-Metro is shown in the table below:

Table 10: Split of levy funding between Metro and non-Metro services

2022/23	Gross Exp	Comm Revenue	Govt Grant	Levy	Net Budget
	£m	£m	£m	£m	£m
Non-Metro Services	56.6	(3.5)	(1.8)	(51.3)	-
Metro Services	113.6	(40.7)	(55.5)	(11.8)	5.6
TOTAL	170.2	(44.2)	(57.3)	(63.1)	5.6
Reserves					(5.6)
Budget 2022/23					-

2.48 The previous budget report approved by the JTC in January 2021 identified that the amount of the levy earmarked for Metro services in 2020/21 was £3.3m. As explained in paragraph 2.44, this funding was used to underwrite revenue forgone in connection with Metro's Gold Card concessionary travel scheme. As the table above demonstrates, the proposal contained within this report increases the amount of levy earmarked for Metro services to £11.8m. This is made up of a combination of the £4.1m proposed increase in the levy in 2022/23, plus an additional £4.4m previously earmarked for concessionary fares. The remaining £3.1m of the planned £7.5m

³ Including central support service costs and overheads.

⁴ This assumes fare revenue recovers to 83.5% of pre-Covid levels.

reduction in the concessionary fares budget has been used to balance the non-Metro services budget which as reported to the JTC in previous budget rounds, exhibited a structural, underlying deficit that needed addressing at some point.

- 2.49 The table above also highlights that the £5.6m of reserve funding being earmarked to underpin the revenue budget in 2022/23, relates entirely to Metro services. This is not a long term sustainable budget strategy.

Risks and Opportunities

- 2.50 The preparation of the 2022/23 budget gives rise to a number of risks and opportunities which include the following:

- a) The JTC may not approve the levy increase of £4.1m. This would force Nexus to cut non-Metro services as it is unable to balance the budget through a cut to Metro services as mentioned in paragraph 2.45 and 2.46.
- b) The budget makes an allowance for inflation on pay and non-pay. Inflation continues to increase and it is noted that if the allowance for an annual pay award falls below that which is contained within the budget, it may give rise to industrial action and/or additional budgetary pressure. Similarly, an allowance has been made for contractual inflationary increases and other major expenditure linked to market prices including HV power, general utilities and secured bus contracts, however if inflation levels rise above those assumed, Nexus' budget will be under additional pressure. HV power is of particular concern due to the instability of the energy market and the risk that this may result in a significant cost increase.
- c) As described in paragraph 2.39, the budget assumes that Nexus will reduce the concessionary fares reimbursement, meaning that this budget will reduce to around 80% of the pre-Covid level during 2022/23. There is a risk that ENCTS ridership may recover above this point which would put pressure on other budgets given Nexus is statutorily obliged to provide ENCTS reimbursement;
- d) Fare revenue is budgeted to recover to 83.5% of pre-Covid levels. In respect of this challenging target, it should be noted that Nexus' assessment of its ability to generate revenue at this level reflects how successful it has been in attracting customers back to the Metro and the fact that to date, it has outperformed other light rail operators elsewhere. Should Nexus outperform this target, any decision to increase the levy in 2022/23 (and any subsequent increases thereafter) would necessarily be revisited; and
- e) The budget preparation assumes that the government is not forthcoming with Covid-19 funding following the confirmation that this will end on 5 April 2022. If the government responds positively to lobbying and Covid-19 funding is forthcoming, some of the measures proposed by Nexus to balance its budget may not be required.

Forecasts 2023/24 and 2024/25

- 2.51 It may be necessary to further increase the Tyne and Wear transport levy in both 2023/24 and 2024/25 given Nexus cannot place reliance on reserves indefinitely. Nexus will be able to use an additional £3.1m of reserves in 2023/24 (£0.5m higher than previously reported due to its improved financial performance in 2021/22) as part of the medium-term financial plan.
- 2.52 The same planning assumptions have been used in compiling the estimate for 2023/24 and 2024/25 in relation to the cost base with the exception of an upward pressure in respect of pensions where advice from the Tyne and Wear Pension Fund has been to provide for an increase in the employer contribution rate. As a result, an increase of 1.5% has been included from April 2023. This represents an optimistic approach when considering the advice provided from the Fund, which was that there might be an upward pressure of between 2.0% and 3.0%.
- 2.53 Notwithstanding the huge uncertainties surrounding recovery from the pandemic, fare revenue is shown as growing to 91% of pre-Covid levels in 2023/24 and 103% of pre-Covid levels in 2024/25 in paragraph 2.42. This reflects the impact of fare increases and the stretch target required to make up the loss of MRG as described in paragraph 2.41. It also includes the impact of major capital interventions as additional revenue is expected to be generated when the new fleet enters passenger service and a ten minute frequency across the Metro network is introduced following the completion of Metro Flow, although cost estimates for running additional services need to be critically examined over the coming months. In addition to this, the forecast for 2023/24 and 2024/25 assumes additional efficiencies will be achieved through a reduction in HV power consumption arising from the introduction of the new fleet.
- 2.54 The redirection of concessionary fares funding to underwrite revenue losses in 2022/23 is a permanent feature of the base budget and therefore continues in 2023/24 and 2024/25. Should the numbers of concessionary passholders increase during 2023/24 and 2024/25, the ENCTS budget will need to be revisited.

