



## North East Joint Transport Committee

Tuesday, 18th July, 2023 at 2.30 pm

Meeting to be held in a Bridges Room - Civic Centre

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## AGENDA

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	Page No
1. <b>Apologies for Absence</b>	
2. <b>Declaration of Interests</b>	
<p>Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be given to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.</p>	
3. <b>Minutes of the meeting held on 20 June 2023</b>	3 - 8
4. <b>2022/23 Revenue Budget and Capital Programme Outturn</b>	9 - 30
5. <b>2023/24 Revenue Budget and Capital Programme Update</b>	31 - 54
6. <b>Bus Service Improvement Plan (BSIP) Capital Programme Approvals</b>	55 - 66
7. <b>Transforming Cities Fund Tranche 2 Residual Grant Funding</b>	67 - 80
8. <b>Transport Plan Progress Report</b>	81 - 88
9. <b>Bus Service Improvement Plan – Fares package: Multi-operator, Multi-modal tickets</b>	89 - 132
10. <b>Exclusion of the Press and Public</b>	

The Joint Transport Committee may wish to exclude the press and public during consideration of item 10 by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

11. **Confidential minutes of the meeting held on 20 June 2023**

**133 - 134**

12. **Date of next meeting**

The next meeting of the Joint Transport Committee will be held on Tuesday 19 September at 2.30pm in the Bridges Room, Gateshead Civic Centre.

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**NORTH EAST JOINT TRANSPORT COMMITTEE**

**DRAFT MINUTES FOR APPROVAL**

**DATE: 20 JUNE 2023**

Meeting held: Bridges Room, Gateshead Civic Centre

**COMMITTEE MEMBERS PRESENT:**

Councillor: M Gannon (Chair)

Councillors: C Johnson, N Kemp, M Meling, G Miller, G Sanderson and E Scott

**IN ATTENDANCE:**

Statutory Officers: M Barker (Monitoring Officer – Transport)  
E Goodman (NECA Finance Manager)  
T Hughes (Managing Director, Transport North East)

Officers: J Bailes, J Fenwick, P Fleming, A Graham, P Holmes,  
M Jackson, L Jacques, H Jones, M Kearney, L Keating,  
C Massarella, P Meikle, S McNaughton, E Reynard, C Shield  
and J Sparkes.

**1. APPOINTMENT OF THE CHAIR AND VICE CHAIR FOR THE MUNICIPAL YEAR 2023-2024**

**RESOLVED:** The North East Joint Transport Committee agreed to reappoint:

- (i) Councillor Martin Gannon as Chair;
- (ii) Councillor Carl Johnson as Vice Chair

For the municipal year 2023-2024.

## **2. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Tracey Dixon.

## **3. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **4. MINUTES OF THE MEETING HELD ON 18 APRIL 2023**

The minutes were agreed as a correct record.

## **5. APPOINTMENT OF JTC COMMITTEES**

The Committee received a report which sought:

- (i) The approval of the membership of the JTC Committees for 2023/2024;
- (ii) The reappointment of the Independent Chairs and Vice Chairs for the JTC Audit Committee and the JTC Overview and Scrutiny Committee and the appointment of the Chair and Vice Chair for the JTC Tyne and Wear Sub-Committee;
- (iii) The reappointment of representatives to the Transport for the North Rail North Committee and Transport for the North General Purposes Committee.

**RESOLVED:** The North East Joint Transport Committee:

- (i) Agreed the appointment of committee members and sub-committee members for the municipal year 2023/2024 as set out in Appendix A of the report;
- (ii) Agreed the reappointment of Mark Scrimshaw as Chair and Stuart Green as Vice-Chair of the JTC Audit Committee for the municipal year 2023/2024;
- (iii) Agreed the reappointment of David Taylor-Gooby as Chair and Andrew Clark as Vice-Chair of the JTC Overview and Scrutiny Committee for the municipal year 2023/2024;
- (iv) Agreed the reappointment of Councillor Carl Johnson as Chair and Councillor John McElroy as Vice Chair of the JTC Tyne and Wear Sub-Committee for the municipal year 2023/2024.
- (v) Agreed the reappointment of Mayor Jamie Driscoll and Councillor Martin Gannon as representatives to the Transport for the North Rail North Committee and Transport for the North General Purposes Committee for the municipal year 2023/2024.

- (vi) Agreed to delegate any changes to membership necessary to accommodate political balance, or appointments to any outstanding vacancies, on any of the Joint Transport Committees to the Lead Chief Executive (Transport) following consultation with the Chair of the Joint Transport Committee to comply with the relevant legislation and ensure any vacancies can be filled as soon as possible.

## **6. PROGRAMME OF COMMITTEE MEETINGS 2023-2024**

The Committee received a report which sought agreement of a programme of meetings for the municipal year 2023/2024. The programme of meetings is intended to assist the Joint Transport Committee in discharging its functions effectively and has been developed in consultation with constituent combined authorities.

**RESOLVED:** The North East Joint Transport Committee agreed the programme of committee meetings as set out in Appendix A of the report.

## **7. NORTH EAST DEVOLUTION**

The Committee received a report which outlined the results of the public consultation on the 'minded to' devolution deal for the North East, which ran from 26 January 2023 to 23 March 2023. The outcome of the consultation was evaluated and summarised in a North East Devolution Consultation report which was presented to the Cabinets of all seven local authorities in the North East, as well as the North East Combined Authority and North of Tyne Combined Authority.

All of the Cabinets agreed to the abolition of the North East Combined Authority and North of Tyne Combined Authority, to allow the new North East Mayoral Combined Authority to be created in May 2023. It was noted that the Joint Transport Committee would also cease to exist under this arrangement.

**RESOLVED:** The North East Joint Transport Committee noted the report.

## **8. NORTH EAST ACTIVE TRAVEL STRATEGY – APPROVAL TO PUBLISH**

The Committee received a report which sought approval to adopt the North East Active Travel Strategy following a recent consultation. The strategy aims for active travel to become the natural first choice for short everyday travel and to combine with public transport for longer journeys.

The consultation ran from 4 January – 5 March 2023 and was mixture of online and in-person engagement. A total of 4,037 responses were received as part of the consultation:

- 2,900 responses were received from the online survey;

- 393 comment cards were submitted at pop-up events held in each of the seven local authority areas;
- 676 comments were via social media comments; and
- over 20 pieces of detailed stakeholder feedback were received
- 58 people registered for the online events.

The majority of responses were in favour of the proposals. As a result of the consultation, some changes have been made to the Strategy which were outlined in the appendix of the report.

**RESOLVED:** The North East Joint Transport Committee:

- (i) Noted the responses to the consultation as outlined in the report and in the Consultation feedback report (Appendix two); and
- (ii) Formally adopted the North East Active Travel Strategy set out in Appendix one, as one of the suite of strategies expanding on the North East Transport Plan.

## 9. TRANSPORT PLAN PROGRESS REPORT

The Committee considered a report which provided an update on progress made across a number of delivery plan categories in implementing the objectives of the North East Transport Plan and achieving the vision of ‘moving to a green, healthy, dynamic and thriving North East.’

The Government’s national £2 bus fare capping scheme across England has been extended until October 2023, after which the fare cap will rise to £2.50 until November 2024.

The government has made £300m of recovery funding available nationally to support bus networks across the country until 2025 in two forms: ‘BSOG+’ which is payable directly to bus operators, and ‘BSIP+’ which is payable to local transport authorities. Bus operators are awaiting confirmation of their BSOG+ allocations but expect them to be significantly less than its predecessor subsidy (Bus Recovery Grant or BRG).

Our region will not receive any BSIP+ funding, as it is already in receipt of significant BSIP revenue funding which the Government has confirmed can be redirected towards supporting bus services where required.

The region has begun to launch new products using BSIP funding including a new £1 single bus fare for those 21 and under covering every journey across Tyne and Wear, Northumberland and Durham. This initiative was approved by the Joint Transport Committee earlier this year.

The region’s campaign to re-open the Leamside Line continues to gather pace. A new Leamside Line All Party Parliamentary Group was launched in Westminster on 10 May, co-chaired by Sharon Hodgson MP and Paul Howell MP.

The Government has announced that it will not exercise its option to extend the current arrangements for the TransPennine Express ('TPE') National Rail Contract. DfT will appoint its Operator of Last Resort to take over delivery of passenger services on the TPE network from 28 May 2023.

Councillor Gannon expressed his continued disappointment that BSIP funding, which was originally awarded to enhance bus services, will now need to be used to support existing bus services which will be withdrawn or reduced by bus operators, as a result of the removal of Bus Recovery Grant. He added that the region is in agreement with Government regarding the importance of improving public transport provision but continued to need additional resources support this policy objective.

Councillor Sanderson was pleased to note the success of the new under 21 bus fare which is a good example of how all seven local authorities are working together to improve public transport across the region.

**RESOLVED:** The North East Joint Transport Committee noted the report.

## **10. BUS SERVICE IMPROVEMENT PLAN – EARLY INVESTMENTS**

The Committee received a report which sought approval for several items of expenditure aimed at helping to deliver the Bus Service Improvement Plan (BSIP).

This includes providing a free-to-use travel pass for care-experienced people across the whole region, an allocation to support the bus network following the ending of the Bus Recovery Grant and the development of a region-wide journey planning website.

These investments are in line with the aspirations set out in the BSIP; have the support of partners following discussion at the Bus Partnership Board; and can be funded following the confirmation of the award of BSIP funding from the government.

Councillor Kemp was delighted that the free travel pass for care leavers has been extended to across the region following the successful trial in Newcastle and Gateshead.

Councillor Gannon reiterated his disappointment that £12.2m of BSIP funding was being used to support not enhance bus services.

**RESOLVED:** The North East Joint Transport Committee:

- (i) Approved the allocation of up to £650,000 for the bulk purchase of annual region-wide travel passes from Network One Ltd for those aged 18-25 who have left Local Authority care.

- (ii) Approved the allocation of £430,000 to Nexus for the development of the region's journey planning and public transport information website.
- (iii) Approved the allocation of £12.2m to secure and where possible improve bus services across the region for the financial year 2023/24.

## **11. EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED:** The North East Joint Transport Committee agreed to exclude the press and public during consideration of item 12 by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.



## North East Joint Transport Committee

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**Date:** 18 July 2023

**Subject:** 2022/23 Revenue Budget and Capital Programme Outturn

**Report of:** Chief Finance Officer

### Executive Summary

This report provides the North East Joint Transport Committee (JTC) with the outturn position in relation to the 2022/23 Transport Revenue Budget and Transport Capital Programme.

The report covers all areas of the revenue budget including the Transport Levies and grants to Durham, Northumberland and Nexus, and Transport North East (TNE) activity including the Tyne Tunnels revenue account.

The outturn position shows that expenditure was within budget against the grants paid to Durham, Northumberland and Nexus. Where grants are paid to other organisations for the delivery of transport services (i.e. Durham, Northumberland and Nexus), the grant is fixed for the year but the report provides details of how the grant has been applied by each organisation to the provision of public transport services.

Durham County Council and Northumberland County Council both reported overall underspends against the grant (£0.755m and £0.648m respectively), mainly arising from savings on concessionary fares reimbursement to bus operators, with these savings being partly diverted to fund increases in the budgets required for supported bus services. Nexus reported a surplus after exceptional items of £7.034m which primarily arose from the receipt of £19.351m unbudgeted grant support from Department for Transport (DfT) which was received during the year and which will not be repeated in 2023/24.

There was a small planned deficit on the Tyne Tunnels revenue account (£0.156m) arising from the decision taken by the Tyne and Wear Sub Committee to delay the toll increase until May 2023. The deficit has been met from Tyne Tunnels reserves.

Expenditure on the Transport North East Core budget was £0.929m resulting in a small surplus of £0.041m which will be available to contribute to expenditure in 2023/24. £15.744m was expended on revenue grants and projects including payments to

Durham, Northumberland and Nexus of the Local Transport Fund grant made available by DfT.

The report identifies that total capital expenditure incurred on transport schemes was £220.375m during 2022/23 against the revised programme of £258.534m, an underspend of £38.159m (15%). The majority of this underspend relates to slippage in relation to the Transforming Cities Fund (TCF) Tranche 2 programme (£13.857m), Metro Asset Renewal Plan (£10.662m), and Metro Fleet Replacement (£10.531m). There has been no loss of funding arising from the slippage and the works are forecast to take place in 2023/24, requiring the budgets to be reprofiled.

Most of the capital works undertaken in the year have been funded through government grants awarded (£216.971m) with elements of the Nexus capital programme and the Tyne Pedestrian and Cyclist tunnels works funded by reserves (£3.404m) held specifically for this purpose.

At 31 March 2023, JTC reserves totalled £34.353m, including amounts held on behalf of Nexus, with £33.257m earmarked for specific projects or service areas and an unallocated general reserve of £1.096m. This is compared with a position at 31 March 2022 of a total £31.174m (£30.241m earmarked reserves and £0.933m unallocated general reserve).

### **Recommendations**

The North East Joint Transport Committee is recommended to note the report.

## 1. Background Information

- 1.1 At its meeting held on 18 January 2022, the JTC agreed a Transport levy budget for 2022/23 of £87.201m, with regular updates on the forecast outturn position being reported to the JTC over the last twelve months. This report presents the final outturn position for the 2022/23 financial year.
- 1.2 In January 2022, the JTC also approved the initial 2022/23 capital programme totalling £279.774m. The capital programme was then updated to take account of adjustments for slippage from 2021/22 and for new grant approvals made after the original capital programme was agreed. The programme was subsequently updated in reports to the JTC in November 2022, January 2023 and March 2023.

## 2. Proposals

### Transport Revenue Budget Summary

- 2.1 The table below summarises the outturn position against the net Transport Levy budget (i.e. the net cost to the JTC after external income) for 2022/23. The levies and grants to Durham, Northumberland and Nexus are fixed for the year, but details of how the grants were applied by each organisation to the provision of public transport services is set out in more detail in the following sections. Expenditure on the Retained Transport Levy budget was below the revised budget with a variance of £0.122m due to lower financing charges on historic debt inherited from the Tyne and Wear Integrated Transport Authority (TWITA). This has added to the JTC unallocated general reserve where it will be available to fund additional expenditure within Transport North East as required.

Table 1: Transport Levy Budget 2022/23

	<b>2022/23 Original Budget</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 Outturn</b>	<b>2022/23 Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Grant to Durham	15.609	15.609	15.609	0.000
Grant to Northumberland	6.347	6.347	6.347	0.000
Grant to Nexus	63.125	63.125	63.125	0.000
Retained Levy Budget	2.120	2.120	1.998	(0.122)
<b>Net Expenditure</b>	<b>87.201</b>	<b>87.201</b>	<b>87.079</b>	<b>(0.122)</b>
Transport Levies	(87.201)	(87.201)	(87.201)	0.000
<b>Contribution (to)/from JTC Reserves</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.122)</b>	<b>(0.122)</b>

## Durham

2.2 The following table provides a detailed breakdown of expenditure on public transport services by Durham County Council against the grant awarded by the JTC:

*Table 2: Durham County Council*

	<b>2022/23 Original Budget</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 Outturn</b>	<b>2022/23 Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	12.205	12.205	10.078	(2.127)
Subsidised Services	2.688	2.688	3.601	0.913
Bus Stations	0.176	0.176	0.299	0.123
Bus Shelters	(0.268)	(0.268)	0.001	0.269
Passenger Transport Information	0.089	0.089	0.156	0.067
Staffing	0.719	0.719	0.719	0.000
Share of JTC Transport Costs	0.010	0.010	0.010	0.000
<b>Net Expenditure</b>	<b>15.619</b>	<b>15.619</b>	<b>14.864</b>	<b>(0.755)</b>
<b>JTC Grant (Levy)</b>	<b>(15.619)</b>	<b>(15.619)</b>	<b>(15.619)</b>	<b>0.000</b>
<b>(Surplus) / Deficit for the year</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.755)</b>	<b>(0.755)</b>

2.3 The final outturn position for 2022/23 was an underspend of £0.755m when compared with the current budget. The main reasons for the reported variances are shown below:

1. Concessionary Fares – £(2.127m) underspend as reimbursement is being made in line with current guidance;
2. Subsidised Services – £0.913m – agreed overspend to support the passenger transport network;
3. Bus Stations - £0.123m – overspend due to additional repair and security costs (some departure charge losses at Durham Bus Station whilst closed but these were mainly offset against Repairs and Maintenance savings);
4. Bus Shelters - £0.269m – additional shelter maintenance and reduced advertising income;

5. Passenger Transport Information - £0.670m – overspend due to increased software costs.

The underspend will be retained by Durham County Council at the year end.

### Northumberland

- 2.4 The following table provides a detailed breakdown of expenditure on public transport services by Northumberland County Council against the grant awarded by the JTC:

*Table 3: Northumberland County Council*

	<b>2022/23 Original Budget</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 Outturn</b>	<b>2022/23 Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	4.931	4.931	4.227	(0.704)
Subsidised Services	1.230	1.230	1.273	0.043
Bus Services	0.028	0.028	0.055	0.027
Passenger Transport Information	0.025	0.025	0.011	(0.014)
Staffing	0.133	0.133	0.133	0.000
Share of JTC Transport Costs	0.010	0.010	0.010	0.000
<b>Net Expenditure</b>	<b>6.357</b>	<b>6.357</b>	<b>5.709</b>	<b>(0.648)</b>
<b>JTC Grant (Levy)</b>	<b>(6.357)</b>	<b>(6.357)</b>	<b>(6.357)</b>	<b>0.000</b>
<b>(Surplus) / Deficit for the year</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.648)</b>	<b>(0.648)</b>

- 2.5 The outturn position was an underspend of £0.648m. Concessionary Travel underspent by £0.704m. Following the lifting of Covid-19 restrictions the DfT has allowed local authorities to negotiate with local travel providers regarding the reimbursement rates payable in respect of concessionary travel. Northumberland County Council was able to negotiate two fixed price deals with the two major operators in Northumberland for the period April 2022-March 2023 rather than base payment on a reimbursement rate per journey. This has provided budget certainty for all parties as passenger numbers are yet to recover to pre-pandemic levels. The Supported Services budget overspent by £0.043m due to transport operators identifying routes that were no longer commercially viable and changes to some contract prices due to increased fuel prices, driver availability and other inflationary

costs. However, following receipt of a DfT grant the forecast overspend was largely removed and the additional expenditure accommodated within the grant received.

