

## Leadership Board

Tuesday 10 December 2019 at 2.00pm

Meeting to be held at: South Shields Town Hall and Civic Offices,  
Westoe Road, South Shields, NE33 2RL

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## AGENDA

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### Page No

1. **Apologies for Absence (Members)**

2. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

3. **Minutes of the Previous Meeting held on 5 November 2019** 1-6

For approval as a correct record

4. **Announcements from the Chair**

5. **NECA Budget Proposals** 7-42

6. **Exclusion of Press and Public**

Under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied

**7. Local Enterprise Partnership – Project Approval Report**

**43**

**8. Date and Time of Next Meeting:** 4 February 2020 at 2.00pm

Contact Officer: Jonathan Lunness Tel: 0191 4247536

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**North East Combined Authority, Leadership Board**

**Agenda Item 3**

5 November 2019

(2.00pm – 2.20pm)

Meeting held at Durham County Hall, Durham, DH1 5UL

**Present:**

**Councillors:** I Malcolm (Chair), S Henig, G Miller

**Officers:** Sheena Ramsey (Chief Executive, Gateshead), Martin Swales (Chief Executive, South Tyneside), Terry Collins (Chief Executive, Durham) John Hewitt (Chief Finance Officer NECA), Vince Taylor (Assistant Director of Economic Policy), Nicola Robason (Deputy Monitoring Officer), Gavin Armstrong (Policy and Scrutiny Officer), Jonathan Lunness (Strategy and Democratic Services Assistant)

**1. APOLOGIES OF ABSENCE**

Apologies for absence were received from Councillor M Gannon and Patrick Melia.

**2. DECLARATIONS OF INTERESTS**

None.

**3. MINUTES OF THE MEETING HELD ON 3 SEPTEMBER 2019**

The minutes of the previous meeting held on 3 September 2019 were approved as a correct record.

**4. ANNOUNCEMENTS FROM THE CHAIR**

The Chair noted that the North East Combined Authority is a statutory body and therefore Members must follow the period of purdah due to the upcoming General Election, to be observed from 7 November 2019 until 12 December 2019.

**5. CHAIR THEMATIC LEAD UPDATE**

Submitted: Report of the Chair of the NECA Leadership Board (previously circulated and copy attached to the official minutes).

Members considered the report which provided an update on activities within the Chair's portfolio. The core activities of NECA are driven forward by the three strategic themes, the Chair's portfolio ensures that the Combined Authority is well positioned inter-regionally, nationally and internationally to influence policy, lever external investment and create jobs for local people.

The Chair noted that the Leaders of each constituent authority have spoken with the Minister for the Northern Powerhouse, Jake Berry MP. Discussions included emerging issues for NECA and the North East region, as well as possible opportunities for further devolution.

The Chair updated Members on the ongoing discussions with the Mayor of the North of Tyne Combined Authority (NTCA). These discussions have been positive and further meetings have been scheduled to consider initiatives that can be worked on across the seven local authorities. The possibility of a joint meeting between NECA and NTCA has been discussed.

Members were updated on the relationship between NECA and Built Environment Networking (BE), a leading provider of networking and development insight events across the UK. BE is to hold a North East Development Conference on 8 January 2020, which the Leadership Board noted. NECA has been asked by BE to have a strong involvement in the programme, and to consider suitable speakers for various panels. The conference will enable NECA to engage with the wider business community.

The Chair updated Members on the Climate Emergency and noted that Members have agreed a form of words for a Motion declaring a Climate Emergency which the Board were to further consider under Item 10 on the Agenda. The Chair urged Members to consider supporting the motion.

**RESOLVED** – That the update be noted.

## **6. ECONOMIC DEVELOPMENT AND DIGITAL THEMATIC PORTFOLIO UPDATE**

Submitted: Report of the Thematic Lead of Economic Development and Digital (previously circulated and copy attached to the official minutes).

Members considered the report which provided an update on activities within the Economic Development and Digital Theme. Members noted the ongoing success of Invest North East England (INEE), including securing key inward investment in the NECA area. Across the region to date this year, there have been 38 inward investment projects with the creation of 1153 jobs.

OCO Global recently commenced a new contract and has built on the work of the previous contract and secured meetings with various investors interested in the North East.

Members noted INEE's presence at events across the region, including the MIPIM UK Summit in October 2019 and Northern Exposure. Additionally, INEE sponsored and exhibited at the North East Automotive Alliance Expo, where they pitched to a Polish automotive delegation and highlighted the North East as a potential business location.

Work remains ongoing to secure investment into the region and Members noted that due to the upcoming election government emphasis and policy may change. It was highlighted that the ongoing development of the Local Investment Strategy provides a good foundation based on evidence and so regardless of potential changes in government, the work will not be wasted.

Updates were provided on the European Structural and Investment Fund, the European Regional Development Fund, the European Social Fund and the Strength in Places Fund. Members noted this loss of funding from the European Union. It was highlighted that European Regional Development Fund projects must be completed by 2023 and as yet there are no plans for replacement funding. The Thematic Lead asked members to note that there had been a good discussion at the last Economic Development and Digital Advisory Board meeting held 24 September 2019 regarding the impact of the loss of funding on the skills agenda.

The report highlighted that work continues at a local level on readiness and preparation work for Brexit.

The Chair thanked the Thematic Lead for his work and the update.

**RESOLVED** – That the update be noted.

## **7. TRANSPORT THEMATIC PORTFOLIO UPDATE**

Submitted: Report of the Thematic Lead for Transport (previously circulated and copy attached to the official minutes).

Members considered the report which provided an update on activity and progress under the Transport theme of the Combined Authority. It was highlighted that there is lots of work going on in this portfolio with good progress, including on the Transport Strategy which works on the seven local authority footprint. Furthermore, Members noted that there are wider conversations ongoing with other Combined Authorities and regions, including Tees Valley, North Yorkshire and Cumbria. Members noted the importance of these conversations, particularly regarding rail.

The North East's Tranche 2 Transforming Cities Fund bid was noted by Members which will be submitted to Government by the end of November. Members noted the inclusion of Metro track dualling in South Tyneside which is crucial to improving the whole network. The Government is due to make a decision on the bids towards the end of the financial year.

**RESOLVED** – That the update be noted.

## 8. DRAFT BUDGET PROPOSALS AND TIMETABLE

Submitted: Report of the Chief Finance Officer (previously circulated and copy attached to the official minutes)

Details of the proposed process and timetable for the preparation, consultation and approval of the 2020/21 budget was presented together with an indicative three-year medium-term financial strategy/plan strategy for the North East Combined Authority. The proposals also fulfil NECA's role as the accountable body for the JTC and the North East LEP for the year 2019/20.

Members noted that this report and proposals are only draft at this stage. Members also noted Appendix 1, which includes the Budget Timetable for 2020/21. Appendix 2, which contained information on the North East LEP budget was noted, including the fact that Enterprise Zone Business Rates Growth Income surplus has not been required to date (para 1.4, p. 47). Appendix 3 outlined the Budget Proposals for 2020/21 of the Joint Transport Committee. Members noted the proposals for transport levies.

The Leadership Board is expected to formally agree budget proposals at the Leadership Board Meeting to be held 4 February 2020.

### **RESOLVED – That:**

- i. The report be noted.
- ii. The Budget position for 2019/20 be noted as set out in section 1.3 of the report.
- iii. The Budget Setting timetable be noted as set out in section 1.1 and Appendix 1 of the report.
- iv. The following proposals for consultation on the NECA 2020/21 Revenue Budget be agreed:
  - a. The current £250,000 contribution towards the North East Local Enterprise Partnership (North East LEP), funded by an equal contribution of £35,714.29 from the seven councils in the North East LEP area, which is required to match fund government grant, is continued in 2020/21;
  - b. The contribution to the Invest North East England (INEE) team of £20,000 per local authority is continued subject to discussion with constituent councils and the North East LEP. The current council contributions of £140,000, an equal contribution of £20,000 from the seven councils in the North East LEP area, is proposed to be continued in 2020/21;
  - c. The contribution from the NECA constituent authorities to NECA corporate costs of £22,857 per council is continued in 2020/21;
  - d. The £70,000 contribution towards the costs of the Joint Transport Committee Accountable Body role is continued in 2020/21 through an equal contribution of £10,000 from the seven local authority members of the North East Joint Transport Committee; and
  - e. The £70,000 contribution towards the costs of the North East LEP Accountable Body role be continued in 2020/21, through an equal contribution of £10,000 from the seven local authorities in the North East LEP area.

## 9. ADJUSTMENT TO COMMITTEE MEMBERSHIP

Submitted: Report of the Deputy Monitoring Officer (previously circulated and copy attached to the Official Minutes)

The report proposed a change to the membership of the NECA Overview and Scrutiny Committee. It was recommended that Cllr Richard Manchester is to replace Cllr Tanya Tucker on the NECA Overview and Scrutiny Committee as representative for Durham County Council.