Table 11: 2023/24 forecast Nexus revenue budget

2023/24	Gross Exp £m	Comm Revenue £m	Govt Grant £m	Levy £m	Net Budget £m
Non-Metro Services	57.5	(3.6)	(1.8)	(51.3)	0.8
Metro Services	120.9	(44.3)	(59.9)	(14.4)	2.3
TOTAL	178.4	(47.9)	(61.7)	(65.7)	3.1
Reserves					(3.1)
Budget 2022/23					-

Table 12: 2024/25 forecast Nexus revenue budget

2024/25	Gross Exp £m	Comm Revenue £m	Govt Grant £m	Levy £m	Net Budget £m
Non-Metro Services	58.2	(3.6)	(1.8)	(52.8)	-
Metro Services	126.1	(49.4)	(61.3)	(15.4)	-
Budget 2022/23	184.3	(53.0)	(63.1)	(68.2)	-

- 2.55 As shown in the tables above, despite various interventions, it will be necessary to propose a further increase to the Tyne and Wear transport levy by 4.0% (amounting to £2.6m) in 2022/23 and 3.75% (amounting to £2.5m) in 2023/24, to enable Nexus' services to be maintained.
- 2.56 In 2023/24, the £2.6m levy increase will be earmarked for Metro services which will take the total levy earmarked for Metro services to £14.4m. Reserves funding of £3.1m in this year will be used to balance the remaining deficit of £2.3m on Metro services and a £0.8m deficit on non-Metro services. In 2024/25, £1.0m of the £2.5m levy increase will be earmarked for Metro services, with the remaining £1.5m earmarked for non-Metro services.

Transport North East

- 2.57 Since its creation in 2018, the Transport North East (TNE) team has been working at capacity to develop and lead on the delivery of a very broad and ambitious transport programme on behalf of the region. NECA and NTCA together form one of the largest areas in the country by population and geographical size. TNE acts as the strategic transport body that supports both Combined Authorities (via the JTC).
- 2.58 Forecast expenditure on the core budget for TNE in 2021/22 is estimated to be £0.817m compared with the original budget of £0.952m, primarily as a result of vacancies in the team and additional external contributions supporting some posts. When including expenditure on projects, grants and contributions, expenditure totalled £8.017m compared to the original budget of £2.660m. This is due to Covid grants allocated to the JTC and paid to delivery partners (such as Home to School Transport grant and Coronavirus Bus Services Support Grant), Active Travel Fund projects and the additional costs of the Bus Services Improvement Plan and Enhanced Partnership development (£1.208m forecast.) Forecast outturn on the BSIP work is lower than the agreed revised budget for this piece of work, since the scope of what was required has changed following confirmation that the national total available is significantly less than originally communicated. The work will be funded through DfT grant (£1.415m) and the contribution from JTC unallocated reserves previously agreed. In 2022/23, remaining funding will be used to meet the costs of the first year of operation of the EP, including staff, technical advice and legal support required to manage and administer the new arrangements.
- 2.59 The TNE core budget is funded through contributions from the Transport Levies which are retained to support JTC activity and a topslice of the Local Transport Plan Integrated Transport Block grant which is awarded to the JTC plus external

contributions to fund specific posts and external grants for specific programmes and projects. Following initial discussions with constituent local authorities, at this point in time the initial budget proposed for 2022/23 assumes that contributions from the levies and LTP made by councils are held at the same level as 2021/22. Reductions in historic financing costs funded from the retained levies has enabled an increase of £0.097m to be made to the TNE budget with no additional contributions required from constituent councils. An initial budget of £0.950m will allow business-as-usual activity to continue during 2022/23 but will not address existing issues around capacity and short-term funding streams (some of which, namely Transforming Cities Fund and Active Travel Fund, are currently due to end on 31 March 2023). The ability of the team to attract future funding through competitive bidding processes will be limited.

2.60 The draft budget for employee costs includes provision of £0.116m to make permanent three posts which were previously fixed-term positions and where there is an ongoing requirement for the work provided. The JTC is asked to agree to this change. It is anticipated that external funding will be available to meet a proportion of the costs in 2022/23 and potentially in future years, but this addition to the core budget underwrites the costs of the posts in the event external funding is not forthcoming.

The draft budget on the employee costs line for 2022/23 is slightly lower than the original budget for 2021/22 as certain posts are now shown in the Metro Futures Planning Studies and Rail Development lines. Higher expenditure than in the current year is forecast for TCF Programme Management due to the likely timing of work in finalising grant funding agreements and business cases review (including economic appraisal and legal support), as well as a higher volume of claims and quarterly monitoring reports to be managed.

2.61 *Table 13: Summary of TNE budget 2022/23:*

	2021/22 Original Budget	Spend to Date to 31 October 2021	2021/22 Forecast Outturn	2021/22 Forecast Variance	2022/23 Budget
	£m	£m	£m	£m	£m
Employee costs	0.758	0.331	0.656	(0.102)	0.709
Transport Plan / Strategy Work	0.070	0.001	0.051	(0.019)	0.060
Research and Development	0.100	0.000	0.042	(0.058)	0.100
Travel and Miscellaneous	0.013	0.005	0.017	0.004	0.021
ICT / Equipment / Accommodation	0.011	0.003	0.006	(0.005)	0.011
Zero Emission Bus Regional Areas (ZEBRA)	0.000	0.000	0.045	0.045	0.000