### Tyne and Wear – Nexus

2.6 In the most recent report to the JTC on 21 March 2023 (which covered the period up to 7 January 2023), the forecast outturn for the year ended 31 March 2023 was a surplus of £2.788m. This was after significant unbudgeted grant support awarded during the year, which has since increased, following successful negotiations with the Department for Transport (DfT) which led to the receipt of an additional £3.000m of Metro Rail Grant, received at the year-end.

2.7 Taking this additional grant support into account, as well as the continued strong performance of Metro fare revenue, the surplus for the year, before exceptional items is £9.331m, as summarised in the table below.:

*Table 4: Nexus Revenue Outturn 2022/23*

	<b>2022/23 Revised Budget</b>	<b>2022/23 Outturn</b>	<b>2022/23 Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	31.155	30.559	(0.596)
Metro	17.076	5.987	(11.089)
Bus Services	15.327	12.602	(2.725)
Other	5.167	4.646	(0.521)
<b>Total Requirement</b>	<b>68.725</b>	<b>53.794</b>	<b>(14.931)</b>
Grant from TW Levy	(63.125)	(63.125)	0.000
<b>(Surplus) before Exceptional Items</b>	<b>5.600</b>	<b>(9.331)</b>	<b>(14.931)</b>
MMA cost (reserves funded)	0.000	2.368	2.368
TTS	0.000	(0.071)	(0.071)
<b>(Surplus) after Exceptional Items</b>	<b>5.600</b>	<b>(7.034)</b>	<b>(12.634)</b>

2.8 The total unbudgeted grant support amounted to £19.351m. Had it not been for this, Nexus would have reported a deficit of over £10.000m, meaning that in reality, it would have been necessary to make significant reductions in its cost base, something that has been prevented and which has meant Nexus has been able to maintain service provision and continue its gradual recovery from the Covid pandemic, during what has been an extremely turbulent time.

- 2.9 However, because the vast majority of the additional grant received in 2022/23 will not be repeated in 2023/24, and given inflationary pressures, including the cost of High Voltage Power (HVP) remain stubbornly high, Nexus' financial challenges in 2023/24 remain.
- 2.10 Indeed, at the JTC meeting of 17 January 2023, Nexus' budget for 2023/24 was approved. This includes the use of £8.000m reserves.
- 2.11 The fact that Nexus has managed to increase, as opposed to reduce its reserves at the end of 2022/23 as was originally planned, means that it has improved its resilience to meet these ongoing challenges, although it should be noted that unless inflationary pressures abate, these challenges will become increasingly difficult to overcome in future years.
- 2.12 The additional grants that Nexus received in 2022/23 which are reflected in the reported surplus are set out in more detail below:
- Local Transport Funding (LTF) of £10.108m paid by the DfT to support the recovery of Metro and Bus Services (£0.248m has been deferred into next financial year to support secured bus service which are contracted to run past the year end);
  - £5.643m from the Energy Bill Relief Scheme (EBRS) to assist with the abnormal costs of high voltage power because of the energy crisis;
  - The indexation of Metro Rail Grant amounting to £0.600m; and
  - £3.000m of additional Metro Rail Grant awarded during the final period of the year, for expenditure on Metro Services up to 31 March 2023. This will enable other funding to be carried forward and held in reserves in order to accommodate unbudgeted pressures in 2023/24, specifically in relation to the ongoing, abnormal cost of high voltage power.
- 2.13 In year, Nexus faced significant unbudgeted cost pressures amounting to £17.000m, perhaps the most significant of which related to high voltage power. In addition to unbudgeted grants received in year, these pressures were also mitigated by the achievement of £12.600m of efficiencies in year, including the strong performance of metro fare revenue which was over £4.000m better than budget (although still below pre-pandemic levels). However, some of these efficiencies were one-offs and do not carry forward into 2023/24.
- 2.14 The reported surplus, after adjusting for exceptional items of £2.97m, is £7.034m. Exceptional items relate to the following:
- Additional costs arising in relation to the Metrocar Maintenance Agreement (MMA) contract with Stadler Rail Services of £2.369m. These costs were anticipated, reflecting the risk premium associated with Stadler maintaining the old fleet of trains prior to their disposal, the cost of which will be met from a reserve specifically established to accommodate these additional costs; and
  - An adjustment of £0.071m relating to Nexus' subsidiary company, Tyneside Transport Services Limited (TTS).

## 2.15 **Metro**

At the end of the year, financial performance on Metro shows net expenditure at £11.809m better than the revised budget, after central government support. During the year, the inflationary pressures have continued to increase, most notably the cost of HV power, which has more than doubled (gross cost of £21.295m against a base budget of £8.356m), caused by geo-political factors and continued instability in the energy market. However, after taking into account EBRS and the allocation of LTF grant, the in-year HV power cost pressure has been fully funded.

2.16 Metro fare revenue (including car park and penalty fare income) to the end of the year was £42.658m. This exceeded budget by £4.267m (11%), which was set based on 84% of pre-Covid levels. Whilst this is a strong performance against budget, the ongoing effects of the Covid pandemic still present a significant challenge with the outturn result £2.942m (6%) less than pre-covid levels.

2.17 There were net savings of £0.661m across a number of Metro budget heads, including travel ticket costs, cash handling, and additional contract income. The level of savings were less than forecast due to additional costs in the final quarter in respect of bus replacement and ticket acceptance, following incidents on the infrastructure e.g. the prolonged closure of Whitley Bay station following storm damage, as well as higher utility costs relating to low voltage electricity. There was an increase in savings in employee costs, due to a number of posts being held vacant for longer than originally planned and this amounted to £0.949m for the year.

2.18 Metro benefited from savings in overheads (which are also applicable to other service areas) which have increased since the previous report and include areas such as ICT licencing, support services costs and unused contingencies. In addition to this, due to the increase in interest rates, investment income has out performed budget by £1.476m. The overhead savings and interest income allocated to Metro is £2.212m for the year.

## 2.19 **Concessionary Fares**

Concessionary Fares is £0.596m better than budget at the end of the year, which includes additional school income of £0.285m, savings of £0.168m in respect of teen travel and consultancy support, as well as overhead savings and interest income, as outlined in paragraph 2.18, of £0.143m.

## 2.20 **Bus Services**

Taking into account the LTF grant, financial performance on Bus Services is £2.725m better than the revised budget across the year. Fare revenue was £0.991m higher than budget, and there were savings of £0.531m on secured services contracts, due to a combination of the application of LTF grant and tender prices being more competitive. The forecast also reflects £0.129m of other Bus Services savings which primarily relates to the Taxi Card scheme.

2.21 During the year, Nexus received £0.535m of additional Bus Recovery Grant funding from TNE. This related to unused funding from the previous financial year, which had been carried forward under the terms and conditions of the grant and applied to part



cover the cost of Nexus' secured services in year. Finally, there are overhead savings and interest income, as outlined in paragraph 2.18m, which amount to £0.539m for the year.

## 2.22 Other

Other includes Ferry, Bus Infrastructure and Passenger Transport Information and the financial performance for the year shows net expenditure is £0.521m better than the revised budget. At the end of the year, ferry revenue was £0.054m better than budget, and departure charges were £0.040m better than budget. As previously reported, cost pressures arose on ferry fuel and insurance, as well as bus infrastructure cleaning and maintenance, however, these were offset by savings on staff costs, bus information costs and ferry survey costs (net impact £0.039m). In addition, there are overhead savings and interest income of £0.388m (paragraph 2.18 refers).

## Tyne Tunnels

2.23 The Tyne Tunnels are operated as a ringfenced account, so all costs associated with the tunnels are fully met from toll income and Tyne Tunnels reserves, with no call on the levy or other public funding. The outturn position for the year is a deficit of £0.156m which will be met from Tyne Tunnels reserves. This compares with a revised budget deficit forecast of £0.101m, a variance of £0.055m.

*Table 5: Tyne Tunnels Revenue Account*

	<b>2022/23 Original Budget</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 Outturn</b>	<b>2022/23 Variance</b>
Tolls Income	(32.715)	(30.977)	(31.531)	(0.554)
TT2 Contract	24.322	24.104	24.555	0.451
Employees	0.142	0.129	0.136	0.007
Historic Pensions	0.050	0.050	0.046	(0.004)
Premises	0.014	0.092	0.111	0.019
Support Services	0.155	0.160	0.156	(0.004)
Supplies & Services	0.195	0.110	0.555	0.445
Financing Charges	8.140	6.466	6.242	(0.224)
Interest / Other Income	(0.065)	(0.208)	(0.205)	0.003
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	(0.240)	0.000

Capital Expenditure funded from Revenue – Tyne Pedestrian and Cycle Tunnels	0.000	0.415	0.330	(0.085)
<b>Net (Surplus)/Deficit</b>	(0.002)	0.101	0.156	0.055

- 2.24 Tolls income was lower than the budget for the year and the contract payments were higher. This is due to the impact of the decision taken by the Tyne and Wear Sub Committee in November 2022 in relation to the tolls increase. The Committee agreed an increase in the tolls to be applied from May 2023 for Class 2 and Class 3 vehicles, a delay from the earliest applicable date of February 2023, keeping the toll at the previous level for both Class 2 and Class 3 vehicles throughout the winter to provide relief for tunnels users during this period taking into account winter fuel bills and the current cost of living crisis. The income lose by delaying the increase was funded by Tyne Tunnels Reserves. This delay did not affect the increase in the ‘shadow toll’ payable to TT2, the basis of the contract payment, which increased to £2.30 from 1 January 2023.
- 2.25 Premises costs relate primarily to utilities charges for the Tyne Pedestrian and Cycle Tunnels (TPCT). The two tunnels are around 270 metres in length and open 24 hours a day, 7 days a week. Electricity costs relating to lighting systems, CCTV and security systems and lifts at either end are substantial and have increased significantly during 2022/23 as energy prices have increased sharply, resulting in an outturn variance of £0.011m against the revised budget which was itself a significant increase compared to the original budget for the year.
- 2.26 Expenditure on supplies and services was £0.445m higher than the budget for the year due to the requirement for substantial external engineering and legal support during the year and costs of service contracts relating to the TPCT.
- 2.27 Financing charges were £0.224m lower than the revised budget. The budget had included some additional accelerated principal repayments on debt relating to the New Tyne Crossing. In order to offset the reduction in tolls income the additional, accelerated repayments of debt will not now be made in 2022/23. The minimum level of revenue provision for the repayment of debt calculated in accordance with Prudential Code guidance has been made along with all interest payments due.
- 2.28 Capital Expenditure funded from Revenue (CERA) relates to the work on the inclined lifts at the TPCT. This work will be completed in 2023/24 with some slippage of the programme relating in an underspend of £0.085m in 2022/23.

### **Transport North East (TNE)**

- 2.29 TNE provides strategy, planning and delivery services on behalf of the JTC and works to implement the vision of ‘moving to a green, healthy, dynamic and thriving North East’. 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 (LTP) 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.

2.30 Outturn expenditure for 2022/23 is £0.929m against the revised budget of £0.860m, with outturn income £0.971m leading to a small surplus of £0.041m.

*Table 6: TNE Core Budget 2022/23*

	<b>2022/23 Original Budget</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 Outturn</b>	<b>2022/23 Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Employee costs	0.709	0.732	0.789	0.057
Transport Plan/Strategy Work	0.060	0.036	0.043	(0.017)
Research and Development	0.100	0.045	0.054	(0.046)
Travel and Office Expenses	0.021	0.023	0.027	0.006
IT/Equipment	0.011	0.011	0.010	(0.001)
Contingency	0.049	0.003	0.002	(0.047)
Organisational Development	0.000	0.010	0.004	0.004
<b>Total Expenditure</b>	<b>0.950</b>	<b>0.860</b>	<b>0.929</b>	<b>0.069</b>
LTP Topslice	(0.500)	(0.500)	(0.500)	0.000
Retained Levy	(0.284)	(0.284)	(0.284)	0.000
External funding for specific posts	(0.166)	(0.196)	(0.187)	(0.009)
LTA Capacity Revenue grant	0.000	(0.010)	(0.004)	0.006
<b>Total Income</b>	<b>(0.950)</b>	<b>(0.990)</b>	<b>(0.971)</b>	<b>0.019</b>
<b>(Surplus)/Deficit to fund from Reserves</b>	<b>0.000</b>	<b>(0.130)</b>	<b>(0.041)</b>	<b>0.089</b>

2.31 Expenditure on employees was £0.057m above the budget due to a restructure of posts which took place during the year, with the increased costs accommodated within the overall funding available.

2.32 Total funding for the year was £0.971m, slightly below the revised budget but in excess of expenditure, leading to a small surplus of £0.041m which will be held in reserves to fund expenditure in the 2023/24 financial year.

*Table 7: TNE Projects and Grants 2022/23*

	<b>2022/23 Original Budget</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 Outturn</b>	<b>2022/23 Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Active Travel Capability Fund	0.000	2.394	1.333	(1.061)
Active Travel Planning	0.796	0.747	0.052	(0.695)
BSIP/Enhanced Bus Partnership	0.280	0.644	0.418	(0.226)
Bus Recovery Grant	0.000	1.676	0.430	(1.246)
City Region Sustainable Transport Settlement (Revenue)	0.000	0.293	0.000	(0.293)
Freight Study	0.000	0.050	0.000	(0.050)
Local Transport Fund	0.000	11.236	12.548	1.312
Local Transport Authority Capability Fund	0.000	0.000	0.083	0.083
Metro and Local Rail Studies	1.136	0.600	0.280	(0.320)
Rail Development	0.236	0.238	0.245	0.007
Programme Management	0.621	0.340	0.355	0.015
<b>Total Expenditure</b>	<b>3.069</b>	<b>18.218</b>	<b>15.744</b>	<b>(2.474)</b>
Active Travel Fund Revenue Grant	(0.796)	(0.747)	(0.052)	0.695

DfT BSIP Capacity Grant	0.000	(0.644)	(0.398)	0.246
BSIP Bus Corridor Study (LEP grant)	0.000	0.000	(0.021)	(0.021)
Bus Recovery Grant	(0.207)	(1.676)	(0.430)	1.246
Capability Fund Grant	0.000	(2.394)	(1.333)	1.061
City Region Sustainable Transport Settlement (Revenue) Grant	0.000	(0.293)	0.000	0.293
Local Transport Fund	0.000	(11.236)	(12.548)	(1.312)
Local Transport Authority Capability grant	0.000	0.000	(0.083)	(0.083)
Metro and Local Rail Studies (funded by Nexus budget transfer)	(1.136)	(0.530)	(0.217)	0.313
Metro and Local Rail Studies (LEP grant)	0.000	(0.070)	(0.063)	0.007
Rail Administration Grant	(0.236)	(0.238)	(0.245)	(0.007)
Transforming Cities Fund Tranche 2	(0.621)	(0.308)	(0.355)	(0.047)
<b>Total Income</b>	<b>(2.996)</b>	<b>(18.136)</b>	<b>(15.745)</b>	<b>2.391</b>
<b>(Surplus)/Deficit to fund from Reserves</b>	<b>0.073</b>	<b>0.082</b>	<b>(0.001)</b>	<b>(0.083)</b>

- 2.33 A number of new revenue funding streams were awarded to TNE to administer subsequent to the original budget being set, and the budget was revised during the year to reflect these. These included the Capability Fund, City Region Sustainable Transport Settlement revenue grant and funding from the Local Transport Fund in respect of socially necessary bus services and light rail services.
- 2.34 The Enhanced Partnership was agreed at the end of March 2023 and the scheme initiatives will come into effect in 2023/24. Work on the development of the scheme to date has been funded through grant provided by the DfT for this work which was received in 2021/22.
- 2.35 As a result of the revisions described in paragraph 2.33 above, the revised budget for the year was £18.218m, against which outturn expenditure of £15.744m was incurred. The main variances were on the Local Transport Fund, where a further tranche of grant to the end of March was received and paid out to Durham,

Northumberland and Nexus. There was some slippage against the Active Travel Fund/Capability Fund revenue programme where the funding will now be defrayed in the new financial year.

- 2.36 Where expenditure has been reprofiled into 2023/24, there has been no loss of funding and this has been in line with grant conditions as set out by the awarding bodies.
- 2.37 Substantial cash balances were held during the 2022/23 year by NECA on behalf of the JTC. These comprised grants paid to the authority in advance of expenditure being incurred and general and earmarked reserves. With the sharp increase in interest rates during 2022/23, £2.573m unbudgeted interest income was received by the authority. It is proposed that this is set aside in an earmarked reserve to fund expenditure by TNE in future years. TNE are preparing for the creation of NEMCA in May 2024 while continuing to deliver transport improvements over the coming financial year. A number of transition tasks are needed, and additional staffing resources and external support are required in order to deliver this work alongside existing commitments. It is proposed that this transition work is funded from external funds secured where appropriate, with the interest income from reserves meeting the remaining expenditure. This strategy means that no additional local authority contributions to the work are proposed.