**RESOLVED** – That the change to membership be approved.

## 10. MOTION RECEIVED UNDER RULES OF PROCEDURE 1.1

Proposed: Motion on Climate Change Emergency

The North East Combined Authority recognises:

- 1.1 The recent 2018 Intergovernmental Panel on Climate Change (IPCC) report states that we have just 11 years to act if global temperature rises are to be kept to 1.5 degree Celsius. Failing to meet this target would subject us to catastrophic social and ecological impacts, which worsen for every degree of warming.
- 1.2 Climate change is a global issue which affects everyone including the people across the NECA region.
- 1.3 The foresight and leadership already shown by the NECA constituent Councils when it comes to addressing the issue of Climate Change and welcomes the strong commitments and positive actions in their respective climate emergency declarations.
- 1.4 That a vast amount of work is taking place across the NECA area and the strong commitment to clean and inclusive economic growth.

**In recognition of the seriousness of the global climate emergency, the North East Combined Authority resolves to:**

- i. Declare a “Climate Emergency”.
- ii. Fully support all four NECA constituent authorities in working towards their ambitious carbon reduction targets.
- iii. Establishing a task and finish group to identify what additional resources and legislation would be required to support the local authorities work to reduce carbon emissions across the NECA footprint.
- iv. Receive an annual update report on progress towards emissions targets within the NECA constituent authority areas

and data relating to reduction of carbon emissions across the NECA footprint.

- v. Maximise all funding opportunities to support carbon emission reductions.
- vi. Facilitate the sharing of best practice across the NECA area.
- vii. Work with NECA constituent authorities to help prioritise carbon reduction measures that will have the greatest impact while bringing in added benefits such as environmental improvements and economic growth.
- viii. Work collaboratively with the North East Local Enterprise Partnership to promote carbon reduction across the business community and within future iterations of the Strategic Economic Plan and the Local Industrial Strategy.
- ix. Ensure all future NECA Leadership Board reports comment on the impact any decision will have on the climate emergency agenda

Proposer: Councillor I Malcolm

During discussion, it was recognised that climate change is an issue which affects residents and businesses in the community and region. Members noted there was a public duty to take action in this area for social, economic and ecological reasons. The Chair thanked councils and authorities who had already acted in this area, by setting ambitious targets and declaring climate emergencies. It was noted that by NECA declaring a climate emergency, significant collective regional weight would be added. Members noted that reducing carbon emissions and working together to optimise efforts to combat climate change are important.

It was noted by Members that all constituent councils of NECA have already declared climate emergencies. Members recognised the important of working together in this area. Members highlighted the fact that this was the first motion NECA has ever considered, which demonstrates the importance and seriousness of the issue.

The motion was carried.

## **11. DATE AND TIME OF NEXT MEETING**

Tuesday 10 December 2019 at 2pm.



## **Leadership Board**

Agenda Item 5

**Date:** 10 December 2019  
**Subject:** NECA Budget Proposals  
**Report of:** Chief Finance Officer

### **Executive Summary**

This report provides an update on the NECA Budget Proposals and the North East Joint Transport Committee (JTC) deliberations on the Transport Budget Proposals in line with the consultation process set out in the NECA Constitution.

Members will recall that at the previous meeting, held on 5 November, 2019, the draft budget proposals and timetable were considered by the NECA Leadership Board.

At its meeting on 19 November, 2019 the JTC considered an updated report on the transport budget proposals. This included the further information that had been requested at the JTC meeting on 23 October, 2019 on options for the Tyne and Wear levy and the associated impact of the options on the Tyne and Wear councils and the Nexus medium term financial position. These are summarised in this report and the detailed report to the JTC from 19 November 2019 is attached as Appendix 1 for information.

Proposals in relation to the NECA Corporate Budget, the North East LEP and the Invest North East England team have not changed since the last meeting and are summarised in the report for information.

Final detailed proposals will be included in the report to the Leadership Board on 4 February.

### **Recommendations**

The Leadership Board is recommended to:

- i. Receive this report for consideration and comment;

- ii. Note the following proposals for the NECA 2020/21 Revenue Budget and that Transport related proposals will be further considered by the Joint Transport Committee on 21 January 2020:
  - a. The current £250,000 contribution towards the North East Local Enterprise Partnership (North East LEP), funded by an equal contribution of £35,714.29 from the seven councils in the North East LEP area, which is required to match fund government grant, is continued in 2020/21;
  - b. The contribution to the Invest North East England (INEE) team of £20,000 per local authority is continued subject to discussion with constituent councils and the North East LEP. The current council contributions of £140,000, an equal contribution of £20,000 from the seven councils in the North East LEP area, is proposed to be continued in 2020/21;
  - c. The contribution from the NECA constituent authorities to NECA corporate costs of £22,857 per council is continued in 2020/21;
  - d. The £70,000 contribution towards the costs of the Joint Transport Committee Accountable Body role is continued in 2020/21 through an equal contribution of £10,000 from the seven local authority members of the North East Joint Transport Committee; and
  - e. The £70,000 contribution towards the costs of the North East LEP Accountable Body role be continued in 2020/21, through an equal contribution of £10,000 from the seven local authorities in the North East LEP area.
- iii. Note that the final budget proposals will be presented to the Leadership Board at its meeting on 4 February 2020.

## **1. Background Information**

- 1.1 At the last meeting of the Leadership Board (4 November, 2019), the draft budget proposals and detailed budget timetable were presented for consideration. The timetable included a further meeting of the Leadership Board to consider the decisions and any recommendations made by the JTC and JTC Overview and Scrutiny Committee.
- 1.2 At its meeting on 19 November, the JTC considered an updated report on the transport budget proposals, following feedback from their meeting on 23 October that they wished to see further options for the Tyne and Wear levy and the impact of the options on the Tyne and Wear councils and the Nexus medium term financial position. This updated report also included proposals to fund a range of feasibility studies on possible future Metro expansions.
- 1.3 Proposals for the NECA Corporate budget, North East LEP budget and Invest North East England budget included in this report remain in line with those set out in the report to the last meeting.
- 1.4 The budget proposals for 2020/21 are subject to consultation with the NECA Overview and Scrutiny Committee, NECA Audit and Standards Committee and relevant officer groups including Finance Directors and Chief Executives.

## **2. Proposals**

### **Transport Budgets**

- 2.1 The report to the JTC on 23 October 2019 included proposals for the Tyne and Wear levy which were based on an overall cash freeze in 2020/21 and subsequent years in recognition of the significant pressures on the Nexus budget in the medium term and the reductions in the levy since 2010. At that meeting, members requested further modelling of Tyne and Wear levy options and the impact of different scenarios on the Nexus medium term financial plan position.
- 2.2 The detailed report to the JTC on 19 November is attached as Appendix 1 with key points summarised below. This updated report also included proposals to fund a range of feasibility studies on possible future Metro expansions.
- 2.3 The draft proposed budget and levy for public passenger transport activity in County Durham is estimated at £15.466m for 2020/21. This compares with a levy for 2019/20 of £15.562m.

- 2.4 The draft proposed budget and levy for public transport activity in Northumberland is estimated at £6.224m for 2020/21. This compares with a levy of £6.104m for 2019/20.
- 2.5 The following options for the Tyne and Wear levy have been modelled:
- a) A 2% increase in all three years 2020/21-2022/23
  - b) A 2% increase in 2020/21 with a cash freeze thereafter
  - c) A 1% increase in 2020/21 with a cash freeze thereafter
  - d) A cash freeze in all three years
  - e) A 1% reduction in 2020/21 and a cash freeze thereafter
  - f) A 2% reduction in 2020/21 and a cash freeze thereafter
- 2.6 A 1% increase or decrease in the levy equates to £611,000. Detailed tables setting out the impact of each proposal on the Tyne and Wear councils are shown in the report at Appendix 1.
- 2.7 Further discussions are scheduled with the Transport Strategy Board and other officer groups in advance of the next meeting of the JTC on 21 January when the final recommendations for the Durham, Northumberland and Tyne and Wear levies will be presented for approval. The levies and Transport grants must be agreed unanimously by the JTC.
- 2.8 Proposals for the Transport Strategy Unit and the Tyne Tunnels had not changed significantly from the report to the 23 October JTC meeting which was included with the papers for the 5 November Leadership Board. The Tyne Tunnel estimates for 2020/21 build in the full year costs of the new Tyne Tunnels Manager and indicate a breakeven position. Provision has been made for one-off costs of the Tyne Pass Project. The draft budget estimates for 2020/21 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).
- 2.9 The Transport Strategy Unit budget includes a proposed continuation of the current level of contribution from the Local Transport Plan Integrated Transport Block grant of £500,000 (split equally between the allocations to the seven north east councils and Nexus).
- 2.10 The JTC Overview and Scrutiny Committee was consulted on draft budget proposals on 7 November 2019, and feedback from that committee is included in the report at Appendix 1.

### **NECA Corporate Costs**

2.11 As set out in the report to the last meeting, the NECA budget for Corporate costs is required to support corporate operational costs of the organisation.