	2021/22 Original Budget	Spend to Date to 31 October 2021	2021/22 Forecast Outturn	2021/22 Forecast Variance	2022/23 Budget
	£m	£m	£m	£m	£m
Contingency	0.000	0.000	0.000	0.000	0.049
Total Expenditure	0.952	0.340	0.817	(0.135)	0.950
LTP Funding	(0.500)	(0.292)	(0.500)	0.000	(0.500)
Retained Transport Levy	(0.187)	(0.187)	(0.187)	0.000	(0.284)
External Funding for specific posts	(0.216)	(0.061)	(0.155)	0.061	(0.166)
Total Income	(0.903)	(0.540)	(0.842)	0.061	(0.950)
Net Expenditure to be funded from Reserves	0.049	(0.200)	(0.025)	(0.074)	0.000
Contribution to/(from) Reserves					
JTC unallocated reserves	0.000	0.200	0.025	0.074	0.000
Regional Transport Team reserves	(0.005)	0.000	0.000	0.000	0.000
Go Smarter legacy funds – Transport Plan	(0.044)	0.000	0.000	0.000	0.000

Table 14: Summary of TNE Grants and Contributions Forecast Outturn 2021/22 and Initial Budget 2022/23:

	2021/22 Original Budget	Spend to Date to 31 October 2021	2021/22 Forecast Outturn	2021/22 Forecast Variance	2022/23 Initial Budget
	£m	£m	£m	£m	£m
Go Ultra Low - Revenue	0.000	0.002	0.002	0.002	0.000
TCF Programme Management	0.361	0.085	0.259	(1.02)	0.621
Covid-19 Grants	0.000	3.734	3.734	3.734	0.000
Active Travel Planning	0.000	0.320	1.192	1.192	0.796
BSIP / Enhanced Bus Partnership	0.160	0.078	1.208	1.048	0.280

	2021/22 Original Budget	Spend to Date to 31 October 2021	2021/22 Forecast Outturn	2021/22 Forecast Variance	2022/23 Initial Budget
	£m	£m	£m	£m	£m
Metro Futures Planning Studies	1.187	0.029	0.581	(0.606)	1.136
Rail Development	0.000	0.077	0.224	0.224	0.236
Total Expenditure	1.708	4.325	7.200	5.492	3.069
ERDF grant – Go Ultra Low	0.000	(0.002)	(0.002)	(0.002)	0.000
TCF grant	(0.361)	(0.085)	(0.259)	(0.102)	(0.621)
Covid-19 grants	0.000	(3.734)	(3.734)	(3.734)	0.000
ATF Revenue grant	0.000	(0.320)	(1.192)	(1.192)	(0.796)
DfT Bus Capacity grant	0.000	(0.078)	(1.208)	(1.208)	(0.207)
Metro Futures Planning Studies – funded by Nexus contribution	(1.187)	(0.029)	(0.581)	0.606	(1.136)
Rail Administration Grant (via Nexus)	0.000	(0.077)	(0.256)	(0.256)	(0.236)
Total Grants and Contributions	(1.548)	(4.325)	(7.232)	(5.684)	(2.996)
Net Expenditure from Grants and Contributions	0.160	0.000	(0.032)	(0.192)	0.073
Contribution to/(from) Reserves					
JTC unallocated reserves	(0.160)	0.000	0.032	0.192	(0.073)

Tyne Tunnels

- 2.62 The Tyne Tunnels are accounted for as a ring-fenced account within the JTC budget, meaning that all costs relating to the tunnels are wholly funded from toll income and Tyne Tunnels reserves, with no call on the levy or external government funding.
- 2.63 The JTC receives all toll income from the vehicle tunnels and a payment under the contract with TT2 is determined based on traffic levels. The balance retained by the JTC is to meet other costs associated with the Tyne Tunnels, primarily interest and principal repayments on borrowing taken out to fund the New Tyne Crossing project

and client costs associated with the management of the contract with the concessionaire.

- 2.64 The 2021/22 budget included an increase in tolls for Class 2 vehicles to £1.90 in line with inflation as measured by the Retail Price Index (RPI) – a year on year increase of £0.10.
- 2.65 Traffic flows through the Tyne Tunnels are reviewed daily by TT2 and TNE. Following a significant reduction in traffic using the tunnels in March 2020 during the first Covid-19 lockdown, for the rest of 2020 and early 2021, traffic levels were around 60/70% of normal expected levels. This meant that for most of the first 18 months of the pandemic traffic and toll revenue was significantly below pre-pandemic levels. TT2 has borne the loss from the reduced toll income rather than the JTC, as the JTC share of the income is protected by the nature of the Project Agreement which sees JTC retain the first share of traffic income while TT2 takes its income from the additional traffic over that level. This means that TT2 takes the main financial risk on any reduction in traffic levels.
- 2.66 Following a strong recovery during summer 2021, traffic levels dropped back slightly to around 95% of pre-pandemic levels. This seems to have been a direct result of the fuel shortage and increase in fuel prices which has resulted in reduced journey numbers.
- 2.67 The Tyne Pass Barrierless Scheme went live on 8 November 2021. At the time of writing this report, it is too early to tell whether this has had any impact on traffic levels (which are also influenced by fuel prices and work from home recommendations by government). However, delays experienced during rush hour on the first day have reduced significantly since as drivers become familiar with the new layout.
- 2.68 The updated forecast outturn and budget for 2022/23 is set out below. This assumes the 20p increase in class 3 vehicle tolls is agreed to increase the toll charge to £3.90 and the additional revenue generated is used to make revenue provision for the repayment of debt. This is a year-on-year increase of 5.4% but will be the first time that the class 3 tolls have been increased since August 2020 and is driven by current levels of inflation, which dictates and triggers necessary increases. The position in relation to the tolls for Class 2 vehicles will be kept under review and proposals brought to the Tyne and Wear Sub Committee once an increase is possible. This may be during 2022/23 as inflation levels are currently higher than they have been for many years.