### **Transport Capital Programme Outturn 2022/23**

- 2.38 A summary of the Transport Capital Programme for 2022/23 is set out in the table below, with further details provided in the following sections. The revised programme for 2022/23 was £258.534m, representing investment in transport schemes across the area represented by the JTC. Outturn expenditure was £220.375m, an overall underspend of £39.311m.

*Table 8: Transport Capital Programme Outturn 2022/23*

	<b>2022/23 Original Budget</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 Outturn</b>	<b>Variance (Outturn vs Revised Budget)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Active Travel Fund T2	3.186	2.635	3.211	0.576
Active Travel Fund T3	0.000	0.000	0.057	0.057
Active Travel Fund T4	0.000	0.000	0.000	0.000
BSIP	0.000	0.000	0.000	0.000
EV Charging Infrastructure	0.175	0.153	0.022	(0.131)

Local Transport Plan	11.339	11.396	11.396	0.000
Metro Asset Renewal Plan	32.762	35.632	24.970	(10.662)
Metro Fleet Replacement	69.808	67.999	57.468	(10.531)
Metro Flow	83.498	86.774	83.984	(2.790)
Nexus non-Metro Programme	8.345	4.151	3.486	(0.665)
Transforming Cities Fund Tranche 2 (Excluding Metro Flow)	70.618	49.307	35.450	(13.857)
Tyne Tunnels	0.000	0.417	0.330	(0.087)
Ultra Low Emission Vehicles - Taxi Project	0.043	0.070	0.001	(0.069)
<b>Total Capital Programme</b>	<b>279.774</b>	<b>258.534</b>	<b>220.375</b>	<b>(38.159)</b>

### **Transforming Cities Fund**

- 2.39 Expenditure on the Transforming Cities Fund (TCF) Tranche 2 programme had originally been planned to be fully completed by the end of 2022/23. However, some expenditure will now be drawn down by projects in 2023/24 following agreement with Government that committed schemes will be enabled to conclude and expend grant funding beyond this date.
- 2.40 A total of £35.450m was paid to projects during 2022/23, slippage of £13.857m against the revised capital programme which has been reprofiled into 2023/24.

### **Active Travel Fund**

- 2.41 On Tranche 2, seven grant funding agreements are in place with scheme promoters. Three of these schemes are completed and a fourth is nearly complete. One remaining GFA is in progress and upon completion every scheme will be formally contracted.
- 2.42 ATF Tranche 3 funding was awarded to the region during 2022/23. A number of schemes within the programme were the subject of change control requests recently approved by DfT. Final designs for all schemes can now be signed off and it is anticipated that schemes will begin entering delivery in the coming months.
- 2.43 In May 2023 it was formally announced that the region was awarded just over £7.2m from ATF Tranche 4 with specific schemes named by Active Travel England (ATE)

for the award. As part of the same funding announcement, ATE elected to provide additional funding to the value of £10.2m to the Tranche 3 North Tyneside Sea Front Sustainable Cycling Route (£6.5m) and Sunderland Pallion New Road / European Way (£3.2m) which were the subject of change control requests.

### **Electric Vehicle Charging Infrastructure**

- 2.44 Expenditure of £0.022m against a revised budget of £0.153m was incurred during 2022/23. The slippage of £0.131m will be reprofiled into the 2023/24 programme, and intensive work is continuing at sites around the North East to deliver new EV charging infrastructure.

### **Go Ultra Low Taxi Project**

- 2.45 Eight of the ten dedicated EV chargers for the taxi and private hire industry (funded by the Office of Zero Emission Vehicles) are now live and operational. The contract has been extended to run into February 2024 to enable completion of the project with the remaining spend anticipated to be completed this financial year.

### **Nexus Capital Programme**

- 2.46 The JTC approved Nexus' Capital Programme for 2022/23 to 2024/25 in January 2022. Following the 2021/22 outturn report a revised 2022/23 Capital Programme budget was approved by the JTC in July 2022. The programme is sub-divided into the following sections:

- Metro Asset Renewal Plan (MARP);
- Fleet Replacement Programme (FRP);
- Other Capital Projects (OCP);
- Metro Flow (MFL).

- 2.47 The following report reviews the financial performance at the end of Period 13 against the latest revised programme budget approved in terms of:
- Actual cumulative spend at the end of the period; and
  - Actual capital grant recovery.

### **Total Nexus Capital Programme Summary**

- 2.48 Nexus' revised capital programme for 2022/23, provided for gross expenditure of £194.556m. By comparison the 2022/23 programme outturn was £169.908m. The £24.648m underspend relates to variances across all four programmes and is detailed throughout the rest of the report.

- 2.49 In terms of how the programme has been financed, the following points are pertinent:
- During the year, there was an under spend on MRG (Capital) Grant of £13.478m. Following extensive dialogue with DfT, they confirmed that Nexus can carry forward £12.300m into financial year 2023/24, which is more than twice the amount that is permissible under the terms and conditions of MRG



(Capital) Grant, and which has been set aside to fund all of the commitments that have slipped from 2022/23 into 2023/24.

- DfT has also agreed that Transforming Cities Fund (TCF) capital grant can be carried into 2023/24 and used to finance costs incurred next year. This is advantageous to Nexus insofar as some commitments relating to both the Metro Flow and Digital Car Park projects will be incurred in financial year 2023/24. In addition, DfT has also confirmed that any under spend on TCF grant in respect of Metro Flow can be retained by the region.
- With regard to the Fleet Replacement Programme, DfT has also confirmed that £8.053m of Fleet Replacement Capital Grant (FRG) can also be carried forward to finance commitments arising in 2023/24.

### **Metro Asset Renewal Programme (MARP)**

2.50 The actual outturn for 2022/23 is £24.970m against a revised budget of £35.632m. This includes £8.844m of projects deferred into 2023/24, approved by the JTC on 17 January 2023. Since then, there has been further underspend of £1.818m across a number of projects, including:

- £0.444m on the Benton Square Safety and Security works due to delays in agreeing the scope of the project;
- £0.177m Lighting Inverters due to the need to re-tender;
- £0.170m Infrastructure Vehicle Maintenance due to delays with the contractor;
- £0.143m Digital Retailing due to delays in defining the project scope;
- £0.137m Plain Line Renewals SGF to APT due to the design contract not being awarded due to non-compliant bids; and
- £0.115m Timetable & Rostering due to product design issues.

2.51 The MARP outturn of £24.970m will be funded from £16.672m MRG (Capital) Grant from DfT, with the remaining £8.298m funded from £5.929m of local funding (LTP and earmarked reserves), plus £2.369m Highways Challenge Fund (HCF) grant for Tanners Bank.

### **Fleet Replacement Programme (FRP)**

2.52 Actual outturn for 2022/23 was £57.468m against the revised budget of £67.999m. The £10.531m underspend relates to:

- A variation payment of £0.910m deferred until summer 2023 plus a £4.292m deferral of spend against the Type Testing Milestone which has been delayed until autumn 2023.
- Depot drainage works which are deferred into 2023/24, offset against an increase in costs relating to the fire rating of the depot, relocated EV charge points and a spare depot controller unit.
- A further £1.995m worth of programme slippage into 2023/24 in respect of the Depot Construction Contract (DCC) and a £0.382m increase in the cost of implementing 'Loudaphones' communication systems.

- Expenditure planned to be incurred by the DCC sub-contractor at a value of £1.059m that will now be incurred in 2023/24.
- Finally, an increase in the cost of the project team, driver resource and support staff to aid transition training.

2.53 The £56.747m outturn is funded from the £57.452m DfT Fleet Replacement grant available in 2022/23, with the balance £0.720m, funded from Arts Council (£0.015m) and £0.705m reserves specifically earmarked for this purpose.

### **Other Capital Projects (OCP)**

2.54 In 2022/23 Other Capital Projects have a revised budget of £4.151m comprising of £2.382m Transforming Cities digital car parks project, £0.137m for the completion of the Bus Contracts system, £1.143m for Ground Investigation works at the site of the proposed North Ferry Landing relocation project, and a further £0.489m for Ferry vessels and maintenance of existing landings (North and South).

2.55 Actual outturn for 2022/23 was £3.486m with the underspend relating to the Digital Car Parks and North Shields Ferry Landing Relocation projects.

### **Metro Flow (MFL)**

2.56 Actual outturn for 2022/23 was £83.984m against the revised budget of £86.774m. The £2.790m variance includes the purchase of Network Rail Infrastructure, necessary to introduce dual tracking, funded by an additional grant award from DfT, totalling £4.900m, offset by a £7.690m under spend caused by a combination of changes to the profiling of works and risks avoided.

2.57 The financing of the £83.984m outturn for 2022/23 is mainly funded from TCF grant and the £4.9m of additional grant received from DfT in relation to the acquisition of the Network Rail infrastructure, plus a minor contribution of £0.050m from MRG (Capital) Grant.

### **Tyne Tunnels**

2.58 The Tyne Pedestrian and Cyclist Tunnels reopened for public use in August 2019 after being closed for several years for refurbishment. They are currently open to the public with no charge to users. To access the tunnels, pedestrians and cyclists can use the vertical lift at both ends. The tunnels are monitored via CCTV by the 24-hour security presence on-site.

2.59 The inclined glass lifts at the TPCT are additional lifts which have been planned to increase capacity for cyclist and to provide a tourist attraction, as they are bespoke glass lifts which travel on a steep incline down the historic escalator shaft to the lowest part of the tunnels. Completion and certification of the inclined lifts is still awaited, as they have proved difficult to complete due to the bespoke nature of the design and issues with contractors.

2.60 The completion of the inclined lifts was delayed throughout 2020 with the Italian lift engineers (Maspero) citing Covid-19 travel restrictions as the principal reason for

this. Maspero engineers were last on site in January 2020 and have not been back to site since.

- 2.61 New lift contractors were appointed in 2021 with works taking place since then. It is likely that testing and commissioning of the inclined lifts will be completed in 2023 when they can be opened to the public safely. Expenditure during 2022/23 totalled £0.330m against a revised project budget of £0.417m for the year, with the works being funded from the Tyne Tunnels reserves.

### **Local Transport Plan (LTP) Integrated Transport Block**

- 2.62 LTP Integrated Transport Block funding is made available by DfT to the whole JTC area. This block is allocated between the JTC constituent authorities on a locally agreed basis with an allocation to Nexus (mainly used to provide the match funding needed for the MARP capital programme). The LTP block allocation is also used to contribute to the costs of the TNE team and, in Tyne and Wear only, to the Urban Traffic Management and Control (UTMC) centre.

- 2.63 Expenditure to the end of March 2023 was £11.396m, in line with the revised programme for the year.

### **Capital Programme Financing**

- 2.64 Outturn capital expenditure for 2022/23 will be financed as follows:

*Table 9: Capital Programme Financing 2022/23*

	<b>2022/23 Original Budget</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 Outturn</b>	<b>Variance (Outturn vs Revised Budget)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Government Grants	269.728	254.977	216.971	(38.006)
Reserves	10.046	3.557	3.404	(0.153)
<b>Total</b>	<b>279.774</b>	<b>258.534</b>	<b>220.375</b>	<b>(38.159)</b>

- 2.65 Of the total expenditure of £220.375m for the year, the vast majority (£216.971m) was funded by capital grants from government. £3.404m was funded from earmarked reserves held for these specific purposes.

### **JTC Reserves**

- 2.66 The table below shows the outturn position on the JTC's reserves at 31 March 2023:

*Table 10: JTC Reserves*

	<b>1 April 2022</b>	<b>Budgeted 31 March 2023</b>	<b>Actual 31 March 2023</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
JTC unallocated reserve	0.933	0.971	1.096	0.125
Tyne Tunnels reserve	9.782	9.567	9.626	0.059
Metro Reinvigoration Reserve	8.108	8.293	8.267	(0.026)
Metro Fleet Replacement reserve	10.168	10.399	10.367	(0.032)
Metro and Local Rail Studies	1.683	1.167	1.963	0.796
Nexus BSIP contribution	0.500	0.461	0.461	0.000
Devolution Preparation	0.000	0.000	2.573	2.573
<b>Total JTC Reserves</b>	<b>31.174</b>	<b>30.858</b>	<b>34.353</b>	<b>3.495</b>

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

- 3.1 This report is for information, to enable the JTC to fulfil its role of monitoring transport budgets and the transport capital programme on behalf of the two combined authorities.

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

- 4.1 This report is for information.

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

- 5.1 The impact of the outturn position has been reflected in revised forecasts for 2023/24 which are set out elsewhere on this agenda.

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

- 6.1 There are no impacts on objectives arising from this report which is for information.

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

- 7.1 The financial and other resource implications are set out in the body of the report. The report is for information and provides the JTC with a summary of outturn expenditure against the budget and capital programme agreed in January 2022 and revised by the JTC during the year.

## **8. Legal Implications**

8.1 There are no legal implications arising from this report.

## **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 2022/23 budget was subject to consultation with JTC, JTC Overview and Scrutiny Committee and officer groups.

12.2 Individual schemes which may be supported through the funding will be subject to proportionate consultation as appropriate.

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

13.1 There are no other impacts arising from this report.

## **14. Appendices**

14.1 None

## **15. Background Papers**

15.1 JTC Budget 2022/23 – Report to JTC 18 January 2022  
<https://northeastca.gov.uk/wp-content/uploads/2022/01/2022.01.18-JTC-Agenda-Pack-v2.pdf>

JTC Budget 2023/24 – Report to JTC 17 January 2023  
<https://northeastca.gov.uk/wp-content/uploads/2023/01/2023.01.17-JTC-Agenda-Pack.pdf>

## **16. Contact Officers**

16.1 Eleanor Goodman, NECA Finance Manager,  
[eleanor.goodman@northeastca.gov.uk](mailto: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:

## North East Joint Transport Committee

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**Date:** 18 July 2023

**Subject:** 2023/24 Revenue Budget and Capital Programme Update

**Report of:** Chief Finance Officer

### Executive Summary

This report provides the North East Joint Transport Committee (JTC) with the initial forecast of outturn for the 2023/24 transport revenue and capital budgets, based on the position as at May 2023 and factoring in the outturn position for 2022/23.

The report covers all areas of the revenue and capital budget including the transport levies and grants to Durham, Northumberland and Nexus, Transport North East (TNE) and the Tyne Tunnels.

Any over or underspends against the budgets for the three main organisations delivering transport services on behalf of the JTC are retained within the reserves of these organisation and will be considered in the setting of the transport budgets for future years.

At this early stage in the year, Durham County Council is forecasting a small overspend against the transport grant of £0.207m relating to increased costs on subsidised bus services.

Northumberland County Council forecast of outturn shows a projected underspend against the transport grant of £0.350m relating to concessionary fares reimbursement.

Nexus is forecasting use of reserves to balance the budget for the year of £8.652m, which is 8% more than the amount originally expected. This is primarily due to costs on Metro, specifically pressure on High Voltage (HV) power costs for the year, which are estimated to be £2.641m higher than the original budget. However Metro fare revenue and interest on investments are likely to exceed the budget for the year and the upside on these budgets will be reflected in the forecast as the certainty over this grows.

A small deficit is forecast on the Tyne Tunnels revenue account, estimated at £0.057m which is lower than the original budgeted deficit for the year (£0.412m) and which will be met from Tyne Tunnels reserves.

The report includes a breakdown of the capital and revenue budgets for 2023/24 for the delivery of the Bus Service Improvement Plan (BSIP) through the North East Enhanced Bus Partnership. Revenue proposals total £76.891m and the capital programme is £40.892m, in line with the grant offer agreed with DfT in March 2023.

Proposals for a budget for 2023/24 and 2024/25 totalling £3.130m are set out to support the Transport Devolution workstream which will enable TNE to complete devolution transition tasks needed so that the new Cabinet and Mayor are well placed to decide on new policies in 2024, and to start delivering improvements on the ground at an early stage. This will be funded through external grants and earmarked reserves with no local authority contributions requested.

This report also provides the JTC with details of the 2023/24 capital programme plans, together with expenditure and forecasts of the outturn position based on the position as at May 2023. Included in the revised programme is the impact of the 2022/23 outturn position where a number of schemes underspent last year and for which the budget has been reprofiled into the current financial year.

The report identifies that total capital expenditure on Transport capital schemes of £279.071m is forecast and it is proposed that the revised programme budget, taking into account the 2022/23 outturn and new grant approvals is agreed by the JTC. This is an increase of £40.077m compared to the original programme for the year which mainly arises through the inclusion of £40.982m BSIP capital interventions.

Expenditure to May 2023 totalled £12.640m – 5% of the forecast total capital expenditure for the year.

Most of the capital works during the year will be funded through government grants awarded (£270.813m) with elements of the Nexus capital programme and the Tyne Pedestrian and Cyclist Tunnels (TPCT) works funded by reserves (£8.258m forecast) held for this purpose.

## **Recommendations**

The North East Joint Transport Committee is recommended to:

- i. Note the report;
- ii. Agree the revised budget and capital programme for 2023/24 which takes into account resources received since the original budget was set and slippage and reprofiling arising from the 2022/23 outturn;
- iii. Approve the capital and revenue budget for the delivery of the Bus Service Improvement Plan through the North East Enhanced Bus Partnership as set out in section 2.30;
- iv. Approve the budget for the tasks required to prepare for the transition to the proposed mayoral combined authority, as set out in section 2.33.