2.12 The table below summarises the proposed budget and funding for 2020/21.

	<b>NECA Corporate</b>	<b>JTC Accountable Body</b>	<b>Total</b>
<b>Expenditure</b>			
Employees	47,898	11,095	<b>58,994</b>
Service Level Agreements	45,435	75,435	<b>120,870</b>
Independent Members Allowances	7,000	0	<b>7,000</b>
Supplies and Services	5,900	0	<b>5,900</b>
<b>Total Expenditure</b>	<b>106,233</b>	<b>86,530</b>	<b>192,764</b>
<b>Income</b>			
NECA Corporate Contributions	(91,428)	0	<b>(91,428)</b>
JTC Accountable Body Contributions	0	(70,000)	<b>(70,000)</b>
Interest Income	(15,000)	(15,000)	<b>(30,000)</b>
<b>Total Income</b>	<b>(106,428)</b>	<b>(85,000)</b>	<b>(191,428)</b>
<b>Net (to)/from Corporate Reserve</b>	<b>(195)</b>	<b>1,530</b>	<b>1,336</b>

#### **North East LEP Capacity**

2.13 When the Accountable Body for the North East LEP transfers to the North of Tyne Combined Authority (NTCA), any contributions agreed will be payable to NTCA.

2.14 The North East LEP core team is part funded from a Government contribution of £500,000 which is required to be matched by £250,000 local authority contributions. Part of the North East LEP costs of managing the Local Growth Fund (LGF) programme are funded by a top slice from the LGF grant for this purpose, with other activities being funded by additional external grants. The North East LEP budget for 2020/21 – 2022/23 is being prepared to take into account the latest estimates of this and other external grant funding which supports North East LEP activity, which is not likely to be confirmed until nearer the end of the financial year.

2.15 The proposal for 2020/21 remains that the match funding contribution of £250,000 is continued by the seven North East local authorities each contributing £35,714.29.

## **Invest North East England**

- 2.16 The Invest North East England (INEE) team works on behalf of the seven local authorities in the North East LEP area to coordinate inward investment activity. The team has a gross budget in 2019/20 of £460,000, funded in part from a contribution of £20,000 from each local authority in the North East LEP area. Current proposals have not changed since the last meeting and it is proposed that the local authority contributions are maintained at the same level for 2020/21.
- 2.17 It is anticipated that when the INEE team transfers to the NTCA any contributions agreed will be payable to NTCA.

## **3. Reasons for the Proposals**

- 3.1 NECA is required to consult on its budget proposals two months before it sets its budget in February 2020. This report provides the NECA Leadership Board with an update on the development of the budgets as part of the budget consultation process.

## **4. Alternative Options Available**

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

## **5. Next Steps and Timetable for Implementation**

- 5.1 Meetings are scheduled during December 2019 for the NECA Overview and Scrutiny Committee, NECA Audit and Standards Committee, JTC Overview and Scrutiny Committee and JTC Audit Committee to consider the budget proposals as part of the consultation process.
- 5.2 The JTC will be recommended to agree the Transport budget and Levies at its meeting on 21 January 2020.
- 5.3 At its meeting on 4 February 2020, the NECA Leadership Board will be recommended to formally issue the levies agreed by the JTC and agree the non-Transport budgets and contributions.

## **6. Potential Impact on Objectives**

6.1 The budget and medium-term financial strategy will be prepared to reflect the objectives of the Authority. Future reports will set out the revenue and capital budget proposals in detail that will help deliver the objectives of the Authority.

## **7. Financial and Other Resources Implications**

7.1 Financial and other resource implications are summarised in this report where they are known. Further details which are developed as part of the budget development and consultation process will be identified in the budget report to the next Leadership Board.

## **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 The budget timetable has been developed to manage the risk that the budget is not agreed unanimously by the requisite deadline through early discussion with all constituent authorities. The budget proposals will include an assessment of the risk facing the NECA budget, which will be used to inform the level of reserves which is determined to be prudent.

## **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 report sets out consultation and engagement which will take place as part of the budget-setting process.

## **13. Other Impact of the Proposals**

13.1 There are no other impacts arising from these proposals.

## **14. Appendices**

14.1 Appendix 1 – report to North East Joint Transport Committee 19 November 2019 – Budget Proposals

**15. Background Papers**

- 15.1 Report to Leadership Board 5 February 2019 – Budget 2019/20  
<https://northeastca.gov.uk/wp-content/uploads/2019/01/Leadership-Board-5-February-2019-Agenda-Pack.pdf>
- Report to Leadership Board 5 November 2019 – Draft Budget Proposals and Timetable <https://northeastca.gov.uk/wp-content/uploads/2019/10/Agenda-Pack-5-November-2019.pdf>

**16. Contact Officers**

- 16.1 Eleanor Goodman, NECA Finance Manager,  
[Eleanor.goodman@northeastca.gov.uk](mailto:Eleanor.goodman@northeastca.gov.uk), 0191 277 7518

**17. Sign Off**

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



## North East Joint Transport Committee

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**Date:** 19 November 2019

Appendix 1

**Subject:** Budget Proposals

**Report of:** Chief Finance Officer

### Executive Summary

This report provides an update on the initial budget proposals which were considered by the Joint Transport Committee on 23 October 2019 and subsequently by the JTC Overview and Scrutiny Committee on 7 November 2019.

Following feedback from JTC meeting on 23 October 2019 on initial proposals, a range of options are presented in this report for the Tyne and Wear levy.

The draft proposed budget and levy for public passenger transport activity in County Durham is estimated at £15.466m for 2020/21. This compares with a levy for 2019/20 of £15.562m.

The draft proposed budget and levy for public transport activity in Northumberland is estimated at £6.224m for 2020/21. This compares with a levy of £6.104m for 2019/20

Since the last meeting, Nexus has received information from the Pension Actuary that impacts positively on medium-term financial planning forecasts. This and the impact of a range of options for the Tyne and Wear levy are considered in this report.

Proposals for budgets for the Tyne Tunnels and the Transport Strategy Unit have not changed from the position reported on 23 October. The Tyne Tunnels revenue account forecast for 2019/20 is a breakeven position.

The Tyne Tunnel estimates for 2020/21 build in the full year costs of the new Tyne Tunnels Manager and indicate a breakeven position. Provision has been made for one-off costs of the Tyne Pass Project. The draft budget estimates for 2020/21 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).

It is proposed to continue the contribution of £10,000 per authority which is retained from the Durham and Northumberland levies and which funds the work of the Joint Transport Committee, including contributions to the post of the Managing Director, Transport North East and the Transport Strategy Unit.

The contribution from the Tyne and Wear levy to fund central activity is dependent on the final levy position that is agreed. At this stage it is assumed that the contribution remains at 2019/20 levels. This funding is mainly used to meet costs relating to the operation of the former Tyne and Wear Integrated Transport Authority.

It is proposed that funding for the Transport Strategy Unit from the Local Transport Plan Integrated Transport Block grant is maintained at the current level of £500,000 (£62,500 per council and Nexus).

On 7 November 2019 the JTC Overview and Scrutiny Committee considered the estimates outlined in this report. Feedback from the meeting is set out in this report.

## **Recommendations**

The North East Joint Transport Committee is recommended to:

- i. Receive this report for consideration and comment as part of the on-going budget setting process;
- ii. Consider the following budget assumptions/proposals and agree to these forming the basis of further consultation on the 2020/21 Transport Budget:
  - a. That the draft proposed budget and levy for Durham County Council is £15.466m (subject to further ongoing work by DCC);
  - b. That the draft proposed budget and levy for Northumberland County Council is £6.224m (subject to further ongoing work by NCC);
  - c. Consider the options presented in respect of the Tyne and Wear levy and the grant to Nexus, and provide feedback on the preferred option for further consultation;
  - d. That the Tyne Tunnels tolls are proposed to be increased for Class 3 vehicles (HGVs) by £0.10p to keep pace with inflation and the increase in the shadow toll payable to the concessionaire TT2 Ltd., in line with the concession contract and the agreed approach to the funding of the Tyne Tunnels (Note: the decision to increase the Tyne Tunnels tolls will be taken by the Tyne and Wear Sub Committee in January 2020);
- iii. Note the indicative budget forecasts for 2021/22 and 2022/23, as set out in the report;
- iv. Note that the budget proposals will be subject to further consultation including a further meeting of the Joint Transport Committee Overview and Scrutiny Committee and consultation with the Joint Transport Committee Audit Committee, relevant officer groups and the Leadership Board of NECA and the NTCA Cabinet and the North East England Chamber of Commerce;
- v. Note the intention to approve the budget and agree the Transport Levies at the meeting of the JTC on 21 January 2020, after considering any comments received on the proposals and decisions reached by the Tyne and Wear Sub Committee in January 2020.