2.69 Table 15: Tyne Tunnels Budget 2021/22 and 2022/23 and initial forecast to 2023/24:

	2021/22 Original Budget	Spend to Date to 31 October 2021	2021/22 Forecast Outturn	2021/22 Forecast Variance	2022/23 Initial Budget	2023/24 Initial Budget
	£m	£m	£m	£m	£m	£m
Tolls Income ⁵	(30.004)	(19.053)	(29.046)	0.958	(32.715)	(35.127)
TT2 Contract	21.707	12.374	21.597	(0.110)	24.322	26.109
Employees	0.093	0.061	0.110	0.017	0.142	0.142
Pensions	0.054	0.025	0.050	(0.004)	0.050	0.052
Premises	0.021	0.002	0.021	0.000	0.014	0.015
Support Services	0.129	0.117	0.155	0.026	0.155	0.155
Supplies & Services	0.095	0.020	0.086	(0.009)	0.195	0.198
Financing Charges	8.195	0.000	7.333	(0.862)	8.140	8.761
Interest /Other Income	(0.050)	(0.008)	(0.065)	(0.015)	(0.065)	(0.065)
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	(0.240)	0.000	(0.240)	(0.240)
(Surplus) /Deficit on Tyne Tunnels revenue account	0.000	(6.702)	0.001	0.001	(0.002)	(0.000)

JTC Reserves

2.70 The JTC holds reserves to fund future activity and to manage financial risk associated with its activities. A summary of the reserves held at 1 April 2021 and the forecast position at 31 March 2022 and 31 March 2023 is shown in the table below. Reserves are forecast to reduce to 31 March 2022 as a result of the application of funding held in the Tyne Tunnels reserve to fund works on the Tyne Pedestrian and Cycle Tunnels in 2021/22, and the use of £1.2m reserves held on behalf of Nexus to fund the levy 'rebate' to Tyne and Wear Councils in 2021/22. Reserves are forecast to reduce further in 2022/23 as funds transferred from Nexus in 2020/21 and 2021/22 to fund work on Metro and Local Rail studies is completed. As set out in the capital programme report, £5.0m reserves is forecast to be drawn down in 2022/23 to support the Metro Fleet Replacement. The level of reserves forecast at 31 March

⁵ Toll Income includes an assumed inflation increase in tolls for class 3 vehicles of £0.20 from April 2022.

2023 is considered to be prudent in order to manage risk associated with the activities of the JTC, taking into account that separate reserves are held by Nexus.

Table 16: Summary of JTC Reserves

	1 April 2021	Forecast 31 March 2022	Movement in Year 2021/22	Forecast 31 March 2023	Movement in Year 2022/23
	£m	£m	£m	£m	£m
JTC Unallocated Reserve	(0.833)	(0.776)	0.057	(0.076)	0.000
Tyne Tunnels	(9.222)	(8.022)	1.200	(8.022)	0.000
Metro Reinvigoration	(9.271)	(8.071)	1.200	(8.071)	0.000
Metro Fleet Renewal	(10.127)	(10.127)	0.000	(5.127)	5.000
Go Smarter Legacy (within Grants Unapplied)	(0.044)	(0.044)	0.000	(0.044)	0.000
Regional Transport Team	(0.141)	(0.141)	0.000	(0.141)	(0.141)
Metro and Local Rail Studies	(0.754)	(1.360)	(0.606)	(0.227)	1.133
Total JTC Reserves	(30.392)	(28.541)	1.851	(21.708)	5.992

3. Reasons for the Proposals

3.1 The proposals are presented in this report to enable the JTC to set its budget for 2022/23.

4. Alternative Options Available

4.1 Option 1 – The North East Joint Transport Committee may accept the recommendations set out in the report.

4.2 Option 2 – The North East Joint Transport Committee may not accept the recommendations set out in the report.

4.3 Option 1 is the recommended option. If the recommendations in the report are not agreed, a special meeting of the JTC would be urgently required in order to agree 2021/22 Transport Levies before the statutory deadline of 15 February.

5. Next Steps and Timetable for Implementation

5.1 The NTCA Cabinet and NECA Leadership Board will issue the transport levies to their constituent authorities on behalf of the Joint Transport Committee, and this will be presented for agreement at meetings on 25 January and 1 February respectively.

6. Potential Impact on Objectives

6.1 The budgets presented in this report are aligned to the achievement of the Transport policy objectives of the Authority. They allow a balanced budget to be established in 2022/23 and include a strategy to address the significant financial challenges caused by the ongoing impact of the pandemic and where Government support is being withdrawn in April 2022.

7. Financial and Other Resources Implications

7.1 The financial and other resource implications are set out in the body of the report.

8. Legal Implications

8.1 The JTC must approve the transport budget and levies unanimously. The NECA Leadership Board and NTCA Cabinet must agree to issue their transport levies by 15 February preceding the financial year to which they relate. The Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 specifies that this function is exercisable only by the JTC.