## 1. Background Information

1.1 At its meeting on 17 January 2023, the JTC agreed a Transport levy budget for 2023/24 of £91.170m. This report presents an update against the original budget with the forecast of outturn prepared based on the position as at May 2023.

1.2 On 17 January 2023, the JTC also approved the initial 2023/24 capital programme totalling £238.994m. This report presents an update against the original programme with the forecast prepared based on the position as at May 2023 and taking into account the 2022/23 outturn and new grant approvals including BSIP capital and Tranche 4 of the Active Travel Fund.

## 2. Proposals

### Transport Revenue Budget Summary

2.1 The table below summarises the forecast outturn position against the net transport levy budget (i.e. the net cost to the JTC after external income) for 2023/24. The levies and grants to Durham, Northumberland and Nexus are fixed for the year, but details of how the grants will be applied by each organisation to the provision of public transport services is set out in more detail in the following sections.

*Table 1: Transport Levy Budget 2023/24 Forecast of Outturn*

	<b>2023/24 Original Budget</b>	<b>2023/24 Revised Budget</b>	<b>2023/24 Forecast Outturn</b>	<b>Expenditur e to date</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Grant to Durham	16.902	16.902	16.902	2.817
Grant to Northumberland	6.448	6.448	6.448	1.075
Grant to Nexus	65.700	65.700	65.700	10.950
Retained Levy Budget	2.120	2.120	2.120	0.353
<b>Net Expenditure</b>	<b>91.170</b>	<b>91.170</b>	<b>91.170</b>	<b>15.195</b>
Transport Levies	(91.170)	(91.170)	(91.170)	(15.195)
<b>Contribution (to)/from JTC Reserves</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

### Durham

2.2 The following table provides a detailed breakdown of expenditure on public transport services by Durham County Council against the grant awarded by the JTC:

*Table 2: Durham County Council Forecast of Outturn 2023/24*

	<b>2023/24 Original Budget</b>	<b>2023/24 Revised Budget</b>	<b>2023/24 Forecast Outturn</b>	<b>Expenditure to date</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	11.155	11.155	9.655	2.082
Subsidised Services	4.888	4.888	6.390	0.865
Bus Stations	0.276	0.276	0.410	0.365
Bus Shelters	(0.268)	(0.268)	(0.159)	(0.005)
Passenger Transport Information	0.089	0.089	0.051	0.014
Staffing	0.762	0.762	0.762	0.120
Share of JTC Transport Costs	0.010	0.010	0.010	0.000
<b>Net Expenditure</b>	<b>16.912</b>	<b>16.912</b>	<b>17.119</b>	<b>3.441</b>
<b>JTC Grant (Levy)</b>	<b>(16.912)</b>	<b>(16.912)</b>	<b>(16.912)</b>	<b>(2.817)</b>
<b>(Surplus) / Deficit for the year</b>	<b>0.000</b>	<b>0.000</b>	<b>0.207</b>	<b>0.624</b>

- 2.3
- i. Expenditure for Durham County Council at the end of May 2023 totalled 3.441m with the forecast outturn £17.119m against the budget of £16.912m a forecast overspend of £0.207m. The main reasons for the reported variances are as follows:
  - ii. Concessionary Fares – anticipated underspend of £1.500m as reimbursement is being made in line with current guidance;
  - iii. Subsidised Services - £1.502m agreed overspend to support the passenger transport network;
  - iv. Bus Stations £0.134m forecast overspend due to increased costs of repairs and maintenance and security;
  - v. Bus Shelters - £0.109m forecast overspend due to increased costs of repairs and maintenance.

### **Northumberland**

- 2.4 The following table provides a detailed breakdown of expenditure on public transport services by Northumberland County Council against the grant awarded by the JTC:

*Table 3: Northumberland County Council Forecast of Outturn 2023/24*

	<b>2023/24 Original Budget</b>	<b>2023/24 Revised Budget</b>	<b>2023/24 Forecast Outturn</b>	<b>Expenditur e to date</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	5.020	5.020	4.670	0.424
Subsidised Services	1.230	1.230	1.230	(0.113)
Bus Services	0.027	0.027	0.027	0.001
Passenger Transport Information	0.025	0.025	0.025	0.000
Staffing	0.146	0.146	0.146	0.024
Share of JTC Transport Costs	0.010	0.010	0.010	0.000
<b>Net Expenditure</b>	<b>6.458</b>	<b>6.458</b>	<b>6.108</b>	<b>0.336</b>
<b>JTC Grant (Levy)</b>	<b>(6.458)</b>	<b>(6.458)</b>	<b>(6.458)</b>	<b>(1.075)</b>
<b>(Surplus) / Deficit for the year</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.350)</b>	<b>(0.739)</b>

- 2.5 The forecast outturn position for 2023/24 is an underspend of £0.350m on concessionary travel. This results from suppressed demand for public transport journeys. Journeys relating to concessionary travel are currently at seventy-five percent of pre-Covid levels although they are starting to rise. A regional review of the provision of supported services is underway and passenger behaviour in the longer term following the removal of restrictions cannot yet be predicted. As reimbursement is based on using average ticket prices and operating costs may significantly increase then this may place pressure on the budget.

### **Tyne and Wear – Nexus**

- 2.6 The JTC approved Nexus' revenue budget for 2023/24 on 17 January 2023. The budget includes a levy increase of £2.600m, reserves of £8.000m and use of £3.300m of additional Metro Rail Grant received in 2021/22.
- 2.7 At the time of budget setting, a pressure on HV power costs existed due to the budget being lower than the forecast at the time. Although this remains the case (paragraph 2.12 refers), additional Metro Rail Grant was received at the end of 2022/23 totalling £3.000m to assist with this pressure which has been reflected within the forecast outturn shown below.
- 2.8 At the end of Period 1, Nexus is expecting to need to use £8.652m of reserves to balance the budget for the year, which is 8% more than the amount originally expected. However, as referred to in paragraphs 2.11 and 2.14, Metro fare revenue

and interest on investments are likely to exceed the budget for the year and the upside on these budgets will be reflected in the forecast as the certainty over this grows.

- 2.9 The table below shows expenditure to the end of period 1 (29 April 2023), together with the forecast to the year end (based on current estimates of the likely outturn), against budget. There is narrative following the table explaining the variance against budget across the main service areas.

*Table 4: Nexus forecast of outturn 2023/24*

	<b>Original Budget</b>	<b>Spend to P1</b>	<b>Forecast at P1</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	30.791	2.373	30.805	0.014
Metro	25.661	2.087	29.414	3.753
Bus Services	14.969	1.164	15.939	0.970
Other	5.571	0.083	5.547	(0.024)
	<b>76.992</b>	<b>5.707</b>	<b>81.705</b>	<b>4.713</b>
Levy	(65.700)	(5.206)	(65.700)	0.000
MRG 2021/22 (reserves)	(3.300)	(0.261)	(3.300)	0.00
MRG 2022/23 (reserves)	-	(0.238)	(3.000)	(3.000)
LTF	-	(0.072)	(1.053)	(1.053)
	<b>7.992</b>	<b>(0.070)</b>	<b>8.652</b>	<b>0.660</b>
Reserves	(7.992)	0.070	(8.652)	(0.660)
	-	-	-	-

- 2.10 At the end of period 1, Concessionary Fares and Other (Ferry, Bus Infrastructure and Passenger Transport Information) are broadly in line with budget.
- 2.11 Metro fare revenue (including car park and PFN income) for the period was £3.618m which exceeded the budget by £0.301m (9%). At this stage the Metro fare revenue forecast outturn has not been adjusted until there is greater certainty of the expected performance across the year.
- 2.12 The Metro forecast reflects the pressure on HV power costs for the year, which are estimated to be £17.871m which is £2.641m higher than the original budget. At this stage 86% of the required electricity for the year has already been purchased. This creates a level of budget certainty, although as the remainder is purchased there is

still scope for further movement in the forecast. As outlined in paragraph 2.7, £3.000m of additional Metro Rail Grant was received in the previous financial year to assist with this pressure and has also been reflected within the forecast.

- 2.13 The forecast also reflects the deployment of additional security on the Metro, in particular after 19:00 hours. This is estimated to cost over £1.0m for the year, but will provide the necessary customer reassurance in the evenings and tackle anti-social behaviour where it arises
- 2.14 At the end of period 1, interest income is £0.212m better than budget which is mostly due to investment income performing better than budget. Interest rates are higher than they were at the time of budget setting and finance are currently assessing the level of interest income that is likely to be achieved across the year
- 2.15 Local Transport Fund (LTF) to support bus services has been extended to the 30 June 2023. The allocation between April and June of £0.804m along with the £0.248m of funding carried forward from last year for contracts ending in this current year, means that total LTF forecast amounts to £1.053m for the financial year. The increased forecast outturn within Bus Services reflects the additional expenditure in relation to the services funded by LTF.

### **Tyne Tunnels**

- 2.16 The Tyne Tunnels are operated as a ringfenced account, so all costs associated with the tunnels are fully met from toll income and Tyne Tunnels reserves, with no call on the levy or other government funding.

2.17 *Table 5: Tyne Tunnels Forecast of Outturn 2023/24*

	<b>2023/24 Original Budget</b>	<b>2023/24 Forecast Outturn</b>	<b>Variance</b>	<b>Expenditure to date</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Tolls Income	(35.991)	(36.160)	(0.169)	(5.911)
TT2 Contract	28.032	28.258	0.226	4.598
Employees	0.147	0.152	0.005	0.025
Historic Pensions	0.065	0.045	(0.020)	0.008
Premises	0.114	0.114	0.000	0.003
Support Services	0.160	0.160	0.000	0.005
Supplies and Services	0.347	0.683	0.336	0.083
Financing Charges	7.928	6.910	(1.018)	1.321

Interest/Other income	(0.150)	(0.150)	0.000	0.000
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	0.000	(0.240)
Capital Expenditure funded from Revenue (CERA) – TPCT	0.000	0.285	0.285	0.000
<b>(Surplus)/Deficit for the year</b>	<b>0.412</b>	<b>0.000</b>	<b>0.057</b>	<b>(0.107)</b>

- 2.18 Both the toll and payment to TT2 are forecast to be slightly higher than budget due to strong traffic levels during the first two months of this financial year.
- 2.19 The forecast outturn for supplies and services is approximately £0.3m over budget which relates to maintenance contracts put in place for the TPCT which will be included in the revenue budget going forwards.
- 2.20 Additional forecast costs can be accommodated in year due to a forecast reduction in the total payable in financing charges. The budget had included some additional accelerated principal repayments on debt relating to the New Tyne Crossing. These are at the discretion of the JTC so long as the minimum level of revenue provision for the repayment of debt calculated in accordance with Prudential Code guidance has been made along with all interest payments due.
- 2.21 When the original budget for the year was set, it was anticipated that the refurbishment works relating to the TPCT would be largely complete. Commissioning of the inclined lifts is underway and will be complete in 2023 when the inclined lifts will be available for the public to use. As a result, forecast CERA of £0.285m is shown in the forecast of outturn in the table above.
- 2.23 The forecast outturn position is for a small deficit of £0.057m which can be met from Tyne Tunnels reserves.

### **Transport North East (TNE)**

- 2.24 TNE provides strategy, planning and delivery services on behalf of the JTC and works to implement the vision of 'moving to a green, healthy, dynamic and thriving North East'. 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 (LTP) 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.
- 2.25 Forecast outturn expenditure for 2023/24 is £1.126m against the original budget of £1.037m, with outturn income forecast to be £1.056m resulting in a small deficit of £0.071m which can be funded from reserves arising from underspends in the previous year.

2.26

Table 6: TNE Core Budget Forecast of Outturn 2023/24

	<b>2023/24 Original Budget</b>	<b>2023/24 Forecast Outturn</b>	<b>Variance</b>	<b>Expenditure to date</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Employee Costs	0.806	0.893	0.087	0.133
Transport Plan / Strategy Work	0.085	0.087	0.002	0.015
Research and Development	0.090	0.090	0.000	0.025
Travel and Miscellaneous	0.024	0.025	0.001	0.001
IT / Equipment	0.004	0.004	0.000	0.000
Contingency	0.018	0.017	(0.001)	0.000
Organisational Development	0.010	0.010	0.000	0.000
<b>Total Expenditure</b>	<b>1.037</b>	<b>1.126</b>	<b>0.089</b>	<b>0.174</b>
LTP Topslice	(0.500)	(0.500)	0.000	(0.500)
Retained Transport Levy	(0.284)	(0.320)	(0.036)	(0.053)
External Funding for Specific Posts	(0.178)	(0.191)	(0.013)	0.000
LA Capability Fund Grant	0.000	(0.035)	(0.035)	0.000
LTA Capacity Revenue Grant	(0.010)	(0.010)	0.000	0.000
<b>Total Income</b>	<b>(0.972)</b>	<b>(1.056)</b>	<b>(0.084)</b>	<b>(0.553)</b>
<b>Net (Surplus)/Deficit</b>	<b>0.065</b>	<b>0.071</b>	<b>0.006</b>	<b>(0.380)</b>

2.27

A number of new revenue funding streams were awarded to TNE to administer subsequent to the original budget being set and these are included in the forecast outturn with further detail of the BSIP budget proposals in a separate table (table 8). As a result of the inclusion of BSIP revenue grant, a final instalment of LTP grant and some slippage from 2022/23 of expenditure on other revenue programmes such as ATF, expenditure is now forecast to be £87.871m compared with the original budget

of £2.148m. This increase is fully grant funded and the forecast deficit for the year has reduced from £0.200m to £0.040m which will be met from the JTC unallocated reserve.

2.28 *Table 7: TNE Grants and Contributions Forecast Outturn 2023/24*

	<b>2023/24 Original Budget</b>	<b>2023/24 Forecast Outturn</b>	<b>Variance</b>	<b>Expenditure to date</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Active Travel Capability Fund	0.000	0.065	0.065	0.003
Active Travel Planning	0.626	1.206	0.580	0.216
BSIP/ Enhanced Bus Partnership	0.000	76.891	76.891	0.081
City Regional Sustainable Transport Settlement (CRSTS)	0.000	6.773	6.773	0.000
Freight Study	0.000	0.040	0.040	0.025
Local Transport Fund (Bus & Light Rail)	0.000	1.312	1.312	0.000
Local Transport Authority Capability	0.000	0.062	0.062	0.007
Metro & Local Rail Studies	1.043	1.043	0.000	0.041
Rail Development	0.239	0.227	(0.012)	0.022
Programme Management	0.240	0.317	0.077	0.070
<b>Total Expenditure</b>	<b>2.148</b>	<b>87.871</b>	<b>85.723</b>	<b>0.462</b>
Active Travel Capability Fund grant	0.000	(0.065)	(0.065)	(0.003)
ATF Revenue grant	(0.626)	(1.206)	(0.580)	(0.216)
DfT BSIP Grant	0.000		(76.891)	(0.081)



City Regional Sustainable Transport Settlement (CRSTS)	0.000	(6.773)	(6.773)	0.000
Local Transport Authority Capability grant	0.000	(0.062)	(0.062)	(0.007)
Local Transport Fund	0.000	(1.312)	(1.312)	0.000
Metro & Local Rail Studies	(0.843)	(1.043)	(0.200)	(0.041)
Rail Administration Grant	(0.239)	(0.227)	0.012	(0.022)
Transforming Cities Fund	(0.240)	(0.317)	(0.077)	(0.070)
<b>Total Grants and Contributions</b>	<b>(1.948)</b>	<b>(87.831)</b>	<b>(85.883)</b>	<b>(0.437)</b>
<b>Net (Surplus)/Deficit</b>	<b>0.200</b>	<b>0.040</b>	<b>(0.160)</b>	<b>0.025</b>

## 2.29 Bus Service Improvement Plan (BSIP)

Following confirmation of the £118m funding award in March 2023 and the completion of the Enhanced Partnership (EP) statutory process, the EP was made by the JTC on 21 March 2023. The North East Bus Partnership is now progressing interventions planned for in the BSIP. These interventions include introducing new cheaper and simpler ticketing options, bus service enhancements to better connect more communities and a suite of bus priority infrastructure measures to increase the speed and reliability of buses. All BSIP investments focus on achieving our BSIP Key Performance Indicators (KPIs) of improving bus ridership, performance, customer satisfaction and environmental performance.

2.30 The following table provides a breakdown of planned expenditure, broken down by BSIP intervention. The figures cover the 2023/24 financial year and reflect the funding letter received from the DfT.

*Table 8: Planned Revenue and Capital Expenditure BSIP 2023/24*

		<b>Revenue</b>	<b>Capital</b>
		<b>£m</b>	<b>£m</b>
<b>Programme Management</b>		2.406	

<b>Bus Service Enhancements</b>	New services including marketing	2.879	
	Improved services, increased frequencies and operating hours including marketing	46.685	
	Demand Responsive Transport	2.536	
	Tourism including marketing	0.057	
<b>Good Value Multimodal fares</b>	Day tickets and 21 and under single tickets	17.514	
	Care experienced Concession	0.650	
	Smart ticket capping		1.220
<b>Customer experience</b>	Website	0.430	
	Branding	0.040	
	Passenger Information	0.099	0.298
	Additional Staffing	1.468	
	Community bus partnership	0.600	
	Partnership Delivery Costs	1.526	
<b>Bus Priority Infrastructure</b>	Interventions planned for in the North East Bus Priority Study		14.803
	Local Authority promoted bus priority infrastructure		9.321
<b>Intelligent Transport Systems (ITS)</b>			13.040
<b>Pocket Park and Ride</b>			1.050

<b>Safe and accessible bus infrastructure</b>			1.250
<b>Total</b>		<b>76.891</b>	<b>40.982</b>

### **Transport Devolution Workstream**

2.31 In the last finance report to the JTC in March 2023 it was noted that TNE were preparing for the creation of the North East Mayoral Combined Authority (NEMCA) in May 2024 while continuing to deliver transport improvements over the 2023/24 financial year. A number of transition tasks are needed, as well as continuing to deliver the Transport Plan using BSIP, Levelling Up and LEVI funding, which involve a significant increase in activity.