## **1. Background Information**

- 1.1 The North East Joint Transport Committee receives funding from a variety of sources including the levies on Durham, Northumberland and Tyne and Wear councils. Funding is also received from Tyne Tunnels tolls income, grant funding and interest income. This funding is used to deliver the transport objectives of the Committee through the relevant bodies and as set out in this report.
- 1.2 A report was considered by the JTC on 23 October which included initial budget proposals for 2020/21 and future years. Following feedback from the meeting on the initial proposals, a range of options are presented in this report for the Tyne and Wear levy together with further information that is now available, particularly in relation to the Nexus budget.

## **2. Proposals**

### **Transport Levies**

- 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 The JTC area, unlike other Combined Authority areas, includes three county areas with different levels of service provision, cost and different levels of grant funding. The difference in costs across the areas is primarily related to concessionary travel reimbursement (including discretionary concessionary travel), which is higher in the Tyne and Wear area because of high levels of travel on the urban transport network, the Metro and Shields Ferry, and historic public transport borrowing costs. This is reflected in the grants paid to Tyne and Wear authorities within the revenue support grant. It is not therefore possible to have a single transport levy covering the whole JTC area and the levy arrangements established three separate levies through legislation for Durham County Council, one for Northumberland County Council and one for Tyne and Wear.
- 2.3 As the transport levies and revenue grants are fixed for the year there is no change in the levies receivable and grants payable between the original budget and the forecast outturn with minimal change in the retained transport levy budget. Any surplus or deficit against the budgets for the three main delivery agencies is retained or managed within the reserves of that organisation.
- 2.4 A proportion of the levies is retained to support the work of the JTC and to meet historic costs relating to the former Tyne and Wear Integrated Transport Authority (TWITA). This budget is expected to underspend slightly in the current year due to lower than anticipated interest costs on historic Tyne and Wear Transport debt. The forecast underspend will be transferred to the JTC retained reserves at year end.

2.5 **Table 1: 2019/20 Transport Levies and Grants**

	2019/20 Original Budget	2019/20 Forecast Outturn	2019/20 Forecast Variance
	£000	£000	£000
<b>Total Transport Levies</b>	<b>(82,766)</b>	<b>(82,766)</b>	<b>0</b>
Grant to Durham	15,552	15,552	0
Grant to Northumberland	6,094	6,094	0
Grant to Nexus	55,667	55,667	0
Contribution to Metro Fleet Replacement reserve	3,333	3,333	0
Retained Transport Levy budget	2,120	2,091	(29)
<b>Net</b>	<b>-</b>	<b>(29)</b>	<b>(29)</b>
<b>Contribution to/ (from) JTC unearmarked reserves</b>	<b>-</b>	<b>29</b>	<b>29</b>

**Durham County Council**

2.6 The budget and levy for public passenger transport activity in County Durham is expected to be in the region of £15.466m for 2020/21. This compares with a levy for 2019/20 of £15.562m. The budget and levy for 2019/20 and 2020/21 is summarised in the table below

2.7 **Table 3: Draft Durham Transport Budget and Levy 2020/21**

	2019/20 Original Budget	2019/20 Forecast	2020/21 Proposed Budget
	£000	£000	£000
Concessionary Fares	12,048	12,048	11,932
Subsidised Services	2,583	2,361	2,556
Bus Stations	144	130	177
Bus Shelters	19	37	19
Passenger Transport Information	89	85	88
Staffing	669	669	684
Share of NECA Transport Costs	10	10	10
<b>Net Expenditure / Levy</b>	<b>15,562</b>	<b>15,340</b>	<b>15,466</b>

2.8 For 2019/20 an underspend of £0.222m is forecast, which will be retained by Durham County Council at the year-end. The main reasons for the projected underspend are as follows:

- i) Subsidised Services - £222,000 under budget – this relates mainly procurement efficiencies arising from lower than expected costs of bus services.
- ii) Bus Stations - £14,000 under budget – this is due to lower than expected costs for repairs and maintenance and vandalism.
- iii) Bus Shelters – £18,000 over budget – this is due to increased costs for repairs and maintenance.

iv) Passenger Transport Information - £4,000 under budget – Minor variances

2.9 Durham County Council is in the process of finalising the 2020/21 budget proposals. The initial estimates shown above show that net budgets are proposed to be largely in line with the current year, with no adverse impact on services anticipated next year.

### Northumberland County Council

2.10 The proposed budget and levy for public transport activity in Northumberland is £6.224m for 2020/21. This compares with a budget of £6.104m for 2019/20. The budget and levy for 2019/20 and 2020/21 is summarised in the table below:

2.11 **Table 4: Draft Northumberland Transport Budget and Levy 2020/21**

	<b>2019/20 Original Budget</b>	<b>2019/20 Forecast</b>	<b>2020/21 Proposed Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Concessionary Fares	4,690	4,621	4,811
Subsidised Services	1,230	1,150	1,230
Bus Stations	24	24	25
Passenger Transport Information	25	25	25
Staffing	125	125	133
Share of NECA Transport Costs	10	0	10
<b>Net Expenditure / Levy</b>	<b>6,104</b>	<b>6,151</b>	<b>6,234</b>

2.12 The main areas of expenditure are:

- i) Concessionary Fares – Based on performance to date, the budget is forecast to underspend by £69,000 in 2019/20. The patronage for the service has declined by approximately 1.5% per annum which is offset by increased ticket income.
- ii) Subsidised Bus Services – The Council supports a range of socially necessary bus services, mainly in the rural North and West areas of the County but also some in the more urban South East. It is forecast that the outturn position will show an underspend of £80,000 at the end of the current financial year.

2.13 Northumberland County Council is finalising the 2020/21 budget proposals. The estimates set out a small increase related to increased ticket prices and reimbursement to operators for concessionary travel.

### Tyne and Wear

2.14 The JTC meeting on the 23 October requested further modelling of Tyne and Wear levy options and the impact of different scenarios on the Nexus medium term financial plan position.

2.15 The distribution of the levy within Tyne and Wear is based on population, in accordance with the Transport Levying Bodies Regulations 1992. The amounts levied on each individual authority need to be adjusted to reflect the mid-year population estimate for 2018. Increases in the share of the population for Newcastle and North Tyneside mean that the share of the levy for these authorities will increase in 2020/21, while there will be compensating small decreases for Gateshead, South Tyneside and Sunderland in 2020/21.

2.16 The following options for the Tyne and Wear levy have been modelled:

- a) A 2% increase in all three years 2020/21-2022/23
- b) A 2% increase in 2020/21 with a cash freeze thereafter
- c) A 1% increase in 2020/21 with a cash freeze thereafter
- d) A cash freeze in all three years
- e) A 1% reduction in 2020/21 and a cash freeze thereafter
- f) A 2% reduction in 2020/21 and a cash freeze thereafter

2.17 A 1% increase or decrease in the levy equates to £611,000. Detailed tables setting out the impact of each proposal on the Tyne and Wear councils are shown in Appendix 1, with a summary of the total impact shown in the table below:

2.18 **Table 5: Options for Tyne and Wear Levy 2020/21-2022/23**

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
a) 2% increase in all 3 years	61,100	62,322	63,568	64,840
Year on Year Increase / (Decrease)		1,222	1,246	1,272
Cumulative Increase / (Decrease)		1,222	2,468	3,740
b) 2% increase in 2020/21 and cash freeze thereafter	61,100	62,322	62,322	62,322
Year on Year Increase / (Decrease)		1,222	0	0
Cumulative Increase / (Decrease)		1,222	1,222	1,222
c) 1% increase in 2020/21 and cash freeze thereafter	61,100	61,711	61,711	61,711
Year on Year Increase / (Decrease)		611	0	0
Cumulative Increase / (Decrease)		611	611	611
d) Cash freeze in all three years	61,100	61,100	61,100	61,100
Year on Year Increase / (Decrease)		0	0	0
Cumulative Increase / (Decrease)		0	0	0
e) 1% reduction in 2020/21 and cash freeze thereafter	61,100	60,489	60,489	60,489
Year on Year Increase / (Decrease)		(611)	0	0
Cumulative Increase / (Decrease)		(611)	(611)	(611)

f) 2% reduction in 2020/21 and cash freeze thereafter	61,100	59,878	59,878	59,878
Year on Year Increase / (Decrease)		(1,222)	0	0
Cumulative Increase / (Decrease)		(1,222)	(1,222)	(1,222)

## Nexus

- 2.19 The majority of the Tyne and Wear levy is paid as a revenue grant to Nexus for the delivery of public transport services. An update on the 2019/20 revenue budget position was provided in the JTC report on 23 October 2019.
- 2.20 At the JTC meeting on 23 October 2019, Nexus' medium-term financial forecasts was discussed. This showed the following deficits across the years 2019/20 to 2022/23, assuming a freeze in the grant Nexus receives from the JTC via the Tyne and Wear levy, together with planned use of reserves. This position assumed the existing pension contributions were maintained in the next valuation from 2020/21 and assumed continuation of the current service provision, factoring in pressures arising from pay and price inflation, the Metro fare box and the Metro Fleet replacement programme.