9. Key Risks

9.1 Appropriate risk management arrangements are put in place in each budget area by the delivery agencies responsible. Reserves are maintained to help manage financial risk to the authority.

9.2 The JTC must approve the transport budget and levies unanimously. Despite mitigations including briefings and consultation with all constituent authorities particularly in Tyne and Wear, there remains a risk that it is not possible to achieve unanimous agreement at this meeting.

9.3 Should the proposals for the levies not be agreed unanimously at this meeting, a special meeting of the JTC would be required to consider revised proposals. Without an increase in the Tyne and Wear levy, the approach to balancing the Nexus budget in 2022/23 would involve reductions in non-Metro services, namely secured bus services.

9.4 Under the Transport Levying Bodies Regulations 1992, the two combined authorities are required to issue a levy before 15 February preceding the commencement of the financial year in respect of which it is issued. This is to enable constituent local authorities to be able to include the levy amounts in their budgets for the new financial year. Should a special meeting of the JTC be required after 18 January in order to reach a position of unanimous agreement on the levies, special meetings of the NECA Leadership Board and NTCA Cabinet would also be required before 15 February in order for the Combined Authorities to formally determine to issue the levies.

9.5 Bus operators are in an extremely difficult financial position as a result of the Covid-19 pandemic and the impact on passenger numbers. The planned withdrawal of Government recovery funding from the end of the current financial year means bus operators may make changes to services from April. The risk of service reductions is also exacerbated by the planned reinstatement of the link between usage and reimbursement for concessionary fares as set out in section 2.39, as ENCTS pass

usage is forecast to remain well below pre-pandemic levels. This will be a particular challenge in the Tyne and Wear area, where savings on the ENCTS budget will be required to partially fund the shortfall in the Metro budget next year and beyond.

10. Equality and Diversity

10.1 There are no equality and diversity implications arising from this report.

11. Crime and Disorder

11.1 There are no crime and disorder implications arising from this report.

12. Consultation/Engagement

12.1 The NECA Constitution requires that consultation on budget proposals prepared in its role as Accountable Body for the JTC be undertaken at least two months prior to the budget being agreed. The draft proposals have been subject to consultation with the members of the JTC Overview and Scrutiny Committee, JTC Audit Committee, the Tyne and Wear Sub Committee and constituent councils.

12.2 The JTC Overview and Scrutiny members discussed the draft budget proposals in its meeting on 14 October (inquire) and in an online briefing meeting, accessible to the public via YouTube, on 16 December. As part of their discussions, Members recognised the current forecasts of deficits in the Nexus budget arising from the removal of emergency Covid-19 support from April 2022 resulted in a serious position for the JTC and a set of stark choices around levy increases.

12.3 Members expressed concerns about the impact of any reduction in public transport services on the green agenda, noting that this was a priority for the authority which must be taken into account in making any decisions.

12.4 Members also requested further engagement on the impact of any proposals for reductions in funding to bus operators as a result of lower concessionary pass usage, and how this would impact on services provided.

12.5 At the 16 December briefing meeting of the Committee, Members noted the use of reserves to balance Nexus' budget in 2022/23 and 2023/24 and discussed the importance of a longer-term funding strategy by the JTC.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report.

14. Appendices

14.1 Appendix 1 – Transport Levy Arrangements

Appendix 2 – Nexus Services

Appendix 3 – Nexus Summary Revenue Budget Requirement 2022/23

Appendix 4 – Nexus Summary Revenue Budget Requirement 2021/22 v 2022/23

Appendix 5 – Detailed Nexus Revenue Budget 2022/23

15. Background Papers

- 15.1 Budget Proposals 2022/23 – JTC Report 16 November 2021 ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 16/11/2021 14:30 \(northeastca.gov.uk\)](#)

16. Contact Officers

- 16.1 Eleanor Goodman, NECA Finance Manager,
eleanor.goodman@northeastca.gov.uk, 0191 433 3860

17. Sign off

- The Proper Officer for Transport:
- Head of Paid Service:
- Monitoring Officer:
- Chief Finance Officer:

18. Glossary

CBSSG – Coronavirus Bus Services Support Grant

DfT – Department for Transport

ENCTS – English National Concessionary Travel Scheme

JTC – Joint Transport Committee

LRRRG – Light Rail Revenue Restart Grant

LTP – Local Transport Plan

MHCLG – Ministry of Housing, Communities and Local Government

MRG – Metro Rail Grant

NECA – North East Combined Authority

NTCA – North of Tyne Combined Authority

RPI – Retail Price Index

TCF – Transforming Cities Fund

TfN – Transport for the North

TNE – Transport North East

TT2 – TT2 Ltd, Tyne Tunnels Concessionaire

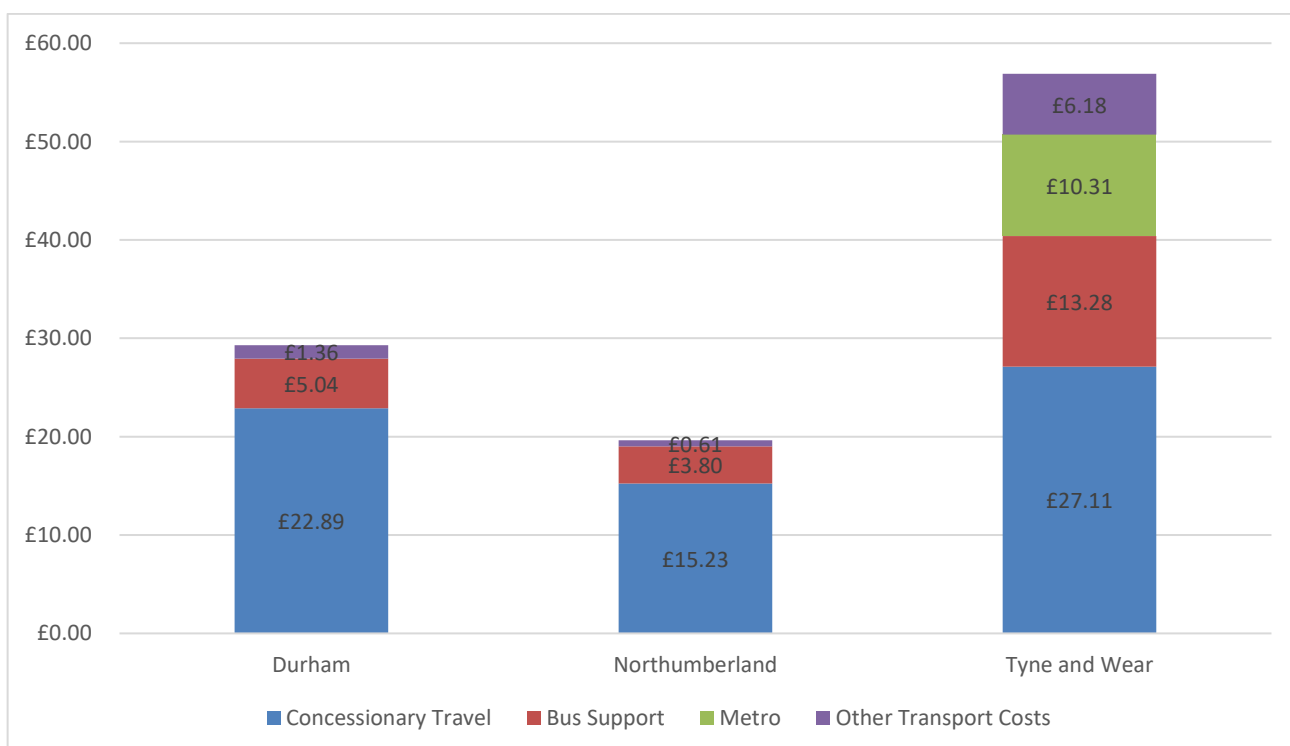
Appendix 1 – Transport Levy Arrangements

Background to Levy Arrangements

Public Transport has traditionally been seen as a county-wide level service, due to the wider geographic nature of transport services. County-wide precepts for Transport costs were replaced in 1990 with levying arrangements, reflecting Government decisions about how public transport grant support was to be provided, i.e. within the Revenue Support Grant paid to metropolitan districts rather than directly to PTAs. The levying arrangements which specified a population apportionment were set out in the Transport Levying Bodies Regulations 1992, now amended by the Transport Levying Bodies (Amendment) Regulations 2015. The regulations reflected the principle that all residents in a county area should contribute equally to access to transport services. In recent years concessionary travel costs have also been classified by MHCLG and DfT as a county-wide level service.

In establishing Combined Authorities with levying powers, Government required population to be used as the basis for levy apportionment. The JTC area, unlike other Combined Authority areas, includes three county areas with very different levels of cost and different levels of grant funding. The difference in costs relates particularly to the cost of concessionary travel reimbursement, which is considerably higher in Tyne and Wear due to the high levels of travel on an urban transport network as well as higher levels of historic public transport borrowing costs. Both of these items are reflected in higher grants historically paid to Tyne and Wear authorities within revenue support grant. It was not therefore possible to have a single transport levy covering the whole JTC area and the amended levy arrangements established three separate levies through legislation: one for Durham County Council, one for Northumberland County Council and one for Tyne and Wear. The difference in transport costs and levies between the three areas can be seen in the chart below:

Chart 1: JTC Levies per head of population – 2022/23 Proposed Levies



The costs per head of population in Tyne and Wear are higher because they reflect a significantly higher level of concessionary travel activity and the support for secured bus services to provide accessible transport schemes across the county. 'Other' Transport costs also includes capital financing costs relating to transport schemes which are not included in the other levies. In 2022/23, due to the deficit forecast on Metro arising from passenger numbers not yet having recovered to pre-pandemic levels and the cessation of government covid support, there is a significant contribution required from the levy, in contrast to previous years when the levy contribution to Metro was to meet the costs of the Gold Card.

Apportionment on Population basis in Tyne and Wear

Under the Transport Levying Bodies Regulations, the measure of population which must be used to apportion the Tyne and Wear Transport levy between the constituent authorities is the total resident population at the relevant date of the area of each Authority concerned (the relevant date being 30 June in the financial year which commenced prior to the levying year).