2.32 Additional staffing resources and external support are required in order to deliver this significant level of work alongside existing commitments. A budget has been developed for the devolution transition tasks needed so that the new Cabinet and Mayor are well placed to decide on new policies in 2024, and to start delivering improvements on the ground at an early stage. A proposed budget is set out in the table below:

2.33 *Table 9: Transport Devolution Workstream Proposed Budget*

	<b>2023/24</b>	<b>2024/25</b>
	£m	£m
Highways	0.267	0.133
Making the Right Travel Choices	0.033	0.017
Transport Plan Refresh	0.100	0.050
Bus Reform	0.900	0.450
Zero Emission Vehicles Infrastructure	0.233	0.117
Data – Project Management	0.080	0.040
Finance and Funding Strategy	0.067	0.033
Overall Project Management	0.067	0.033

Transport Devolution Benchmarking and Sounding Board	0.050	0.000
<b>Total Expenditure</b>	<b>1.797</b>	<b>0.873</b>
CRSTS Revenue	(0.207)	(0.133)
LEVI	(0.233)	(0.117)
Devolution earmarked reserve	(1.357)	(0.623)
<b>Total Funding</b>	<b>(1.797)</b>	<b>(0.873)</b>

2.34 No additional contributions from local authorities are requested in order to fund this work. Costs can be met through external grants such as CRSTS Revenue and LEVI, and interest income held in the earmarked Devolution reserve created following the 2022/23 revenue outturn.

2.35 The largest single item within the Devolution workstreams budget is for Bus Reform. In the period of time up to Christmas 2024, the main product the bus reform team will deliver is a study into the different options available to the NEMCA cabinet on the different operational models available to them to deliver their transport plan ambitions for our region. This breaks down into the following deliverables, which is not exhaustive:

- Updated stakeholder and public analysis of what is required from a future bus network and the formulation of objectives to measure against;
- Assessment of the ability of a number of operating models to deliver against the agreed objectives;
- Analysis of the potential financial, legal and other implications to the future MCA of each operating model;
- Assessment of the likely costs and requirements of mobilising each model along with timescales and resource;
- Assessment of the impact (positive and negative) on bus operations in the region and of other regional impacts (economic etc.);
- Assessment of any other impacts or risks the MCA may need to be aware of such as legally and reputationally.

2.36 The budget will be deployed as follows:

- Staffing, with a focus where possible on secondments and back filling within constituent Local Authorities and Nexus;
- Stakeholder interaction and engagement and refresh of earlier market research;
- Commissioning of essential tolls for financial and economic models;

- Engagement of essential professional services such as external lawyers and technical advisors.

2.37 Estimated costs have been developed with input from other MCAs who have undertaken some of this work already, and TNE's own experience of the development of the Enhanced Bus Partnership.

### Transport Capital Programme Forecast of Outturn 2023/24

2.38 A summary of the transport capital programme for 2023/24 is set out in the table below, with further details provided in the following sections.

*Table 10: Transport Capital Programme Forecast of Outturn 2023/24*

	<b>2023/24 Original Budget</b>	<b>2023/24 Forecast Outturn</b>	<b>Variance</b>	<b>Expenditure to date</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
ATF Tranche 2	4.161	2.929	(1.232)	1.405
ATF Tranche 3	16.000	17.612	1.612	0.000
ATF Tranche 4	0.000	2.184	2.184	0.000
BSIP	0.000	40.982	40.982	0.000
EV Charging Infrastructure	0.000	0.299	0.299	0.017
LTP	11.309	11.396	0.087	1.899
Metro Asset Renewal Plan	43.897	43.686	(0.211)	1.391
Metro Fleet Replacement	115.236	90.986	(24.250)	5.936
Metro Flow	1.075	4.126	3.051	0.747
Nexus Other Capital Projects	3.107	3.544	0.437	0.545
TCF Tranche 2	44.009	60.401	16.392	0.700
Tyne Tunnels	0.200	0.285	0.085	0.000
Ultra Low Emission Vehicles - Taxi Project	0.000	0.640	0.640	0.000

<b>Total</b>	<b>238.994</b>	<b>279.071</b>	<b>40.077</b>	<b>12.640</b>
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### **Active Travel Fund (ATF)**

- 2.39 In November 2020 the North East region was allocated £9.049m grant funding from Tranche 2 of the ATF, of which £7.329m was capital. £4.4m has been expended to the end of 2022/23, with forecast expenditure for 2023/24 of £2.929m.
- 2.40 The region was awarded £17.929m capital grant from ATF Tranche 3. The majority (£17.612m) is forecast to be paid to projects during 2023/24 following the confirmation of a number of change control requests lodged with Active Travel England (ATE).
- 2.41 In May 2023 it was formally announced that the region was awarded just over £7.2m from ATF Tranche 4 with specific schemes named by Active Travel England (ATE) for the award. As part of the same funding announcement, ATE elected to provide additional funding to the value of £10.2m to the Tranche 3 North Tyneside Sea Front Sustainable Cycling Route (£6.5m) and Sunderland Pallion New Road / European Way (£3.2m) which were the subject of change control requests. Expenditure of £2.184m is forecast for 2023/24.

### **Bus Service Improvement Plan**

- 2.42 As set out at section 2.29-2.30, approval of the £118m funding award was made after the original revenue and capital budgets for the year had been set. In line with the proposed budget shown at paragraph 2.30, £40.982m capital expenditure is forecast for 2023/24.

### **Electric Vehicle (EV) Charging Infrastructure**

- 2.43 TNE are engaging intensively with contractors to complete the installation of EV charging infrastructure at sites across the North East, with physical works undertaken in recent months at the Dunes, South Shields, Church Street, Gateshead and Glenholme car park, Crook. Forecast expenditure for the year is £0.299m.

### **Local Transport Plan (LTP) Integrated Transport Block**

- 2.44 LTP Integrated Transport Block funding is made available by DfT to the whole JTC area. This block is allocated between the JTC constituent authorities on a locally agreed basis with an allocation to Nexus (mainly used to provide the match funding needed for the MARP capital programme). The LTP block allocation is also used to contribute to the costs of the TNE team and, in Tyne and Wear only, to the Urban Traffic Management and Control (UTMC) centre. Forecast expenditure to the end of 2023/24 is £11.396m.

- 2.45 **Nexus Capital Programme**

The Joint Transport Committee approved Nexus' Capital Programme for 2023/24 to 2025/26 in January 2023. The programme is once again, sub-divided into the following sections:

- i. Metro Asset Renewal Plan (MARP);
- ii. Fleet Replacement Programme (FRP);
- iii. Other Capital Projects (OCP);
- iv. Metro Flow (MFL).

- 2.46 With regard to funding the 2023/24 Capital Programme, MRG (Capital) Grant was included in the North East devolution deal announced on 28 December 2022, with a total of £57.000m being available for 2023/24 and 2024/25. £18.600m of this funding has been planned for use in 2023/24, as confirmed by DfT, in addition to the £12.300m MRG (Capital) Grant deferred from 2022/23. This leaves £38.400m of the agreed £57.000m funding settlement available for 2024/25. Funding for 2025/26 remains subject to a bid from Nexus as part of the next Spending Review. Local funding, in the form of LTP top-slice or reserves (an element of which is retained by the NECA on behalf of Nexus) is also required to supplement the MARP programme.
- 2.47 The amount of Fleet Replacement Grant (FRG) available in 2023/24 is £89.900m. Funding for 2023/24 has been re-profiled, with the profile for the remainder of the programme to be renegotiated with DfT. Overall, the project is still estimated to be delivered from the total approved funding of £361.800m.
- 2.48 Nexus' capital programme for 2023/24, provided for gross expenditure of £163.315m. By comparison, the revised 2023/24 programme requires a budget and funding provision of £142.342m. This represents a net decrease of £20.973m as shown in the table below and explained throughout the remainder of this report:

*Table 11: Nexus Capital Programme Revised Budget 2023/24*

<b>Asset Category</b>	<b>2023/24 Original Budget</b>	<b>2023/24 Proposed Revised Budget</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Metro ARP	43.897	43.676	(0.211)
Fleet Replacement	115.236	90.986	(24.250)
Metro Flow	1.075	4.126	3.051
Other Capital Projects	3.107	3.544	0.437
<b>Total Capital Programme</b>	<b>163.315</b>	<b>142.342</b>	<b>(20.973)</b>

2.49 The reason for the net £20.973m decrease in the 2023/24 Nexus capital programme is summarised below:

*Table 12: Nexus capital programme revisions 2023/24*

	£m	£m
<b>Metro Asset Renewal Programme</b>		
- Spend moving in/out of the 2023/24 programme	2.557	
- Savings against project budgets	(2.428)	
- Budget increases in respect of projects	1.834	
- Projects added to the 2023/24 programme	0.233	
- Projects accelerated into the 2023/24 programme	0.975	
- Projects deferred to the 2024/25 programme	(3.382)	<b>(0.211)</b>
<b>Fleet Replacement Programme</b>		
- Spend b/fwd from prior year	10.531	
- Projects deferred to the 2024/25 programme	(34.781)	<b>(24.250)</b>
<b>Metro Flow</b>		
- Spend b/fwd from prior year	7.690	
- Savings against project budget	(4.639)	<b>3.051</b>
<b>Other Capital Projects</b>		
- Projects b/fwd from prior year/savings	1.862	
- Budget increases in respect of projects	0.323	
- Projects added to the 2023/24 programme	0.182	
- Savings against project budgets	(0.413)	
- Projects deferred to the 2024/25 programme	(1.517)	<b>0.437</b>
<b>Total</b>		<b>(20.973)</b>

2.50 Of the £0.211m net decrease in the MARP:



- Projects brought into 2023/24 total a net £2.557m. This includes slippage of projects from 2022/23 of £4.546m. This is offset by £1.989m of projects which were scheduled to be delivered in the 2023/24 programme that were accelerated into 2022/23.
- Net budget decreases against existing projects total £0.594m. Budget increases of £1.834m, the most significant being the Switches and Crossings project, offset against £2.428m of project savings including risk contingency and infrastructure vehicle maintenance.
- Additional projects amounting to £0.233m including Benton Station.
- Projects accelerated into the 2023/24 programme of £0.975m including the Overhead Line Renewal and Halt Stations.
- Projects deferred into the 2024/25 programme of £3.382m which includes the SCADA project and Chichester refurbishment.
- The original 2022/23 programme included £9.637m of over programming, required to ensure that the minimum spend targets are achieved. The revised 2023/24 programme now includes £8.224m of over programming.

2.51 The net £24.250m decrease in the Fleet Replacement Programme is based on the proposed revised programme for new fleet delivery:

- Spend of £10.531m brought forward from 2022/23, includes slippage of £11.592m which relates largely to delays to 'Type Testing' (£5.213m), Depot construction works delayed until summer 2023 (£2.656m) and contingency deferred (£3.724m). This is reduced by additional costs which arose in 2022/23 of £1.061m, as a consequence of needing additional resources to facilitate operational readiness for the transition from the existing fleet to the new fleet.
- £34.781m has been deferred into future years as part of the re-profiling of the grant funding required from DfT.

2.52 Of the net £3.051m increase in the Metro Flow Programme:

- Slippage of £7.690m in 2022/23 was a result of deferred drainage works, tamping and risk contingency. Drainage works and tamping are planned for completion in early 2024.
- The project underspend is currently estimated to be £4.639m, all of which relates to TCF grant. When the final account for the project is determined, there may be some residual TCF funding remaining from the project which DfT has agreed can be retained by the region.

2.53 Of the £0.437m increase in Other Capital Projects:

- Slippage of £1.862m consisting of £1.100m on the Digital Car Parks project, £0.576m ground investigation works on the North Ferry Landing Relocation project, £0.086m on Ferry Vessels and £0.099m on the South Ferry Landing works project.
- £0.323m of project budget increases mainly in relation to the ground investigation works on the North Ferry Landing Relocation project.

- The previously addition of survey works at the existing North Ferry Landing, £0.182m.
- Budget savings of £0.390m on the Digital Car Parks project and £0.023m on Ferry vessels.
- £1.517m relating to budgets re-profiled into future years. £0.841m in respect of the North Ferry Landing Relocation project relating to the main works element which is subject to acquiring sufficient funding to proceed and £0.676m relating to the South Ferry Landing refurbishment project.
- In addition to the revised capital programme detailed in this report a range of other projects are currently being developed and will potentially be added to the programme in the future subject to funding confirmation. These include projects relating to the Bus Service Improvement Plan (BSIP) and CRSTS, should Nexus be successful in drawing down funding to develop suitable projects.

2.54 Accordingly, the funding for the 2023/24 programme is also revised.

*Table 12: Nexus capital programme funding 2023/24*

<b>Funding</b>	<b>2023/24 Original Budget</b>	<b>2023/24 Proposed Revised Budget</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Metro Rail Grant (DfT)	28.485	30.900	2.415
Transforming Cities Fund (DfT)	-	2.548	2.548
Fleet Replacement Grant (DfT)	108.013	89.900	(18.113)
LTP Grant	2.797	2.797	-
Levelling Up Fund	0.805	-	(0.805)
MARP Earmarked Reserve	5.300	5.300	-
Fleet Earmarked Reserve	7.223	1.086	(6.137)
Other Earmarked Reserve	1.055	1.587	0.532
Over-programming	9.637	8.224	(1.413)
<b>Total Funding</b>	<b>163.315</b>	<b>142.342</b>	<b>(20.973)</b>

2.55 The delivery of the Capital Programme is subject to an unprecedented level of external risk and uncertainty, including:

- Inflation and volatile materials costs – tender price inflation is being monitored to attempt to improve cost certainty and forecasting.
- Supply chain disruption, procurement lead time and materials availability may impact on delivery and programme implementation.
- Market conditions and contractor risk appetite may impact tender responses and pricing. This is being continually monitored and where appropriate, contracting and procurement approaches are being reviewed and revised.

2.56 Risk Management and mitigation is embedded within the Nexus Project Management processes and will continue to be scrutinised throughout the lifecycle of every project to ensure successful Capital Programme delivery.

2.57 At the end of Period 1 the total programme spend was £8.619m. The 2023/24 programme forecast outturn as at Period 1 stands unchanged at £142.342m.

*Table 13: Nexus capital programme forecast of outturn at P1 2023/24*

	<b>Original Budget £m</b>	<b>Revised Budget £m</b>	<b>Actual / Forecast £m</b>	<b>Variance £m</b>
Cumulative to Period 1				
Metro Asset Renewal Programme	1.391	1.391	1.391	-
Fleet Replacement Programme	5.936	5.936	5.936	-
Other Capital Projects	0.545	0.545	0.545	-
Metro Flow	0.747	0.747	0.747	-
	<b>8.619</b>	<b>8.619</b>	<b>8.619</b>	-
Outturn				
Metro Asset Renewal Programme	43.897	43.686	43.686	-
Fleet Replacement Programme	115.236	90.986	90.986	-
Other Capital Projects	3.107	3.544	3.544	-
Metro Flow	1.075	4.126	4.126	-
	<b>163.315</b>	<b>142.342</b>	<b>142.342</b>	-

2.58 At the end of Period 1, £6.977m of capital grant has been claimed from the Department for Transport (DfT). This includes both the MARP and FRP. The actual amount claimed in total was 100.0% of forecast and therefore within DfT tolerance levels of +/- 5%.

### **Transforming Cities Fund (TCF) Tranche 2**

2.59 To date approximately £44.8m of the total £105.5m grant allocation has been spent. The TCF programme underwent an independent assurance review on behalf of the DfT earlier this year, which found a high degree of confidence the TCF programme will conclude in 2023/24, given that local authorities are substantially financially, contractually and practically committed to schemes within the programme.

- 2.60 The JTC meeting on 21 March 2023 allocated £12.1m of the remaining TCF devolved pot. 3 schemes originally included within the programme have not come forward for funding, and there are opportunities through the City Region Sustainable Transport Settlement fund and the capital funding associated with the BSIP that provide alternative funding routes over preferable delivery timescales. As a result, the TCF programme has £2.5m residual grant funds without any remaining schemes within the original programme capable of coming forward for approval. Proposals will be brought to the JTC for the allocation of these funds.
- 2.61 The revised forecast outturn for 2023/24 on TCF tranche 2 is £60.401m.

### **Tyne Tunnels**

- 2.62 Expenditure of £0.285m against an original budget of £0.200m is forecast for the 2023/24 Tyne Tunnels capital programme. This relates to the remaining work on the major refurbishment of the TPCT, where the work remaining is the completion and certification of the glass inclined lifts. The additional £0.085m is slippage from 2023/24 and the works will be funded by Tyne Tunnels reserves. It is likely that testing and commissioning of the inclined lifts will be completed in 2023 when they can be opened to the public safely

### **Ultra Low Emission Vehicles - Taxi Project**

- 2.63 Eight of the ten dedicated electric vehicle chargers for the taxi and private hire industry (funded by the Office of Zero Emission Vehicles) are now live and operational. The contract was extended to run to February 2024 and it is anticipated the remaining spend will be completed this financial year. Engagement is continuing with the trade through 2023 including evaluations to look at the future of this trade transitioning to zero emission vehicles.