**Table 6: Summary of Nexus medium term financial forecast at 23 October 2019**

Position presented to JTC: 23/10/19	Reserves as at 31/03/19	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	2.40	6.00	5.80		
Movement in reserves		(4.40)	(2.40)	(3.00)	(2.90)		
Deficit/(Surplus) after use of reserves		0.00	0.00	3.00	2.90		
Gap		0.00	0.00	(3.00)	(2.90)	<b>(5.90)</b>	
Remaining reserves	16.00	11.60	9.20	6.20	3.30		<b>21%</b>

- 2.21 Nexus' gross budget in the current year is £170m, funded as follows:
- 31% by government grant;
  - 36% from commercial revenues; and
  - 33% from the Tyne and Wear levy

- 2.22 The levy funds the following services:
- Statutory Concessionary Fares (62% of the levy)  
Legal reimbursement to bus operators for the 'free bus pass' – the English National Concessionary Travel Scheme (ENCTS). Nexus has no control over the prices of, or demand for this service and with eligibility age now settling at 66 years, there is likely to be greater pressure on this budget during the next decade
  - Metro (2.5% of the levy)  
The Metro gross budget in the current year is £103million with 1.5% of this being funded from the levy
  - Other Services (35.5% of the levy)  
Secured buses, discretionary concessions, the ferry, bus infrastructure, provision of public Transport information etc.
- 2.23 Metro revenue has grown by 12% over the past 5 years, meaning that reliance on the grant from the levy for Metro services has been reduced whilst the levy funds a higher proportion of the other services that are provided by Nexus.
- 2.24 The 2019 pension valuation results for Nexus were received after the JTC meeting on 23 October 2019 and there is a forecast financial benefit compared to the position reported to the JTC on 23 October. The Nexus' pension fund position has improved and can be used to reduce its employer's future service contribution rate.
- 2.25 The maximum saving from the valuation is estimated at £3.4m per annum, assuming the surplus is amortised. This improves the Medium-Term Financial Plan (MTFP) forecasts presented to the JTC on 23 October 2019 as set out in the revised MTFP table below. This table uses the same assumptions as set out in paragraph 2.20 (and as reported to the JTC at the last meeting i.e. a cash freeze in the levy) but updated to show the estimated impact of the improved pension valuation position:
- 2.26 ***Table 7: Updated Nexus medium term financial forecast November 2019***



Position presented to JTC: 23/10/19 (Updated to show impact of Pension Saving)	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	(1.00)	2.60	5.40		
Movement in reserves		(4.40)	1.00	(2.60)	(2.70)		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.70		
Gap		0.00	0.00	0.00	(2.70)	<b>(2.70)</b>	
Remaining reserves	16.00	11.60	12.60	9.99	7.29		<b>46%</b>

2.27 Under a scenario of a cash freeze in the levy in 2020/21 and factoring in the impact of the updated pension fund forecasts, there is now a £1m surplus forecast in 2020/21, though there remains significant budget shortfalls in 2021/22 (£2.6m) and 2022/23 (£5.4m) which will need to be addressed. The table above factors in some prudent assumptions around utilising reserves to offset these pressures in the short term. This is not a sustainable position and spending will need to reduce and/or income increased by circa £5.4m to ensure a balanced budget beyond this medium term financial planning period. More detailed modelling of various scenarios and the impact on these forecasts is included in Appendix 2 to this report. The different scenarios are set out below:

- Increasing the levy by 2% across all three years, 2020/21 to 2022/23 (a);
- Increasing the levy by 2% and 1% in 2020/21 only, with a freeze thereafter (b);
- Freezing the levy across all three years (c);
- Reducing the by 1% and 2% in 2020/21 only, with a freeze thereafter (d);
- In all scenarios, introducing a 9.3% pension contribution rate, together with how taking a 'stepped' approach to the rate (in order to mitigate the risk of a significant increase at the 2022 valuation)<sup>1</sup>;
- In all scenarios no reductions in services.

2.28 The following table summarises the modelling set out in Appendix 2:

<sup>1</sup> The rate has been adjusted from 9.3% in 2020/21 to 10.4% in 2021/22 to 11.6% in 2022/23

**Table 8: Summary of Nexus levy grant options modelling**

Scenario	Deficit by 2022/23 £m	Reserves at 31/03/23
Levy increased by 2% in all 3 Years / 9.3% Pension	1.86	11.67
Levy +2% / 9.3% Pension	4.22	10.24
Levy +2% / Stepped Pension	5.16	9.31
Levy +1% / 9.3% Pension	4.81	8.77
Levy +1% / Stepped Pension	5.75	7.83
Levy Freeze / 9.3% Pension	5.40	7.29
Levy Freeze / Stepped Pension	6.34	6.36
Levy -1% / 9.3% Pension	5.99	5.82
Levy -1% / Stepped Pension	6.93	4.88
Levy -2% / 9.3% Pension	6.58	4.34
Levy -2% / Stepped Pension	7.52	3.41

- 2.30 As an illustration, to eradicate the estimated deficit purely through the Tyne and Wear levy would require a levy increase of around 5% in both 2021/22 and 2022/23 assuming a levy freeze in 2020/21.

### **Metro Futures Studies**

- 2.29 At a previous JTC briefing, members considered proposals for progressing a series of studies that are necessary for Metro and local rail network expansion plans. These studies were considered essential to progressing the Metro and Local Rail Strategy (MLRS), adopted in 2016. The estimated cost required for the work was set out as £2.4m, which could be completed over an accelerated 12 to 18 month timetable if additional funding was identified over and above the existing budget provision within the Nexus revenue budget (circa £500,000)..

- 2.30 If there was a cash freeze in the 2020/21 Tyne and Wear levy, Nexus forecast a surplus of approximately £1m. Should this position ultimately be agreed, this surplus could be used to provide a total of circa £1.5m in 2020/21 to progress the work, with the studies completed the following year, funded from the 2021/22 Nexus budget or from Nexus reserves.

### **Tyne Tunnels**

- 2.31 The Tyne Tunnels are fully funded from tolls paid by tunnel users. No government funding was made available for the construction of the second Tyne Tunnel (which opened in 2011) and the refurbishment of the first tunnel which was completed in the same year. The works were funded by a combination of public sector and private sector borrowing, through a Public Private Partnership contract with a private sector concessionaire who designed and built the new tunnel and operate the tunnels under a contract which runs until 2037. The public sector borrowing was taken out by the then Tyne and Wear Integrated Transport Authority and is to be repaid over a 50-year period. The total current balance of borrowing associated with the Tyne Tunnels is £126.823m.

- 2.32 Contract payments to TT2 are calculated with reference to the traffic using the tunnels and increase with RPI inflation. As a result, actual tolls levied on users are required to increase to keep pace with increases in the contract payments, so the toll is maintained in real terms over the life of the contract. Under the River Tyne (Tunnels) (Modification) Order 2011, tolls can be increased in increments of 10p. Toll increases to date have been in line with expectations presented at the development stage of the New Tyne Crossing project.
- 2.33 As reported to the JTC on 23 October, the forecast outturn for 2019/20 is for a small surplus of around £52,000 which is mainly as a result of additional interest income on balances held by the JTC. Traffic levels have been largely in line with forecasts, slightly higher than in 2018/19 but traffic flow levels remain less than the levels experienced in 2016/17 prior to the commencement of Highways England works at Silverlink in North Tyneside. The forecasts include the costs of the new Tyne Tunnel Manager.
- 2.34 The tables below provide a summary of the forecast for 2019/20 and the indicative budget for 2020/21 and future years

**Table 9: Tyne Tunnels Budget 2019/20 and 2020/21 and initial forecasts to 2022/23**

	2019/20 Original Budget	2019/20 Forecast	2020/21 Proposed Budget	2021/22 Estimate	2022/23 Estimate
	£000	£000	£000	£000	£000
Tolls Income	(28,090)	(28,141)	(28,422)	(28,919)	(29,642)
TT2 Contract	21,197	21,221	21,633	22,505	22,942
Employees	-	16	62	63	65
Pensions	52	52	53	55	56
Support Services	95	145	100	102	104
Supplies & Services	45	35	46	47	48
Financing Charges	6,966	6,988	6,756	6,416	6,673
Interest /Other Income	(50)	(128)	(50)	(50)	(50)
Repayment from TWITA for temporary use of reserves	(240)	(240)	(240)	(240)	(240)
<b>(Surplus) /Deficit on Tyne Tunnels revenue account</b>	<b>(25)</b>	<b>(52)</b>	<b>(61)</b>	<b>(22)</b>	<b>(45)</b>