For the 2022/23 levy, this is the 2020 Mid-Year estimates published by the Office for National Statistics (ONS). The population estimates for 2019 and 2020 are set out in the table below. The population estimates for all five authorities have changed by different proportions:

	2019 MYE	2020 MYE	Change	
	People	People	People	% (increase/-decrease)
Gateshead	202,055	201,950	(105)	(0.05)%
Newcastle	302,820	306,824	4,004	1.32%
North Tyneside	207,913	208,871	958	0.46%
South Tyneside	150,976	151,133	157	0.10%
Sunderland	277,705	277,846	141	0.05%
Total Tyne & Wear	1,141,469	1,146,624	5,155	0.45%

Apportioning the proposed levy of £65.225m gives the following figures for Tyne and Wear:

	2021/22	2022/23	Change from 2021/22	
	£	£	£	%
Gateshead	10,815,502	11,487,800	672,298	6.22
Newcastle	16,209,202	17,453,495	1,244,293	7.68
North Tyneside	11,129,066	11,881,498	752,432	6.76
South Tyneside	8,081,370	8,597,108	515,738	6.38
Sunderland	14,864,860	15,805,099	940,239	6.33
Total Tyne & Wear	61,100,000	65,225,000	4,125,000	6.75

Appendix 2 – Nexus Services

- **Statutory Concessionary Travel** – comprising the net costs of the English National Concessionary Travel Scheme (ENCTS) in Tyne and Wear, which is a statutory obligation placed upon Nexus as the Travel Concession Authority (TCA). Expenditure is dependent upon the numbers of passengers using the Scheme, the fare that would have been paid (to the bus operator) if the Scheme did not exist and an estimate of the additional costs of meeting the increased demand caused by the existence of the Scheme. TCAs and bus operators utilise DfT guidance in determining the value of payments due but, in essence, Nexus has no control over this budget.
- **Discretionary Concessionary Travel** – comprising the discretionary add-ons to the ENCTS (the all-day disabled pass, the companion pass, post 23:00 boardings, and pre 09:30 boardings for the purposes of attending medical appointments), the Under 16 Scheme and Teen Travel.
- **Metro** – comprising operations (train control, train crew, cleaning security, fleet engineering, customer services and track access), infrastructure repairs and maintenance and planning studies relating to potential future extensions. The cost of the Metro concessionary travel Scheme (Gold Card) also forms part of this budget. Costs are offset by central and local government grants, fare revenue and other commercial income.
- **Ferry** – comprising staffing, fuel, maintenance, cleaning and security.
- **Local Rail** – comprising the cost of Nexus' involvement in the franchise management arrangements of Northern Rail and Trans Pennine Express. This includes servicing the North East Rail Management Unit on behalf of the JTC.
- **Bus Services** – mainly comprising secured bus services which necessarily involves the following types of service provision:
 - All day services
 - Scholars services
 - Works/Early Morning services
 - Evenings and weekend extensions
 - Route diversions
 - Taxibus and Community Transport
- **Bus Infrastructure** – comprising staffing, cleaning, maintenance and security of bus interchanges, stations and shelters.

- **Public Transport Information** – comprising website design and maintenance, printed material including Bus, Metro and Ferry timetables (including bus stop liners), call handling and the provision of electronic information for journey planning.

Appendix 4: Nexus Summary Revenue Budget Requirement 2021/22 v 2022/23

Revenue Budget 2021/22 v 2022/23

	2021/22				2022/23			
	Gross Exp £m	Comm Rev £m	Govt Grant £m	Net £m	Gross Exp £m	Comm Rev £m	Govt Grant £m	Net £m
ENCTS	35.744	(0.034)	-	35.710	28.325	(0.063)	0.000	28.262
Discretionary CT	3.242	(0.348)	-	2.894	3.279	(0.456)	0.000	2.823
Metro	110.401	(30.264)	(56.034)	24.103	113.629	(40.693)	(55.540)	17.396
Ferry	1.696	(0.217)	(0.201)	1.278	1.904	(0.375)	(0.236)	1.293
Local Rail	0.523	(0.011)	(0.252)	0.260	0.552	(0.021)	(0.252)	0.279
Bus Services	17.119	(1.390)	(0.896)	14.833	17.958	(1.835)	(0.896)	15.227
Bus Infrastructure	3.015	(0.449)	(0.412)	2.154	3.009	(0.485)	(0.366)	2.158
Public Transport Info	1.409	(0.204)	-	1.205	1.526	(0.239)	0.000	1.287
Total requirement	173.149	(32.917)	(57.795)	82.437	170.182	(44.167)	(57.290)	68.725
JTC grant from levy⁶				(57.813)				(63.125)
Deficit before Covid support				24.624				5.600
Projected Covid support				(21.944)				-
Deficit				2.680				5.600

⁶ In 2021/22, the levy was temporarily reduced by £1.2m to reflect the transfer of a planning studies budget.

Appendix 5: Nexus Detailed 2022/23 budget

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Statutory CT	27.432	-	-	-	-	-	27.432
Statutory CT	27.432	-	-	-	-	-	27.432
Discretionary CT	3.056	(0.440)	-	-	-	-	2.616
Discretionary CT	3.056	(0.440)	-	-	-	-	2.616
METRO							
Metro Farebox	0.785	(37.637)	-	-	-	-	(36.852)
PFN Income	-	(0.562)	-	-	-	-	(0.562)
Car Park Income	-	(0.193)	-	-	-	-	(0.193)
Ticketing & Gating	0.842	-	-	-	-	-	0.842
Automatic Fare Collection	1.523	-	-	-	-	-	1.523
Fare Collection & Revenue	3.150	(38.392)	-	-	-	-	(35.242)
Contracts and Commercial	14.296	(1.222)	-	-	-	-	13.074
Performance, Planning and Resources	1.143	-	-	-	-	-	1.143
Service Delivery	2.548	-	-	-	-	-	2.548
Operations Delivery	15.160	-	-	-	-	-	15.160
Metro Operations	33.148	(1.222)	-	-	-	-	31.926
MMA Management	7.574	-	-	-	-	-	7.574
MMA	7.574	-	-	-	-	-	7.574
Metro Insurance & Claims	1.666	-	-	-	-	-	1.666
Metro Rates	1.664	-	-	-	-	-	1.664
Metro Utilities	0.389	-	-	-	-	-	0.389
Metro Marketing	0.747	-	-	-	-	-	0.747