### **Capital Programme Funding**

- 2.64 The table below sets out the proposed funding of the 2023/24 revised capital programme. In line with the original funding proposed, the vast majority of capital expenditure will be met from government grants with £xm funded from reserves held for this purpose.

*Table 14: Capital Programme Funding 2023/24*

	<b>2023/24 Original Budget</b>	<b>2023/24 Forecast Outturn</b>	<b>Variance</b>
Government Grants	225.216	270.813	45.597
Reserves	13.778	8.258	(5.520)
<b>Total</b>	<b>238.994</b>	<b>279.071</b>	<b>40.077</b>

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

3.1 This report is to enable the JTC to fulfil its role of monitoring transport budget and the transport capital programme on behalf of the two combined authorities.

### **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 suggest amendments or alternative proposals to be considered. Option 1 is the recommended option.

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

5.1 Performance against the revenue budget and capital programme for 2023/24 will be monitored for the remainder of the financial year and reported to the JTC at regular intervals.

### **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 JTC. They allow a balanced budget to be established in 2023/24 and include a strategy to enable the delivery of services over the medium term.

### **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 There are no legal implications arising from this report.

### **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 2023/24 budget was subject to consultation with JTC, JTC Overview and Scrutiny Committee and officer groups.

12.2 Individual schemes which may be supported through the funding will be subject to proportionate consultation as appropriate.

**13. Other Impact of the Proposals**

13.1 There are no other impacts arising from this report.

**14. Appendices**

14.1 None

**15. Background Papers**

15.1 JTC Budget and Capital Programme 2023/24 – Reports to JTC 17 January 2023  
<https://northeastca.gov.uk/wp-content/uploads/2023/01/2023.01.17-JTC-Agenda-Pack.pdf>

**16. Contact Officers**

16.1 Eleanor Goodman, NECA Finance Manager,  
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**17. Sign off**

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

## North East Joint Transport Committee

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**Date:** 18 July 2023  
**Subject:** Bus Service Improvement Plan - Capital Programme Approvals  
**Report of:** Managing Director, Transport North East.

### Executive Summary.

This report proposes the release of £33,290,872 Bus Service Improvement Plan (BSIP) funding for investment in two major bus infrastructure programmes:

Bus Priority Infrastructure – Tranche 1	£20,250,872
Intelligent Transport Systems	£13,040,000

A summary of the infrastructure and benefits to be delivered by both programmes is set out at Appendix 1.

The release of funding is subject to the successful appraisal of Business Cases and due diligence in line with the North East Transport Assurance Framework, it is therefore proposed to delegate authority to the Managing Director Transport North East to make the payments once all relevant requirements have been satisfied.

### Recommendations

The North East Joint Transport Committee is recommended to:

- i. Agree in principle to the release of £20,250,872 of BSIP capital funding for the “Bus Priority Infrastructure – Tranche 1” programme (Appendix 1), noting that £2,025,087 of this funding will be released early to assist scheme promoters with development of the programme;
- ii. Agree in principle to the release of £13,040,000 of BSIP capital funding for the “Intelligent Transport Systems” programme (Appendix 1);
- iii. Delegate authority to the Managing Director Transport North East, following consultation with the Chief Finance Officer and Monitoring Officer, to carry out all

relevant tasks to implement the Joint Transport Committee's agreement once successful appraisals of schemes have been completed in line with the North East Transport Assurance Framework. This will include the payment of funding and the establishment of Grant Funding Agreements.



## **1. Background Information**

- 1.1 The North East's Bus Service Improvement Plan (BSIP) is the region's response to the Government's National Bus Strategy for England which was published in March 2021.
- 1.2 The BSIP, approved by the North East Joint Transport Committee (JTC), outlines region-wide ambitions to make buses more attractive by making them an affordable and practical alternative to using private cars for more people and helping existing bus users to travel more frequently. The ambitious plan aims to return bus ridership initially to pre-pandemic levels and then to grow by 10% each year thereafter. This would provide a major economic boost to the region, reduce road congestion, and contribute towards climate change targets.
- 1.3 The numerous measures proposed include improvements to timetables and fares, extensive priority measures on roads and at junctions to speed buses up – including two new Park & Ride sites, new and attractive waiting facilities, a set of affordable fare “caps” that work across all buses and Metro services, lower fares for many young people and simplified and improved information.
- 1.4 As well as a planning document, the BSIP was in effect a bid for a share of a £3 billion national pot of funding for buses announced as part of the National Bus Strategy. The Government allocated £163.5 million over three years to the North East's BSIP, one of the highest allocations in the country.
- 1.5 One government condition for the funding is the creation of a formal “Enhanced Partnership” – an agreement between bus operators and local authorities which will deliver major improvements to the bus network for local people. The region has already established this Partnership with local bus operators.
- 1.6 The Business Case for each capital scheme within the BSIP programme is assessed using the regionally agreed Transport Assurance Framework and reviewed by an independent consultant retained by Transport North East (TNE) to ensure:
  - the level of analysis undertaken by the scheme promoter is appropriate to the size of the scheme;
  - the scheme gives good value for public money;
  - the risks associated with delivery of the scheme have been identified and where possible mitigated; and
  - the appropriate governance and procurement processes are in place to complete the scheme in-line with DfT's grant funding conditions.

## **2. Proposals**

- 2.1 Within the EP Plan and Scheme that was made by the JTC in March 2023, an agreed programme of capital proposals was detailed for delivery. The BSIP capital programme includes both Bus Priority Infrastructure and Intelligent Transport

Systems interventions. Business Cases have now come forward and are being considered in accordance with the region's Transport Assurance Framework, with appraisal being conducted by TNE's retained assurance consultants.

- 2.2 Both appraisals have indicatively shown that the proposals possess a strong strategic case, offer value for money and are capable of incurring grant funding within the available timescales. Although appraisals are underway, both are yet to fully conclude, therefore, so as not to forestall critical stages of delivery, given that the BSIP programme runs until 31 March 2025, it is recommended the JTC approves both programmes in principle, and delegates authority to officers to ensure that the programmes are delivered subject to compliance with the Assurance Framework.
- 2.3 Schemes within the Bus Priority Infrastructure – Tranche 1 programme will be required to go through individual scheme level assurance inclusive of detailed consultation, Cabinet approval and S151 sign off from the Local Authority proposing the scheme prior to individual level scheme sign off. Whilst the BSIP capital investment in the Intelligent Transport Systems scheme will fund the signals and junction improvements that were unaffordable within the TCF funded Intelligent Transport Systems scheme, which was approved by the JTC in November 2021, an overview of both proposals inclusive of associated benefits is outlined at Appendix 1.
- 2.4 Approval of these schemes will enable officers to enter into Grant Funding Agreements with scheme promoters for scheme delivery and enable each promoter permission to draw down the respective funding allocation from the BSIP capital pot, which is held by NECA on behalf of the JTC. In total, the amount of BSIP grant funding associated within this report totals up to: £33,290,872.
- 2.5 In addition, it is also recommended that the JTC delegate authority, to approve and allocate, in total £2,025,087 of the funds proposed for allocation to the Bus Priority Infrastructure – Tranche 1 programme, for scheme development, subject to successful assurance. This approach will ensure that scheme promoters have the requisite funds to undertake and finalise scheme development, ahead of full approval of schemes. This approach is recommended as a means of expediting the delivery of the BSIP capital programme. Development funding will be capitalised following individual scheme approvals and therefore within the programme level Business Case, development costs have been included within the overall funding allocation. As such, this funding will act as an early release of the Bus Priority Infrastructure – Tranche 1 programme funds, specifically for the purposes of scheme development.

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

- 3.1 The BSIP programme runs until 31 March 2025, it is therefore imperative that the region takes a delivery focused approach to the capital interventions outlined within the EP Plan and Scheme, in order to ensure delivery within the required programme timeframe. The proposed approval route for the capital interventions covered by this report is recommended to ensure that schemes can be developed and constructed, over the timeframe afforded by the BSIP programme.

3.2 Business Cases for both programmes have been produced and are currently going through appraisal with our retained independent assurance consultants which have identified no fundamental issues to scheme delivery or viability. This provides comfort that proposals are sufficiently developed and pose limited delivery risk. This is also reinforced in the recommendation to release development funding from the Bus Priority Infrastructure – Tranche 1 programme to ensure that the schemes within that programme are developed swiftly, progressed through the assurance gateways outlined with the Transport Assurance Framework and approved for delivery.

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

4.1 Option 1 – The Joint Transport Committee may accept the recommendations set out in this report; or

Option 2 - The Joint Transport Committee may not accept the recommendations set out in this report

Option 1 is the recommended option.

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

5.1 Subject to the successful conclusion of appraisals Grant Funding Agreements will be prepared by officers for both programmes, including for the early release of scheme development funding for the Bus Priority Infrastructure – Tranche 1 programme. Scheme promoters will provide quarterly monitoring update reports on the schemes that will detail progress, expenditure, and risks.

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

6.1 The proposals detailed within this report will contribute positively to the successful delivery of the EP which in turn will help to deliver the strategic objectives of the North East Transport Plan. In particular, the EP will support a green recovery through the provision of an attractive form of sustainable transport. Delivery of the proposals will stimulate growth in our bus network which is expected to lead to higher ridership and modal share. An overview of the benefits derived from each proposal is provided at Appendix 1.

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

7.1 In total, the BSIP capital funding committed by this report amounts to £33,290,872, which is within budget. Should the recommendations of this report be accepted by JTC, a summary of the BSIP capital pot can be updated as follows:

- Total BSIP capital funding allocation: **£73,500,000**
- Funds Committed as a result of the report: **£33,290,872**
- Remaining BSIP capital funds: **£40,209,128**

7.2 Failure to deliver the EP Scheme and interventions within will potentially impact the North East from accessing any new central government funding for buses (both capital and revenue support). Furthermore, there is also the potential for wider funding allocations for transport in the North East from the government to be

impacted, as the DfT will take into account performance with respect to the policies set out in the National Bus Strategy.

- 7.3 There are no Human Resources or ICT implications arising from the recommendations of this report.

## **8. Legal Implications**

- 8.1 Grant Funding Agreements (GFAs) are required in order to enable the scheme promoters to commence drawing down the funding allocation associated with each approval. A standard GFA template has been prepared for all capital schemes that is utilised to minimise any legal risks and ensure NECA's obligations (on behalf of the JTC) to the DfT in regard to BSIP funding are met; these obligations are appropriately transferred to each scheme promoter through the GFA. Separate GFAs for development funding have also been prepared, that minimises risk should a given proposal fail to come forward for delivery post award of development funds.
- 8.2 The delivery of capital interventions associated with the approvals are tied into the EP scheme, if proposals failed to deliver it would necessitate variation to the scheme by use of the variation mechanism set out in section 8.6 of the EP Scheme. The EP itself follows a statutory framework requiring legal notices and formal agreements. The EP is legally binding upon the LTAs, LAs and Bus Operators and specialist legal advice has been sought in support of the development of the EP.

## **9. Key Risks**

- 9.1 The key risk relates to the potential for the construction of schemes to be delayed or overspent. The funding mechanism included within each GFA ensures that risks to the JTC are appropriately mitigated, transferred, and borne by each scheme promoter. It has been indicated previously that the provision of future central government funds for transport will be dependent on the ambition and delivery of our EP which includes the schemes recommended for delegated approval. This is likely to apply to all future funding bids, such as investments in our region's roads. However, there is a mechanism for change control which provides the option to remove interventions by varying the EP Scheme if interventions are found to be undeliverable.

## **10. Equality and Diversity**

- 10.1 All schemes will be designed to modern standards and are compliant with appropriate legislation, ensuring that any equality and diversity implications are minimised. A Health Impact and Equalities Assessment accompanies the business case for Bus Priority Infrastructure – Tranche 1 which concludes we can anticipate moderate benefits to population health and wellbeing and that there is no indication that groups with protected characteristics would be disadvantaged by the interventions from the introduction of this programme. An action plan has been prepared to ensure that these benefits can be achieved and any disbenefits can be mitigated.

## **11. Crime and Disorder**

- 11.1 All schemes will be designed to modern standards, appropriate consultation with statutory consultees will take place throughout the course of scheme designs, ensuring that any crime and disorder implications will be minimised.

## **12. Consultation/Engagement**

- 12.1 This report has been shared with the Transport Strategy Board, comments have been taken on board and integrated into this report. Proposals for investment were included within both the BSIP and EP Plan & Scheme, which prior to approval were subject to public engagement and statutory consultation. Scheme promoters are managing consultation requirements pertaining to each individual scheme.

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

- 13.1 None.

## **14. Appendices**

- 14.1 Appendix 1 – Scheme Details

## **15. Background Papers**

- 15.1 North East Transport Assurance Framework: [NORTH EAST JOINT TRANSPORT COMMITTEE \(transportnortheast.gov.uk\)](https://transportnortheast.gov.uk)

Bus Service Improvement Plan: [transportnortheast.gov.uk/wp-content/uploads/2021/10/TNE-BSIP\\_FINAL.pdf](https://transportnortheast.gov.uk/wp-content/uploads/2021/10/TNE-BSIP_FINAL.pdf)

JTC Report – EP Scheme (Item 5):  [\(Public Pack\)Agenda Document for North East Joint Transport Committee, 21/03/2023 14:30 \(northeastca.gov.uk\)](https://northeastca.gov.uk)

## **16. Contact Officers**

- 16.1 Jonathan Bailes, Interim Assistant Director Transport Programme

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## **17. Sign off**

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

## 18. Glossary

- BSIP – Bus Service Improvement Plan
- DfT – Department for Transport
- EP – Enhanced Partnership
- GFA – Grant Funding Agreement, outlines the terms and conditions under which a scheme will be delivered, and constitutes the contract between NECA and the scheme promoter for the delivery of the scheme.
- JTC – Joint Transport Committee
- KPI – Key Performance Indicators
- LA – Local Authority
- NECA – North East Combined Authority
- Transport Assurance Framework – a framework for business case development and review that ensures good decision making, procurement and governance is in place for all projects, for schemes that can demonstrate good value for public money
- TNE – Transport North East