- 2.35 A new post of Tyne Tunnels Contract Manager was approved by the JTC in September. This role will manage the client-side aspects of the Tyne Tunnel Project Agreement with TT2 and act as the principal point of liaison with the Concessionaire so that contractual matters are dealt with in a timely and efficient manner. The part-year costs of the post are built into the revised forecast for 2019/20 and the full year costs from 2020/21 onwards, which is the reason for the variance in Employee costs in the 2019/20 forecast. Once this post is filled and handover has been completed there will be a reduction in the budget for support services, as support has previously been provided by the NECA Chief Finance Officer and Monitoring Officer and individuals at Newcastle City Council.
- 2.36 As previously reported to the Tyne and Wear Sub Committee, TT2 have brought forward proposals to introduce a Tyne Pass process using Automatic Number Plate Recognition as a pre-cursor to a longer term aim of having a free flow system in place in the future where there would be no toll booths on the plazas.
- 2.37 These proposals would require changes to the Tyne Tunnels Byelaws, the Project Agreement and financial model for the contract. A temporary increase in the support services budget for the Tyne Tunnels is therefore proposed for the 2019/20, 2020/21 and 2021/22 financial years to meet the additional costs from the client side of implementing the project, such as external professional advice. This can be met from within the Tyne Tunnels budget and will be kept under review as the project progresses.
- 2.38 The 2020/21 tolls income estimate assumes an increase in tolls to £3.90 for Class 3 vehicles in line with inflation as measured by the Retail Price Index (RPI) – a year on year increase of £0.10 (2.6%). It is not anticipated that an increase in the tolls for Class 2 vehicles will have been triggered by the increase in RPI until the 2021/22 financial year, as increases can only be applied in 10p increments. These charges are therefore likely to remain at £1.80 in 2020/21.
- 2.39 In terms of the formal process for the increase in Tolls, if the level of RPI has reached the point at which an increase is possible, a decision to increase tolls will be taken by the Tyne and Wear Sub Committee in January 2020. If a decision to increase the tolls is taken, officers from NECA as the Accountable Body for the JTC will follow the process set out in the Tyne Tunnels Order 2005 to implement the decision of the committee. This will involve advertising the proposed increase in at least one local newspaper and notifying the Department for Transport. Once notified, the Department has 21 days to determine whether to take the order and, if so, the order will be made 28 days before it comes into effect. A decision on the specific date for implementation will be taken in conjunction with TT2, taking into account operational considerations. The increase, if implemented, would come into effect after May 2020 and will be discussed in greater detail with the Tyne and Wear Sub Committee.
- 2.40 Reserves are held to manage risks associated with ownership of the tunnels, to meet any in-year deficits which may arise on the tunnels revenue account and to deal with any changes which may arise from changes in accounting treatments in future years. The forecast position against the Tyne Tunnels reserves is set out in the table below:

2.41 **Table 10: Tyne Tunnels Reserves 2020/21 Forecast**

	<b>2019/20 Original</b>	<b>2019/20 Forecast</b>	<b>2020/21 Original</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Tyne Tunnels Reserves b/f</b>	(18,452)	(21,150)	(17,961)
(Surplus)/Deficit on Tyne Tunnels revenue account met from reserves	(25)	(52)	(61)
Capital Expenditure funded from Reserves	260	854	-
NESTI Expenditure funded from Reserves	300	342	305
Repayment of LGF funding swap	-	2,045	-
<b>Tyne Tunnels Reserves c/f</b>	<b>(17,917)</b>	<b>(17,961)</b>	<b>(17,717)</b>

**Transport Strategy Unit**

2.42 The Transport Strategy Unit (TSU) (previously referred to as the Regional Transport Team) supports the Joint Transport Committee, providing relevant information to support policy choices and to deliver policies at a regional level. The TSU's activities include developing and maintaining:

- The Transport vision and plan;
- The funding plan and bids for external funding;
- Input into the LEP's strategies and plans on transport, and local business organisations;
- A project pipeline and assurance framework;
- Responses to transport consultations and policy-making opportunities by government and other external agencies;
- Input into Transport for the North (TfN)'s pan-Northern policies and plans; and
- Relationships with other authorities (whether local, combined, national or sub-national) with whom the Joint Transport Committee may share a common interest.

2.43 During 2018/19 and 2019/20 the capacity of the TSU has been temporarily enhanced through secondments and fixed term contracts to prepare the bid against Transforming Cities Fund Tranche 2. This work will be complete before the end of the current financial year. The 2020/21 draft budgets have not made any assumptions on funding to be received from the Transforming Cities Fund Tranche 2 bid due to be submitted at the end of November 2019 (which is considered in a report elsewhere on this agenda). Should the bid be successful, costs of programme management have been built into the bid and the budget for 2020/21 and future years will be updated accordingly.

2.44 In addition to the significant current activity of developing the Transport Plan and related delivery programmes, some other major upcoming policy developments could potentially include the development of a new bus strategy, the expansion of the Metro and local rail network, developing a model for rail devolution, and growing the programme to increase the uptake of walking and cycling. Further work

is required in considering the scope of these developments, with funding packages to be agreed once requirements are clearer. There are also significant funding opportunities for well-developed bids along with a need for strong delivery programme management.

- 2.45 The TSU is funded through contributions from the Transport Levies which are retained to support JTC activity, a top-slice of the Local Transport Plan Integrated Transport Block grant which is awarded to the JTC and external contributions to some specific posts.
- 2.46 A summary of the forecast position for 2019/20 including the TCF bid resources (which was agreed after the original budget was set in January 2019) and the initial proposed budget for 2020/21 is set out in the table below. The budget for 2020/21 and future years will be updated once the updated Transport Plan is agreed which will set clear priorities for the work of the TSU.

2.47 **Table 11: Transport North East Strategy Unit Budget**

	<b>2019/20 Original Budget</b>	<b>2019/20 Forecast Outturn</b>	<b>2019/20 Forecast Variance</b>	<b>2020/21 Initial Estimates</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Gross Expenditure</b>				
Managing Director Transport North East and Transport Strategy Unit	658,405	584,251	(74,154)	678,369
Transport Plan	50,000	70,000	20,000	50,000
Transport Strategy Unit: Research and Development	180,000	183,044	3,044	135,000
Transport Strategy Unit: Travel and Miscellaneous	6,000	14,800	8,800	16,000
Transport Strategy Unit: Contingency	0	0	0	15,000
Transport Strategy Unit: IT/Equipment/Accomm	0	20,000	20,000	20,000
Salaries and secondment costs – Transforming Cities	241,856	233,847	(8,009)	0
Consultancy and other costs of bid preparation – Transforming Cities	191,218	191,218	0	0
<b>Total Expenditure</b>	<b>1,327,479</b>	<b>1,297,159</b>	<b>(30,319)</b>	<b>914,369</b>
<b>Gross Income</b>				
LTP funding - TSU	(500,000)	(500,000)	0	(500,000)
LGF funding - TSU	(100,000)	(100,000)	0	(100,000)
LGF funding - TCF	(100,000)	(100,000)	0	0
LTP/Levy funding - TCF	(233,074)	(233,074)	0	0
Retained Transport Levy	(31,870)	(47,671)	(15,801)	(128,773)

External funding for specific posts	(139,102)	(149,598)	(10,598)	(129,023)
<b>Total Income</b>	<b>(1,104,046)</b>	<b>(1,130,343)</b>	<b>(26,297)</b>	<b>(857,756)</b>
<b>Net</b>	<b>223,433</b>	<b>166,816</b>	<b>(56,617)</b>	<b>56,353</b>
<b>Use of Reserves to Fund Net Expenditure</b>				
Transport Strategy Unit Reserves	(123,433)	0	123,433	(6,573)
Go Smarter legacy funds – Transforming Cities Fund	(100,000)	(100,000)	-	0
Go Smarter legacy funds - Other	0	(30,044)	(30,044)	(50,000)
Earmarked reserves – Transforming Cities Fund	0	(36,772)	(36,772)	0

- 2.48 The forecast outturn for salaries is significantly less than the original budget due to a number of vacancies in the team which have not yet been filled. These vacancies have offset a cost pressure for pension contributions which has arisen because the budget assumed that employees would all have transferred to the employment of NECA and associated pension savings would have been made. This transfer is unlikely to take place before 1 January 2020. By the end of October 2019, unbudgeted pension costs of £38,006 had been incurred.
- 2.49 An increase in forecast costs in relation to the Transport Plan is reflected in the 2019/20 outturn as a result of additional work on the Plan requested by the Joint Transport Committee. Following the last meeting of the Committee, the budget for 2020/21 has been increased by £35,000 to reflect the importance members place on this area of work. Go Smarter legacy funds will be used to fund these additional costs. The total budget for the Transport Plan is £120,000, the majority of which (£70,000) is forecast to be required this financial year. The balance of £50,000 is contained in the 2020/21 budget.
- 2.50 The original budget for the year contained a significant use of the general reserve which was built up through underspends on the budget in previous years. This is now not forecast to be required in 2019/20 due to anticipated in year savings - particularly in relation to salaries and through the identification of alternative resources to fund activity.
- 2.51 An earmarked reserve to part-fund the TCF bid work was established at the end of the 2018/19 financial year to ringfence an underspend in the contribution from the Transport levy and which was not included in the original budget.
- 2.52 The JTC holds reserves to fund future activity and to manage financial risk associated with its activities. A summary of the reserves forecast at 31 March 2020 is shown in the table below

**Table 12: Summary of JTC Reserves 2019/20**

	<b>Actual 1 April 2019</b>	<b>Forecast 31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Tyne and Wear Transport	(630)	(659)
Tyne Tunnels	(21,150)	(17,961)
Metro Reinvigoration	(9,167)	(9,233)
Metro Fleet Renewal	(6,694)	(1,487)
TCF support	(37)	0
Go Smarter Legacy (within Grants unapplied)	(194)	(64)
Transport Strategy Unit (within Grants unapplied)	(125)	(125)
<b>Total JTC Reserves</b>	<b>(37,997)</b>	<b>(29,529)</b>

### **JTC Overview and Scrutiny Committee 7 November 2019**

2.53 The JTC Overview and Scrutiny Committee met on 7 November, 2019 to consider the draft budget proposals. Members considered the reports presented to the JTC on 23 October along with the updated information around options for the Tyne and Wear levy and the updated Nexus position as set out in Appendices 1 and 2. Members were appreciative of the information provided which they felt gave them a better understanding of the Transport budgets and the proposals under consideration.