Metro Customer Relations	0.042	-	-	-	-	-	0.042
Metro Depreciation	28.996	-	-	-	-	-	28.996
Metro - Other	33.505	-	-	-	-	-	33.505
Metro HV Power	8.356	-	-	-	-	-	8.356
Metro Health & Safety	1.584	-	-	-	-	-	1.584
Planning & Performance	0.724	-	-	-	-	-	0.724
Engineering	0.234	-	-	-	-	-	0.234
Buildings & Facilities	2.849	-	-	-	-	-	2.849
Civils & Structures	2.227	-	-	-	-	-	2.227
Rail Management & Administration	0.099	-	-	-	-	-	0.099
Permanent Way	1.642	(0.012)	-	-	-	-	1.630
Power Supplies	0.777	-	-	-	-	-	0.777
Signalling	1.287	-	-	-	-	-	1.287
Stores	0.180	(0.001)	-	-	-	-	0.179
Capital Delivery	0.026	-	-	-	-	-	0.026
Track Renewal	(0.000)	-	-	-	-	-	(0.000)
Renewals	0.004	-	-	-	-	-	0.004
Metro Infrastructure	19.991	(0.013)	-	-	-	-	19.978
Metro	97.367	(39.626)	-	-	-	-	57.741
Ferry	1.370	(0.338)	-	-	-	-	1.032
Ferry	1.370	(0.338)	-	-	-	-	1.032
Local Rail	0.238	-	-	-	-	-	0.238
Local Rail	0.238	-	-	-	-	-	0.238
Contract Management	0.254	-	-	-	-	-	0.254
Network Management	0.192	-	-	-	-	-	0.192
TaxiCard	0.255	(0.028)	-	-	-	-	0.227

Secured Bus Services	15.404	(1.693)	-	-	-	-	13.711
Bus Services	16.104	(1.721)	-	-	-	-	14.383
Bus Infrastructure	2.373	(0.439)	-	-	-	-	1.934
Bus Infrastructure	2.373	(0.439)	-	-	-	-	1.934
Information	0.545	(0.172)	-	-	-	-	0.373
Public Transport Information	0.545	(0.172)	-	-	-	-	0.373
INDIRECT							
Pensions & Provisions	-	-	2.921	-	-	-	2.921
Investment Income	-	-	(0.115)	-	-	-	(0.115)
Board	-	-	1.228	-	-	-	1.228
Central Other	-	-	4.033	-	-	-	4.033
Media & Communications	-	-	0.425	-	-	-	0.425
Print & Distribution	-	-	0.202	-	-	-	0.202
Marketing	-	-	0.395	-	-	-	0.395
Customer Services	-	-	1.102	-	-	-	1.102
Customer Services	-	-	2.125	-	-	-	2.125
Human Resources	-	-	0.757	-	-	-	0.757
Learning & Development	-	-	2.120	-	-	-	2.120
Corporate Planning	-	-	1.326	-	-	-	1.326
People & Culture	-	-	4.202	-	-	-	4.202
Admin	-	-	0.162	-	-	-	0.162
Legal	-	-	0.432	-	-	-	0.432
Finance & Audit	-	-	1.470	-	-	-	1.470
Procurement	-	-	0.274	-	-	-	0.274

Estates	-	-	0.695	-	-	-	0.695
ICT	-	-	3.933	-	-	-	3.933
Finance & Resources	-	-	6.967	-	-	-	6.967
ICT Projects	-	-	0.138	-	-	-	0.138
ISTP	-	-	0.226	-	-	-	0.226
Major Projects	-	-	0.365	-	-	-	0.365
Health & Safety	-	-	1.132	-	-	-	1.132
Health & Safety	-	-	1.132	-	-	-	1.132
Indirect	-	-	18.824	-	-	-	18.824
Loan Charges	-	-	-	-	1.442	-	1.442
Released from Capital Reserves	-	-	-	-	-	(1.176)	(1.176)
Released from Capital Grants	-	-	-	-	-	(27.305)	(27.305)
Asset Financing	-	-	-	-	1.442	(28.482)	(27.039)
Bus Operators Grant	-	-	-	(0.891)	-	-	(0.891)
Heavy Rail Grant	-	-	-	(0.252)	-	-	(0.252)
Metro Rail Grant	-	-	-	(27.200)	-	-	(27.200)
Other Grant	-	-	-	(0.465)	-	-	(0.465)
Grants	-	-	-	(28.808)	-	-	(28.808)
TOTAL REQUIREMENT	148.485	(42.736)	18.824	(28.808)	1.442	(28.482)	68.725
JTC Grant	-	-	-	(63.125)	-	-	(63.125)
JTC Grant	-	-	-	(63.125)	-	-	(63.125)

148.485	(42.736)	18.824	(91.934)	1.442	(28.482)	5.600
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DEFICIT / (SURPLUS)

148.485	(42.736)	18.824	(91.934)	1.442	(28.482)	5.600
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