# Transport **North East**

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Appendix 1

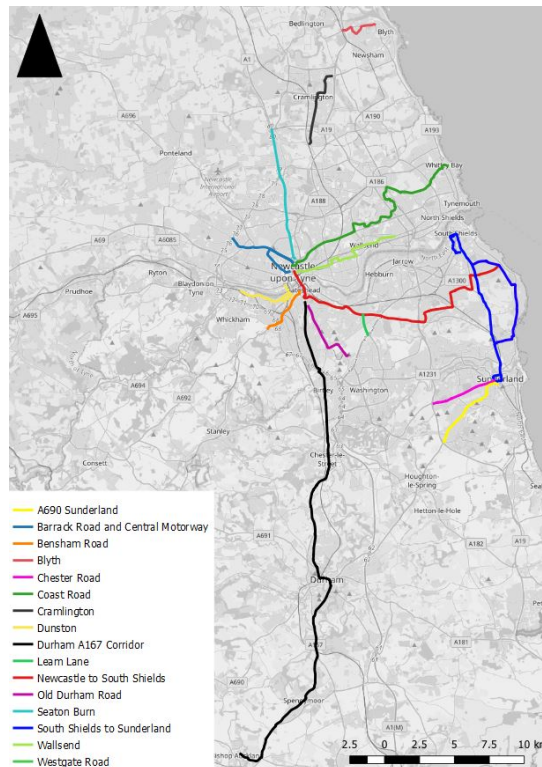
**Scheme Details**

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<p><b>Scheme:</b> Bus Priority Infrastructure – Tranche 1 (NE03)</p> <p><b>Description:</b> This scheme comprises bus priority measures on high passenger demand corridors in the region. The corridors seeing investment are listed below and shown in the diagram below:</p> <ul style="list-style-type: none"> <li>• Barrack Road and Central Motorway</li> <li>• Westgate Road</li> <li>• Wallsend</li> <li>• Coast Road</li> <li>• Dunston</li> <li>• Bensham</li> <li>• Leam Lane</li> <li>• Old Durham Road</li> <li>• Chester Road</li> <li>• A690</li> <li>• South Shields to Sunderland</li> <li>• South Shields to Newcastle</li> <li>• Blyth</li> <li>• Cramlington</li> <li>• Durham Road A167</li> <li>• Seaton Burn</li> </ul> <p>Proposed measures include the introduction of bus lane, bus gates, carriageway realignments, bus stop realignments, bus hurry calls and signalisation of junctions to provide priority to buses.</p> <p><b>BSIP Allocation:</b> £20,250,872</p> <p><b>Benefits that will be achieved:</b> Benefits from the scheme include quicker bus journey times, improved journey time reliability, improved connectivity and accessibility and less traffic on the highways, to be achieved through modal shift. It has been forecast that both hurry calls and signalisation of junctions will result in up to 20 seconds time saving per journey per intervention.</p>
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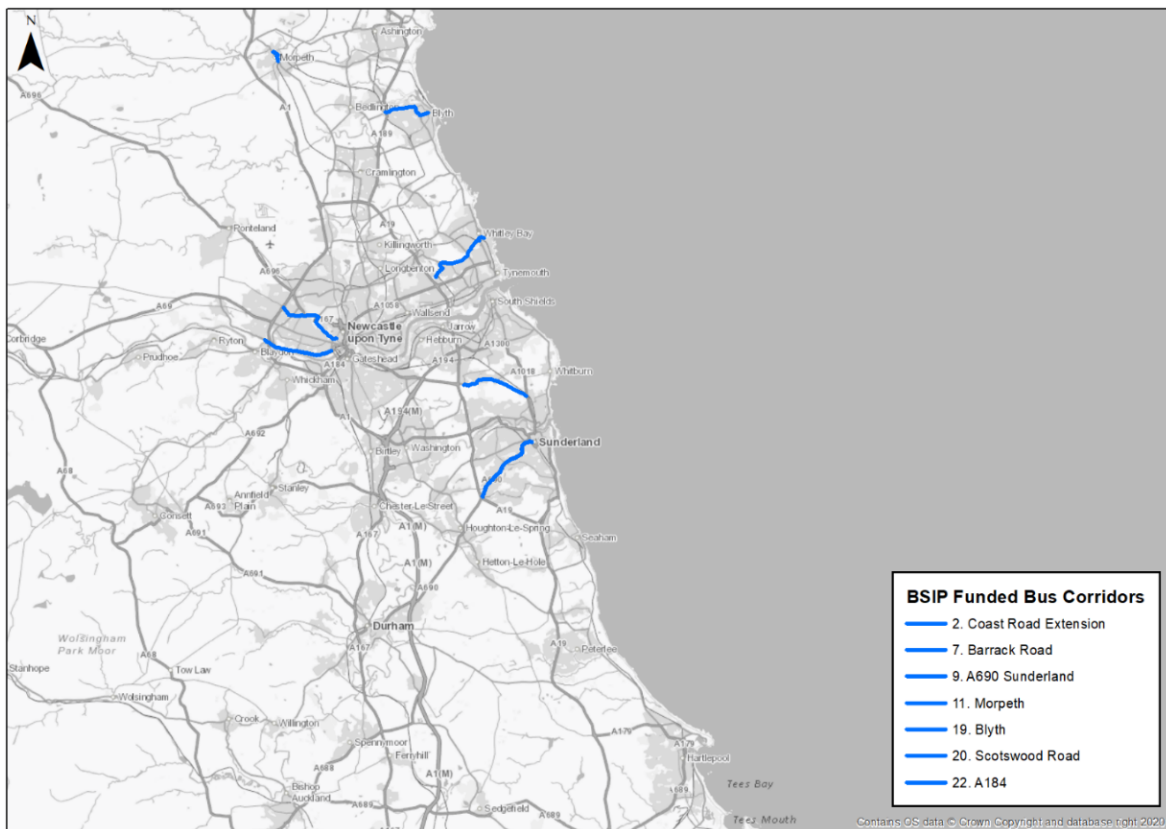
Figure 1: Bus Priority Infrastructure – Tranche 1 Corridors





<p><b>Scheme:</b> Intelligent Transport Systems (ITS01)</p> <p><b>Description:</b>                  This scheme will deliver the seven residual corridors that were unaffordable in the Transforming Cities Fund Intelligent Transport Systems scheme. These residual corridors are listed below and shown in the following diagram:</p> <ul style="list-style-type: none"> <li>• Coast Road (extension)</li> <li>• Barrack Road</li> <li>• A690 Sunderland</li> <li>• Morpeth</li> <li>• Blyth</li> <li>• Scotswood Road</li> <li>• A184</li> </ul> <p>The delivery of these corridors extends the benefits of the scheme into Northumberland. The upgrades include a mixture of 58 major and 13 minor interventions over the seven corridors. The major interventions include full junction renewals with extra low voltage electricity supply, communication upgrades to the urban traffic control centre, signal timing upgrades, ANPR cameras, and CCTV. Minor interventions include upgrading communications to the urban traffic control centre, CCTV, and ANPR cameras.</p>
<p><b>BSIP Allocation:</b> £13,040,000</p>
<p><b>Benefits that will be achieved:</b>                  The scheme will deliver effective bus priority at traffic signal installations for late running buses, improve journey time reliability and bus punctuality, enable efficient traffic management, quicker fault detection at more signal installations and overall better highway network management and resilience. This scheme will allow greater control to manage planned events and deal with major incidents on the network. The scheme will improve air quality as more journeys will be made by bus, reducing reliance on the car for many trips. It is estimated on average across the whole ITS scheme, the introduction of intelligent bus priority measures could result in a reduction to delays by an average of 25%.</p>

Figure 2: Intelligent Transport Systems Corridors



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## North East Joint Transport Committee

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**Date:** 18 July 2023  
**Subject:** Transforming Cities Fund Tranche 2 – Residual Grant Funding  
**Report of:** Managing Director, Transport North East.

### Executive Summary

This report proposes the release of £3,249,489 from the Transforming Cities Fund (TCF) Devolved Pot and £249,964 of Active Travel Fund Round 2 (ATF2) underspend, to the following schemes:

Durham City Active Mode Connectivity	£2,500,000
Ponteland to Callerton Cycleway Phase 2	£518,000
East Gateshead LCWIP Phase 1	£481,453

The release of funding is subject to both the agreement of Active Travel England (ATE) and the Department for Transport (DfT) and the successful appraisal of Business Cases and due diligence in line with the North East Transport Assurance Framework. It is proposed to delegate authority to the Managing Director Transport North East to approve grant funding once all relevant requirements have been satisfied.

The report also recommends that the Joint Transport Committee (JTC) supports the objective of securing funding for the Shields Ferry Landing Scheme at the earliest possible opportunity, and endorses the principle of securing the early release of City Region Sustainable Transport Settlement (CRSTS) funds to support delivery of this scheme.

### Recommendations

The North East Joint Transport Committee is recommended to:

- i. Agree in principle to the release of £2,500,000 of funds to the Durham City Active Mode Connectivity scheme and £518,000 of funds to the Ponteland to Callerton Cycleway Phase 2 scheme (Appendix 2) from the TCF devolved pot.

- ii. Agree in principle to the release of £231,489 of funds from the TCF devolved pot and £249,964 of Active Travel Fund Round 2 underspend to the East Gateshead LCWIP Phase 1 scheme (Appendix 2).
- iii. Delegate authority to the Managing Director Transport North East following consultation with the Section 73 Officer and Monitoring Officer to carry out all relevant tasks to implement the JTC's agreement once successful appraisals of schemes have been completed in line with the North East Transport Assurance Framework, subject to the agreement of the DfT and ATE. This will include the payment of grant funds and the establishment of Grant Funding Agreements.
- iv. Endorse the principle of securing the early release of City Region Sustainable Transport Settlement (CRSTS) funds to support delivery of the Shields Ferry Landing scheme, and subject to Department for Transport (DfT) agreement, agree to submit a bid totalling up to £12,760,000 of CRSTS funds to the Government.

## 1. Background Information

- 1.1 In March 2020 the North East region was awarded £198m from the Government's Transforming Cities Fund to aid the delivery of sustainable transport capital measures. In total, £94m of this funding is allocated to the Nexus led Metro Flow scheme, with the remaining £104m allocated to the region to spend on smaller sustainable transport schemes.
- 1.2 A programme of schemes was considered and approved by this Committee in May 2020, and the local authority promoters of those schemes have since been advancing the designs of their schemes and preparing Business Cases for investment.
- 1.3 The JTC meeting held on the 21st March 2023 allocated £12.1m of the remaining TCF devolved pot ahead of the 31st March 2023 programme deadline. As a result, the TCF programme, in total, has a collective value of £100.5m schemes in delivery. An overview of the TCF programme is included in **Appendix 1**, which shows that the programme has £3.2m of residual grant funds without any remaining schemes within the original programme, approved in May 2020, capable of coming forward for approval to draw down residual grant funding.
- 1.4 Although, any changes to the North East TCF programme including the allocation of residual grant funding would require agreement with the DfT, ongoing discussions with DfT have indicated the desire to have a swift resolution to TCF programme underspend and a clear path towards the emergence of the City Region Sustainable Transport Settlement (CRSTS) programme which is included within the minded to Devolution agreement between the seven local authorities in the North East (LA7) and the Government.
- 1.5 In addition to the capital underspend available within the TCF programme, there is also a further £250k of underspend within the Active Travel Fund Round 2 (ATF2) programme, however, like the TCF programme, any allocation of underspend would be required to be agreed with Active Travel England (ATE).
- 1.6 This paper, in light of the DfT's desire to have a resolution to TCF programme underspend and a clear path towards the emergence of the CRSTS programme, recommends schemes which have been subject to previous regional prioritisation exercises and are capable of utilising remaining residual TCF programme funds and ATF Round 2 funds in the immediate term.
- 1.7 Furthermore, DfT officials have been keen to explore the option of accelerating CRSTS programme funds to ensure the timely delivery of transport benefits, where there is a strong case to do so. As such, there is also the opportunity, subject to Government agreement, to accelerate a portion of CRSTS programme funds ahead of May 2024, this may require enhanced governance procedures such as ministerial approval. However, this report also recommends that the JTC instruct officers to explore all options to accelerate CRSTS funds in respect of the Shields Ferry Landing scheme, given the status of the scheme as a priority of regional significance and the necessity to secure a viable funding package for the scheme prior to May 2024.

## 2. Proposals

- 2.1 **Appendix 1** demonstrates that up to £3.2m of residual grant funding within the TCF programme remains unallocated, given that the TCF programme was scheduled to end on 31st March 2023, DfT have expressed the desire to see a swift resolution to the TCF programme, inclusive of the allocation of residual grant funding to schemes which can deliver at pace.
- 2.2 In addition to residual TCF programme funds there is a £250k underspend within the ATF2 programme which was originally required to deliver over the financial year 2021/22. Given the availability of funding, and the need to bring the TCF programme to a conclusion, there is an imperative, as a minimum, to identify schemes which could utilise remaining residual TCF programme funds alongside ATF2 underspend.
- 2.3 In order to be eligible for TCF grant funding there is a need for schemes to demonstrate the ability to spend within the financial year 2023/24 and to be capable of progressing through the North East Transport Assurance Framework swiftly enough to be able to do so. As such, schemes which meet these criteria have been identified, taking into account previously agreed regional prioritisation exercises, as suitable schemes for entry into the TCF programme and are recommended as follows:
- Durham City Centre Active Mode Connectivity scheme (£2.5m of TCF funds)
  - Ponteland to Callerton Phase 2 (£518k of TCF funds)
  - Gateshead LCWIP Phase 1 package (£231k of TCF funds, £249k ATF2 funds)
- 2.4 Business Cases for each of the above schemes are currently in production, with drafts and associated project specific assurance products shared with the independent assurance consultants, retained by Transport North East (TNE), for feedback in accordance with the region's Transport Assurance Framework. Feedback provided has indicated that the schemes recommended have minimal risk, possess strong strategic cases, indicatively offer value for money and have viable delivery programmes. Although the production of full Business Cases and subsequent appraisals are yet to conclude, so as not to forestall critical stages of delivery, given that delivery must take place within the current financial year, it is recommended that the JTC delegate approval of the above schemes to the TNE Managing Director, subject to agreement of both the DfT and ATE, and the successful conclusion of appraisals in line with the Transport Assurance Framework.
- 2.5 Agreement and approval will enable NECA to enter into GFAs with scheme promoters for scheme delivery and enable each promoter permission to draw down the respective funding allocation from the TCF Devolved Pot and the ATF2 budget, which is held by NECA on behalf of the JTC. In total, the amount of TCF grant funding associated with this report totals up to: £3,249,000 whilst the total amount of ATF2 grant funding associated with this report totals up to £249,000.

2.6 In addition, the Shields Ferry Landing is considered a priority scheme of regional significance which requires funding above the availability of residual TCF funding. Urgent intervention is required given that the existing landing structure is coming towards the end of its structural life expectancy which following the most recent survey is estimated at 2025, though this is subject to further investigations. Given that DfT officials have been keen to explore opportunities for accelerating the release CRSTS programme funds to ensure the timely delivery of transport benefits, where there is a strong case to do so, it is recommended that the JTC instruct officers to explore all options to do so in respect of the Shields Ferry Landing.

2.7 Furthermore, following completion of reconciliation processes and subject to Nexus confirmation, there is the potential for additional residual TCF funding within the funding envelope that was allocated to the Metro Flow scheme. It is proposed that any residual TCF grant funds remaining following the completion of the Metro Flow scheme are provided as a contribution towards the Shields Ferry Landing scheme, and a proportional reduction in the request for accelerated CRSTS funding will be made.

### 3. Reasons for the Proposals

3.1 Given that the TCF programme was scheduled to end on 31st March 2023, the DfT have expressed the desire to see a swift resolution to the TCF programme, inclusive of the allocation of residual grant funding to schemes which can deliver at pace. Assurance on each scheme recommended for approval has taken place via TNEs retained independent assurance consultants which have identified no fundamental issues to scheme delivery or viability. This provides comfort to the JTC that proposals are sufficiently developed and pose limited delivery risk.

3.2 The approval and onwards delivery of the recommended schemes will contribute to the delivery of our Transforming Cities Fund programme, which in turn will contribute to delivery of the objectives outlined within the North East Transport Plan, an overview of each scheme and its associated benefits is outlined at **Appendix 2**.

3.3 It is recommended that the approval of schemes is delegated to the Transport North East Managing Director subject to DfT and ATE agreement and the successful conclusion of scheme appraisals in line with the North East Transport Assurance Framework, this will enable recommended schemes to come forward in good time and commence delivery this financial year. Schemes would be at risk if swift approval of Business Cases is not forthcoming following appraisal. The recommendations outlined in this report have been put to the JTC in order to expedite scheme approvals owing to the need for schemes to begin their construction programmes and meet the required TCF timeline for delivery.

3.4 Recommendations in respect of the Shields Ferry Landing scheme are proposed given the regional significance of the scheme and the need to assemble a viable funding proposition for the scheme, due to uncertainty surrounding its current structural lifespan.

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

- 4.1 Two options are presented to the North East Joint Transport Committee.
- 4.2 Option 1 – The North East Joint Transport Committee accept the recommendations set out in this report.
- 4.3 Option 2 - The North East Joint Transport Committee do not accept the recommendations set out in this report.
- 4.4 Option 1, is the recommended option.

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

- 5.1 Subject to DfT and ATE agreement, subsequent successful appraisal of recommended schemes in line with the North East Transport Assurance Framework, Grant Funding Agreements will be prepared by officers for scheme delivery and agreed with scheme promoters, thereafter, construction will commence. TNE will require that scheme promoters provide quarterly monitoring update reports on schemes that will detail progress, expenditure, and risks.
- 5.2 In addition, officers will explore all available options to accelerate CRSTS funding in respect of the Shields Ferry Landing scheme and will outline any additional governance requirements at an appropriate forthcoming meeting of the JTC.

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

- 6.1 The schemes detailed within this report will contribute positively to the high-level strategic objectives in both the regional Strategic Economic Plan and the North East Transport Plan. An overview of the benefits derived from each scheme is provided at **Appendix 2**.

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

- 7.1 In total, the TCF allocation covered by this report amounts to £3,249,000 whilst the total amount of ATF2 grant funding associated with this report totals up to £249,000.

Should the recommendations of this report be accepted by JTC, and all associated approvals be completed, a summary of the TCF Devolved Pot can be updated as follows:

- Total available TCF Funds (exc. Metroflow): £103,797,532
- Funds Committed prior to this report: £100,548,042
- Funds Committed as a result of the report: £3,249,000
- Remaining Devolved Pot: £490

- 7.2 There are no Human Resources or ICT implications arising from the recommendations of this report.

#### **8. Legal Implications**



8.1 Grant Funding Agreements are required in order to enable the scheme promoters permission to commence drawing down the funding allocation associated with each individual scheme recommended for approval. A standard Grant Funding Agreement template has been prepared for all TCF schemes that is utilised to minimise any legal risks and ensure NECA's obligations (on behalf of the JTC) to the Department for Transport in regards to the TCF devolved funding are met, these obligations are appropriately transferred to each scheme promoter through the Grant Funding Agreement.

## **9. Key Risks**

9.1 The key risk for this Committee relates to the potential for the construction of these schemes to be delayed or overspent. The funding mechanism included within each Grant Funding Agreement ensures that risks to the Committee are appropriately mitigated, transferred, and borne by each scheme promoter.

## **10. Equality and Diversity**

10.1 All schemes will be designed to modern standards and are compliant with appropriate legislation, ensuring that any equality and diversity implications are minimised.

## **11. Crime and Disorder**

11.1 All schemes will be designed to modern standards, appropriate consultation with statutory consultees will take place throughout the course of scheme designs, ensuring that any crime and disorder implications will be minimised.