2.54 There were two main issues which the Overview and Scrutiny Committee wished the JTC to be mindful of in their consideration of the proposals for 2020/21 and future years' budgets:

- Whether there are opportunities for Invest to Save proposals, particularly to tackle fare evasion on Metro which would help maximise fare income;
- Members were keen to ensure climate change and air quality issues were taken into account when setting budgets and in particular the importance of public transport in tackling these issues. The JTC wished the Committee to consider these issues when setting budgets and agreeing levies, particularly if there were any proposals to reduce services in the future.

### **3. Reasons for the Proposals**

3.1 The proposals are presented here to update the JTC on the work on the preparation of the 2020/21 Transport Budget and continue the consultation process. The report provides updated forecasts based on the latest information available, scenario modelling in terms of the Tyne and Wear Levy and feedback from the JTC Overview and Scrutiny Committee.

### **4. Alternative Options Available**



- 4.1 Option 1 – The North East Joint Transport Committee may accept the recommendation set out in the report.
- Option 2 – The North East Joint Transport Committee may suggest amendments or alternative proposals be considered.

## **5. Next Steps and Timetable for Implementation**

- 5.1 Proposals are at a draft stage and still subject to consultation. Taking into account the results of consultation, firm recommendations will be presented to the JTC for formal agreement in January 2020. .

## **6. Potential Impact on Objectives**

- 6.1 The budget presented in this report are aligned to the achievement of the Transport policy objectives of the Authority.

## **7. Financial and Other Resources Implications**

- 7.1 The financial and other resource implications are summarised in detail in the body of the report where they are known. Further details which are developed as part of the budget development and consultation process will be identified in reports to the January 2020 meeting of the Committee.

## **8. Legal Implications**

- 8.1 The JTC must ultimately approve the transport budget and levies unanimously.

## **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 (in its role as accountable body for the JTC) requires that consultation on its budget proposals be undertaken at least two months prior to the budget being agreed.

- 12.2 The extent of public consultation will be proportionate to the impact that the proposals would have on services to the public. At this stage no significant service reductions or implications are expected in 2020/21, however, if the Tyne and Wear levies are frozen again in 2021/22 or reduced this will provide a

challenge to Nexus. Proposals will be published on the website for comment and included in any budget consultation undertaken by constituent authorities.

### **13. Other Impact of the Proposals**

13.1 There are no other impacts arising from this report.

### **14. Appendices**

14.1 Appendix 1 - Tyne and Wear Levy Options 2020/21-2022/23

Appendix 2 – Modelled impacts on Nexus MTFP Forecasts 2020/21-2022/23

### **15. Background Papers**

15.1 JTC Budget 2019/20 report 22 January 2019

JTC Initial Budget Proposals 2020/21 report 23 October 2019

### **16. Contact Officers**

16.1 Eleanor Goodman, NECA Finance Manager,  
[Eleanor.goodman@northeastca.gov.uk](mailto:Eleanor.goodman@northeastca.gov.uk), 0191 277 7518

### **17. Sign off**

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

### **18. Glossary**

DfT – Department for Transport

NECA – North East Combined Authority

NTCA – North of Tyne Combined Authority

TfN – Transport for the North

TSU – Transport Strategy Unit

TT2 – TT2 Ltd., Tyne Tunnels concessionaire

## **Appendix 1 - Tyne and Wear Levy Options 2020/21-2022/23**

1. At the Joint Transport Committee on 23 October 2019, members requested some additional information about the impact of various options for the levy on the Tyne and Wear councils. The following scenarios have been modelled and are set out in the tables below:
  - a) A 2% increase in all three years 2020/21-2022/23
  - b) A 2% increase in 2020/21 with a cash freeze thereafter
  - c) A 1% increase in 2020/21 with a cash freeze thereafter
  - d) A cash freeze in all three years
  - e) A 1% reduction in 2020/21 and a cash freeze thereafter
  - f) A 2% reduction in 2020/21 and a cash freeze thereafter
2. Apportionment of the levy is based upon the 2018 ONS Mid-Year population estimates in 2020/21, as per the Transport Levying Bodies Regulations.
3. Since the populations in each council area change each year, the apportionment of the levy must be updated each year so there will be changes to the amounts payable by each individual council even in a cash freeze scenario.
4. For 2021/22 and 2022/23 the population figures are not yet available so the apportionment for these years is as per the 2018 Mid-Year figures.
5. The Retained Levy relates primarily to former Tyne and Wear Integrated Transport Authority (TWITA) costs (mainly historic financing charges) and contributions towards supporting the JTC including the Transport Strategy Unit (TSU). Any increase or decrease in the Retained Levy amount will be managed through the Tyne and Wear Transport reserve.

## Modelling of Options

### a) A 2% increase in all three years 2020/21-2022/23

	2019/20 Levy (£)	2018 Population	2020/21 Levy (£)	2021/22 Levy (£)	2022/23 Levy (£)
Gateshead	10,949,433	202,508	11,106,147	11,328,270	11,554,836
Newcastle	16,002,955	300,196	16,463,651	16,792,924	17,128,782
North Tyneside	11,060,540	205,985	11,296,836	11,522,773	11,753,229
South Tyneside	8,089,866	150,265	8,240,984	8,405,804	8,573,920
Sunderland	14,997,206	277,417	15,214,382	15,518,669	15,829,043
<b>Tyne &amp; Wear Total</b>	<b>61,100,000</b>	<b>1,136,371</b>	<b>62,322,000</b>	<b>63,568,440</b>	<b>64,839,810</b>
<b>Year on Year Increase / (Decrease)</b>			<b>1,222,000</b>	<b>1,246,440</b>	<b>1,271,370</b>
<b>Cumulative Increase / (Decrease)</b>			<b>1,222,000</b>	<b>2,468,440</b>	<b>3,739,810</b>

Retained Levy	2,100,000	2,142,000	2,184,840	2,228,540
Grant to Nexus	59,000,000	60,180,000	61,383,600	62,611,270

### b) A 2% increase in 2020/21 only and a cash freeze thereafter

	2019/20 Levy (£)	2018 Population	2020/21 Levy (£)	2021/22 Levy (£)	2022/23 Levy (£)
Gateshead	10,949,433	202,508	11,106,147	11,106,147	11,106,147
Newcastle	16,002,955	300,196	16,463,651	16,463,651	16,463,651
North Tyneside	11,060,540	205,985	11,296,836	11,296,836	11,296,836
South Tyneside	8,089,866	150,265	8,240,984	8,240,984	8,240,984
Sunderland	14,997,206	277,417	15,214,382	15,214,382	15,214,382
<b>Tyne &amp; Wear Total</b>	<b>61,100,000</b>	<b>1,136,371</b>	<b>62,322,000</b>	<b>62,322,000</b>	<b>62,322,000</b>
<b>Year on Year Increase / (Decrease)</b>			<b>1,222,000</b>	<b>0</b>	<b>0</b>
<b>Cumulative Increase / (Decrease)</b>			<b>1,222,000</b>	<b>1,222,000</b>	<b>1,222,000</b>

Retained Levy	2,100,000	2,142,000	2,142,000	2,142,000
Grant to Nexus	59,000,000	60,180,000	60,180,000	60,180,000

**c) A 1% increase in 2020/21 only and a cash freeze thereafter**

	<b>2019/20 Levy (£)</b>	<b>2018 Population</b>	<b>2020/21 Levy (£)</b>	<b>2021/22 Levy (£)</b>	<b>2022/23 Levy (£)</b>
Gateshead	10,949,433	202,508	10,997,263	10,997,263	10,997,263
Newcastle	16,002,955	300,196	16,302,242	16,302,242	16,302,242
North Tyneside	11,060,540	205,985	11,186,083	11,186,083	11,186,083
South Tyneside	8,089,866	150,265	8,160,190	8,160,190	8,160,190
Sunderland	14,997,206	277,417	15,065,221	15,065,221	15,065,221
<b>Tyne &amp; Wear Total</b>	<b>61,100,000</b>	<b>1,136,371</b>	<b>61,711,000</b>	<b>61,711,000</b>	<b>61,711,000</b>
<b>Year on Year Increase / (Decrease)</b>			<b>611,000</b>	<b>0</b>	<b>0</b>
<b>Cumulative Increase / (Decrease)</b>			<b>611,000</b>	<b>611,000</b>	<b>611,000</b>

Retained Levy	2,100,000
Grant to Nexus	59,000,000

2,121,000	2,121,000	2,121,000
59,590,000	59,590,000	59,590,000

**d) A cash freeze in all three years**

	<b>2019/20 Levy (£)</b>	<b>2018 Population</b>	<b>2020/21 Levy (£)</b>	<b>2021/22 Levy (£)</b>	<b>2022/23 Levy (£)</b>
Gateshead	10,949,433	202,508	10,888,380	10,888,380	10,888,380
Newcastle	16,002,955	300,196	16,140,834	16,140,834	16,140,834
North Tyneside	11,060,540	205,985	11,075,330	11,075,330	11,075,330
South Tyneside	8,089,866	150,265	8,079,396	8,079,396	8,079,396
Sunderland	14,997,206	277,417	14,916,061	14,916,061	14,916,061
<b>Tyne &amp; Wear Total</b>	<b>61,100,000</b>	<b>1,136,371</b>	<b>61,100,000</b>	<b>61,100,000</b>	<b>61,100,000</b>
<b>Year on Year Increase / (Decrease)</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b>Cumulative Increase / (Decrease)</b>			<b>0</b>	<b>0</b>	<b>0</b>

Retained Levy	2,100,000
Grant to Nexus	59,000,000

2,100,000	2,100,000	2,100,000
59,000,000	59,000,000	59,000,000

**e) A 1% reduction in 2020/21 and a cash freeze thereafter**

	<b>2019/20 Levy (£)</b>	<b>2018 Population</b>	<b>2020/21 Levy (£)</b>	<b>2021/22 Levy (£)</b>	<b>2022/23 Levy (£)</b>
Gateshead	10,949,433	202,508	10,779,496	10,779,496	10,779,496
Newcastle	16,002,955	300,196	15,979,426	15,979,426	15,979,426
North Tyneside	11,060,540	205,985	10,964,576	10,964,576	10,964,576
South Tyneside	8,089,866	150,265	7,998,602	7,998,602	7,998,602
Sunderland	14,997,206	277,417	14,766,900	14,766,900	14,766,900
<b>Tyne &amp; Wear Total</b>	<b>61,100,000</b>	<b>1,136,371</b>	<b>60,489,000</b>	<b>60,489,000</b>	<b>60,489,000</b>
<b>Year on Year Increase / (Decrease)</b>			<b>(611,000)</b>	<b>0</b>	<b>0</b>
<b>Cumulative Increase / (Decrease)</b>			<b>(611,000)</b>	<b>(611,000)</b>	<b>(611,000)</b>

Retained Levy	2,100,000
Grant to Nexus	59,000,000

2,079,000	2,079,000	2,079,000
58,410,000	58,410,000	58,410,000

**f) A 2% reduction in 2020/21 and a cash freeze thereafter**

	<b>2019/20 Levy (£)</b>	<b>2018 Population</b>	<b>2020/21 Levy (£)</b>	<b>2021/22 Levy (£)</b>	<b>2022/23 Levy (£)</b>
Gateshead	10,949,433	202,508	10,670,612	10,670,612	10,670,612
Newcastle	16,002,955	300,196	15,818,017	15,818,017	15,818,017
North Tyneside	11,060,540	205,985	10,853,823	10,853,823	10,853,823
South Tyneside	8,089,866	150,265	7,917,808	7,917,808	7,917,808
Sunderland	14,997,206	277,417	14,617,739	14,617,739	14,617,739
<b>Tyne &amp; Wear Total</b>	<b>61,100,000</b>	<b>1,136,371</b>	<b>59,878,000</b>	<b>59,878,000</b>	<b>59,878,000</b>
<b>Year on Year Increase / (Decrease)</b>			<b>(1,222,000)</b>	<b>0</b>	<b>0</b>
<b>Cumulative Increase / (Decrease)</b>			<b>(1,222,000)</b>	<b>(1,222,000)</b>	<b>(1,222,000)</b>

Retained Levy	2,100,000
Grant to Nexus	59,000,000

2,058,000	2,058,000	2,058,000
57,820,000	57,820,000	57,820,000

## Appendix 2 – Nexus MTFP Forecasts – Updated November 2019

### a) Levy increase of 2% across all 3 years

<b>Scenario: Levy +2% (all 3 years) / 9.3% Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-2.18	0.24	1.86		
Movement in reserves		-4.40	2.18	-0.24	-0.93		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	0.93		
Savings required		0.00	0.00	0.00	-0.93	<b>-0.93</b>	
Remaining reserves	16.0	11.60	13.78	13.53	12.60		<b>79%</b>

<b>Scenario: Levy +2% (all 3 years) / Stepped Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-2.18	0.71	2.80		
Movement in reserves		-4.40	2.18	-0.71	-1.40		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	1.40		
Savings required		0.00	0.00	0.00	-1.40	<b>-1.40</b>	
Remaining reserves	16.0	11.60	13.78	13.07	11.67		<b>73%</b>

**b) Levy increase of 1% and 2% in 2020/21**

<b>Scenario: Levy +2% / 9.3% Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-2.18	1.42	4.22		
Movement in reserves		-4.40	2.18	-1.42	-2.11		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.11		
Savings required		0.00	0.00	0.00	-2.11	<b>-2.11</b>	
Remaining reserves	16.0	11.60	13.78	12.35	10.24		<b>64%</b>

<b>Scenario: Levy +2% / Stepped</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-2.18	1.89	5.16		
Movement in reserves		-4.40	2.18	-1.89	-2.58		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.58		
Savings required		0.00	0.00	0.00	-2.58	<b>-2.58</b>	
Remaining reserves	16.0	11.60	13.78	11.89	9.31		<b>58%</b>



<b>Scenario: Levy +1% / 9.3% Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-1.59	2.01	4.81		
Movement in reserves		-4.40	1.59	-2.01	-2.41		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.41		
Savings required		0.00	0.00	0.00	-2.41	<b>-2.41</b>	
Remaining reserves	16.0	11.60	13.19	11.17	8.77		<b>55%</b>

<b>Scenario: Levy +1% / Stepped</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-1.59	2.48	5.75		
Movement in reserves		-4.40	1.59	-2.48	-2.87		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.87		
Savings required		0.00	0.00	0.00	-2.87	<b>-2.87</b>	
Remaining reserves	16.0	11.60	13.19	10.71	7.83		<b>49%</b>

c) Levy freeze in 2020/21

<b>Scenario: Levy Freeze / 9.3% Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-1.00	2.60	5.40		
Movement in reserves		-4.40	1.00	-2.60	-2.70		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.70		
Savings required		0.00	0.00	0.00	-2.70	<b>-2.70</b>	
Remaining reserves	16.00	11.60	12.60	9.99	7.29		<b>46%</b>

<b>Scenario: Levy Freeze / Stepped Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-1.00	3.07	6.34		
Movement in reserves		-4.40	1.00	-3.07	-3.17		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.17		
Savings required		0.00	0.00	0.00	-3.17	<b>-3.17</b>	
Remaining reserves	16.00	11.60	12.60	9.53	6.36		<b>40%</b>

d) Levy reduction of 1% and 2% in 2020/21

<b>Scenario: Levy -1.0% / 9.3% Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-0.41	3.19	5.99		
Movement in reserves		-4.40	0.41	-3.19	-3.00		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.00		
Savings required		0.00	0.00	0.00	-3.00	<b>-3.00</b>	
Remaining reserves	16.00	11.60	12.01	8.81	5.82		<b>36%</b>

<b>Scenario: Levy -1.0% / Stepped Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	-0.41	3.66	6.93		
Movement in reserves		-4.40	0.41	-3.66	-3.46		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.46		
Savings required		0.00	0.00	0.00	-3.46	<b>-3.46</b>	
Remaining reserves	16.00	11.60	12.01	8.35	4.88		<b>31%</b>

<b>Scenario: Levy -2.0% / 9.3% Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	0.18	3.78	6.58		
Movement in reserves		-4.40	-0.18	-3.78	-3.29		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.29		
Savings required		0.00	0.00	0.00	-3.29	<b>-3.29</b>	
Remaining reserves	16.00	11.60	11.42	7.63	4.34		<b>27%</b>

<b>Scenario: Levy -2.0% / Stepped Pension</b>	<b>Reserves as at 31/03/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total Savings £m</b>	<b>Reserves as at 31/03/23 %</b>
Deficit/(Surplus)		4.40	0.18	4.25	7.52		
Movement in reserves		-4.40	-0.18	-4.25	-3.76		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.76		
Savings required		0.00	0.00	0.00	-3.76	<b>-3.76</b>	
Remaining reserves	16.00	11.60	11.42	9.29	3.41		<b>21%</b>

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

## Agenda Item 7

Document is Restricted