## **12. Consultation/Engagement**

12.1 This report has been shared with the Transport Strategy Board, comments have been taken on board and integrated into this report. The scheme promoters have managed all consultation requirements pertaining to each individual scheme

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

13.1 None.

## **14. Appendices**

14.1 Appendix 1 – TCF Programme Residual Funding Summary  
Appendix 2 – Scheme Details

## **15. Background Papers**

15.1 North East Transport Assurance Framework: [NORTH EAST JOINT TRANSPORT COMMITTEE \(transportnortheast.gov.uk\)](https://www.transportnortheast.gov.uk)

North East devolution deal: [North East devolution deal - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

## 16. Contact Officers

16.1 Jonathan Bailes, Interim Assistant Director Transport Programme

E-mail: [jonathan.bailes@transportnortheast.gov.uk](mailto:jonathan.bailes@transportnortheast.gov.uk)

## 17. Sign off

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

## 18. Glossary

- DfT – Department for Transport
- ATE – Active Travel England
- NECA – North East Combined Authority
- JTC – Joint Transport Committee
- LA7– 7 North East Local Authorities
- TNE – Transport North East
- TCF – Transforming Cities Fund
- CRSTS – City Region Sustainable Transport Settlement
- Grant Funding Agreement – outlines the terms and conditions under which a scheme will be delivered, and constitutes the contract between NECA and the scheme promoter for the delivery of the scheme
- Transport Assurance Framework – a framework for business case development and review that ensures good decision making, procurement and governance is in place for all projects, for schemes that can demonstrate good value for public money

## Appendix 1: TCF Programme Residual Funding Summary

Scheme Code	Scheme Name	Signed GFAs Total (£)
<b>DU01/DU04</b>	Durham Walking and Cycling Improvements	2,811,524.00
<b>DU02</b>	Park and Ride Expansion, Durham City	1,597,000.00
<b>DU03*</b>	Durham Bus Priority*	11,170.22*
<b>DU07</b>	Durham Bus Station	3,612,500.00
<b>GA01</b>	West Tyneside Cycle Route	1,759,500.00
<b>GA05</b>	Metro Green Sustainable Access	2,603,025.00
<b>GA08</b>	Hills Street and Gateshead Quays sustainable access	1,961,620.37
<b>GA09</b>	A167 Birtley to Eighton Lodge Cycling Scheme	3,825,000.00
<b>GA16</b>	Gateshead Interchange Bus Lane Improvement	274,423.00
<b>NE01</b>	Transforming Newcastle City Centre	6,169,081.00
<b>NE03*</b>	Newcastle - North Tyneside Active Travel Corridor*	14,971.39*
<b>NE07/NO02</b>	Ponteland to Callerton Cycleway (Phase 1)	816,000.00
<b>NE08</b>	Newcastle Streets for People	3,403,400.00
<b>NX02</b>	Metro Park and Ride Enhancements	3,225,660.00
<b>NX04a*</b>	Callerton Parkway Strategic Park and Ride Site*	25,846.27*
<b>NT02</b>	Improvements to North Shields Transport Hub	19,125,000.00
<b>NT08</b>	A188/A189 Bus Priority Corridor Improvements Phase 1	3,345,000.00
<b>NT10</b>	North Tyneside Improved Cycling/Walking Links to Metro	3,825,000.00
<b>ST04</b>	South Tyneside Smart Metro Stations / Healthier Metro Stations	2,380,000.00
<b>SU03</b>	Sunderland Central Station Redevelopment & Car Park	16,326,814.00
<b>SU04</b>	Holmeside Bus Rationalisation and Priority Measures	879,750.00

<b>SU15</b>	A690 Corridor Strategic Cycle Network	2,937,991.00
<b>ITS01</b>	ITS Package of Works - Regionwide	18,607,188.00
<b>PM01</b>	Programme Management	1,010,578.00
<b>Totals</b>	<b>TCF Programme</b>	<b>100,548,042.25</b>
	<b>TCF Allocation</b>	<b>103,797,532.00</b>
	<b>TCF Residual</b>	<b>3,249,489.75</b>
	<b>ATF2 Residual</b>	<b>249,964.00</b>
	<b>Total Available Funds</b>	<b>3,499,453.75</b>

\*Development funding provided only

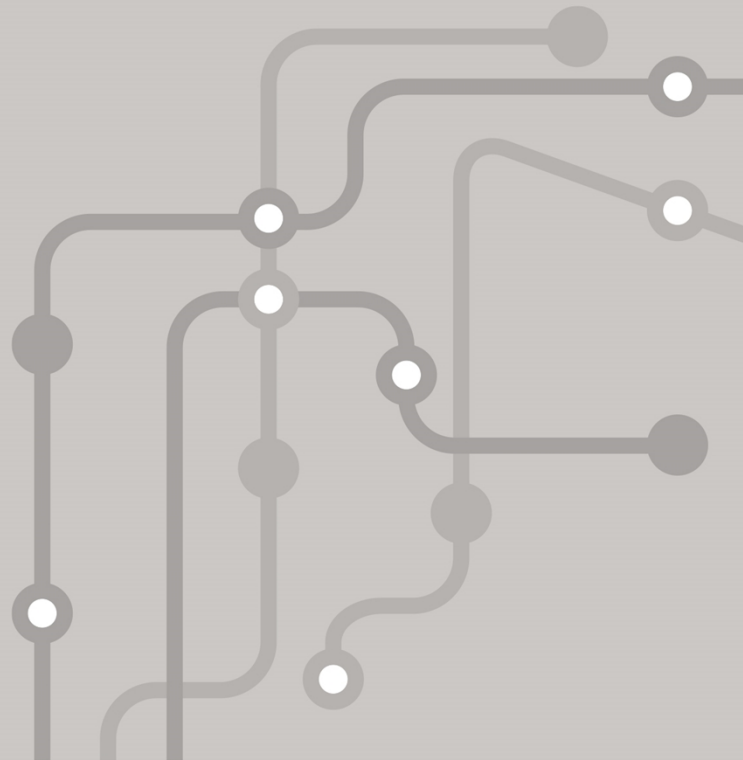
# Transport **North East**

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Appendix 2

**Scheme Details**

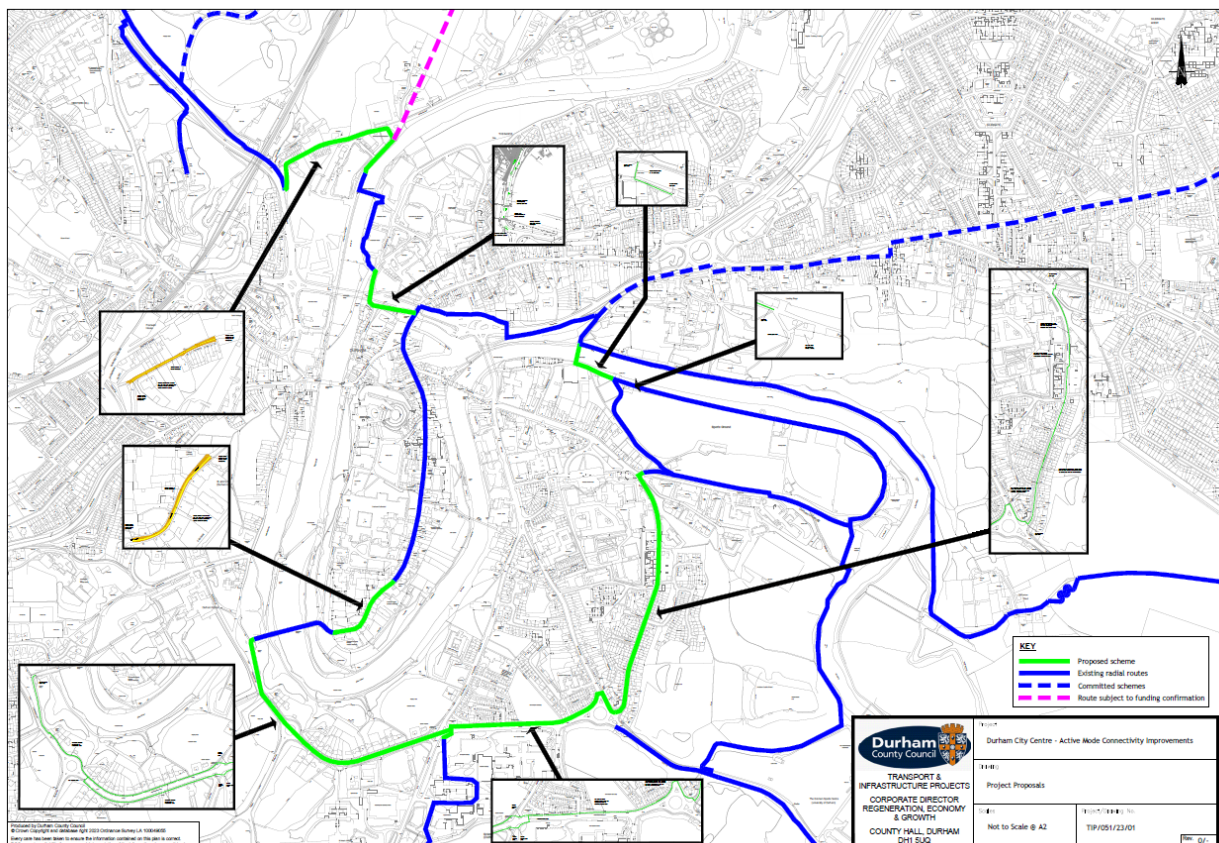
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## Schemes to be funded via Transforming Cities Fund:

<p><b>Scheme:</b> Durham City Active Mode Connectivity</p> <p><b>Description:</b>                  This scheme will introduce a number of new and upgraded active travel measures across Durham City. This includes 2.2km of new cycling infrastructure, one new Toucan crossing on Hallgarth Street, upgraded Toucan crossings on the South Road / Stockton Road / Quarryheads Lane junction, upgrading 367m of cobbles to make them more cycle-friendly, and upgrading the Bath Bridge parapets to bring them in line with LTN 1/20. Along with other existing and committed schemes within the city, this will create a larger city-wide active travel environment. The extent of the scheme is shown in green in the diagram below, providing connectivity with the existing infrastructure shown in blue.</p>
<p><b>TCF Allocation:</b> £2,500,000</p>
<p><b>Benefits that will be achieved:</b>                  The scheme will improve connectivity within Durham City and will integrate with and provide connectivity to the existing active travel infrastructure in and around the City. It has been estimated that the scheme could result in an increase in propensity to cycle by approximately 37%. The modal shift will help to deliver improved local air quality, and reduce congestion.</p>

Figure 1: Durham City Active Mode Connectivity

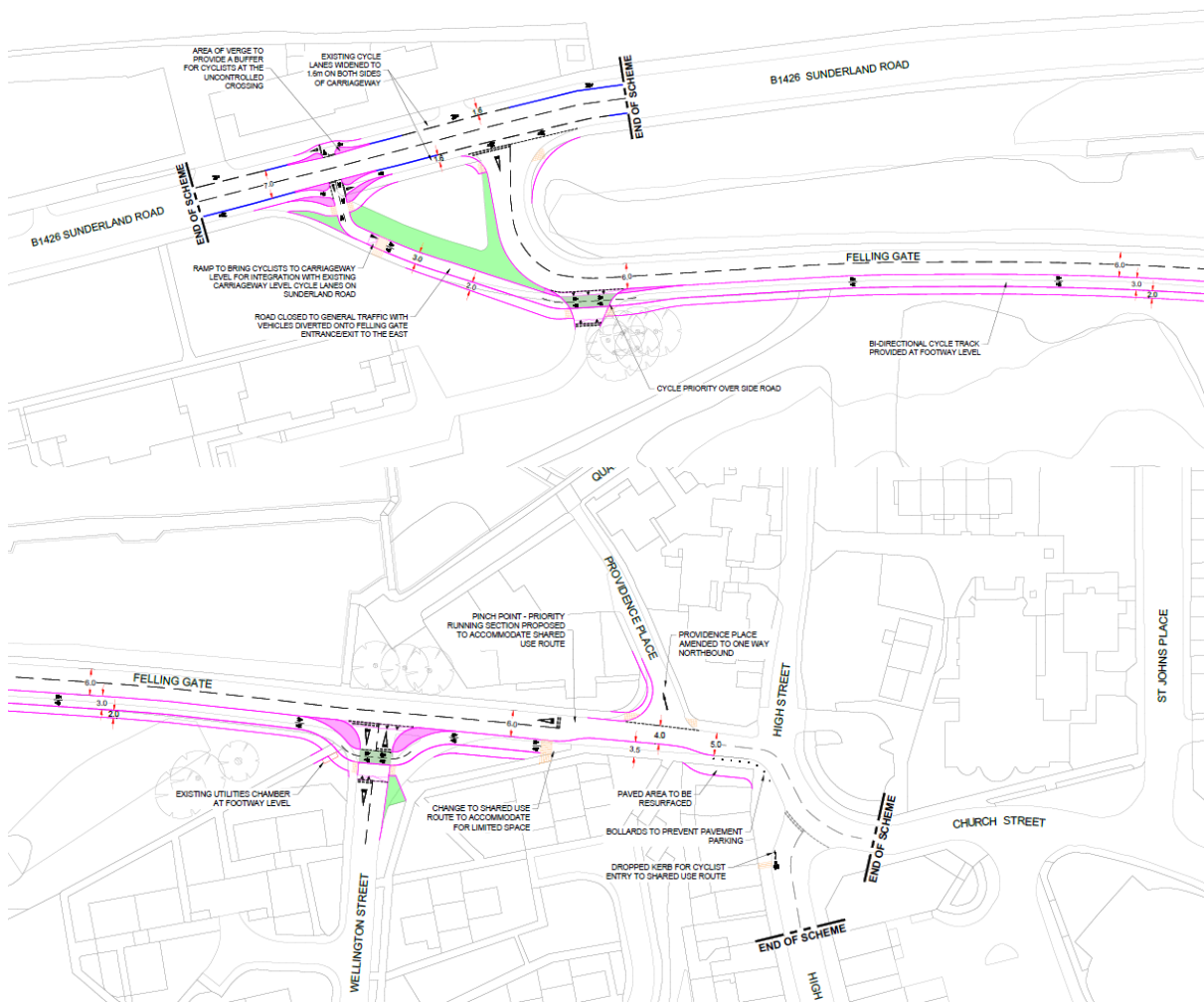




## Schemes to be funded via Transforming Cities Fund and Active Travel Fund R2

<p><b>Scheme:</b> East Gateshead LCWIP Phase 1</p> <p><b>Description:</b>                  This scheme will introduce measures to improve the environment for cyclists in the vicinity of Felling Gate and Sunderland Road. The scheme will upgrade the junction between the two roads, providing a buffer for cyclists at the uncontrolled crossing points, and widening the existing cycle lanes to 1.6m on both sides of the carriageway on Sunderland Road. On Felling Gate, a bi-directional cycle track will be introduced, with additional junction improvements at two further side roads, providing a LTN 1/20 compliant environment.</p>
<p><b>TCF Allocation:</b> £231,000</p> <p><b>ATF2 Allocation:</b> £249,000</p>
<p><b>Benefits that will be achieved:</b>                  The aim of the scheme is to deliver a modal shift towards cycling as a result of improved provision and therefore a safer environment for cyclist. It has been estimated that the scheme could see an uplift in propensity to cycle by as much as 40%.</p>

Figure 3: East Gateshead LCWIP Phase 1





## North East Joint Transport Committee

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**Date:** 18<sup>th</sup> July 2023

**Subject:** Transport Plan Progress Report

**Report of:** Managing Director, Transport North East

### Executive Summary

This report provides an update on progress made across a number of Delivery Plan categories in implementing the objectives of the North East Transport Plan and achieving the vision of 'moving to a green, healthy, dynamic and thriving North East.'

The remainder of the North East's BSIP funding (£45.6m) was confirmed by the Department for Transport (DfT) on Friday 30<sup>th</sup> June. This means the full indicative £163.5m of BSIP funding has now been confirmed. The funding is being used to deliver the new £1 under-21 single bus fare which is in operation across Tyne and Wear, Northumberland and Durham alongside further planned initiatives coming in summer/autumn.

Three trains out of the new Metro fleet have been delivered to the region with a further two deliveries scheduled for this summer. One of the new Stadler trains successfully completed its first test run on the network on 1<sup>st</sup> July as part of the detailed preparations to get it ready for entering service at the end of the year.

Metro and bus operators rose superbly to the challenge of moving people to two concerts being held on 10<sup>th</sup> June – Sam Fender at St James Park and Pink at the Stadium of Light. A number of messages were received praising the efficiency of the service and the friendly, helpful staff, with JTC Chair Cllr Martin Gannon adding to the praise, saying: "Metro and bus services operated smoothly and were very well received by concert-goers and the wider public."

The rail industry has launched a 3-week consultation on a programme of closing ticket offices and redeploying the staff there as passenger facing support. Under the proposals, all ticket offices in this region, other than that at Newcastle Central station, would be closed.

Following approval at last month's JTC, the North East Active Travel Strategy has been adopted region-wide. It outlines a regional ambition to ensure that, by 2035, over half of all short journeys in the region will be made by active travel modes – benefiting the environment, public health and the local economy.

## Recommendations

The Joint Transport Committee is recommended to note the contents of this report

### 1. Background Information

- 1.1 The North East Transport Plan sets out a vision of ‘moving to a green, healthy, dynamic and thriving North East’ through the delivery of transport improvements under seven policy areas. Recent developments in the transport field are discussed below, organised by policy area.

### 2. Public transport, travelling by bus, Metro, ferry and on demand public transport

#### 2.1 Bus travel

BSIP Funding – The region’s remaining £45.6m of Bus Service Improvement Plan (BSIP) funding was confirmed by the Department for Transport (DfT) on Friday 30<sup>th</sup> June at a media event with Transport Minister Richard Holden MP. This announcement means that the full indicative £163.5m in BSIP funding has now been confirmed by the DfT which is positive news for the region’s transport ambitions.

Funding will be used to bring forward a wide range of new improvements – including fare promotions, improved infrastructure and a new public transport website and app. Following agreement with the DfT, some funding will now be used to safeguard services from cuts made by commercial operators following the removal of government recovery funding including the Bus Recovery Grant (BRG).

#### 2.2 Metro

New Metro Fleet – The new Stadler Metro train completed its first test run along the Sunderland Line in the early hours of 1<sup>st</sup> July, representing the first time that the new train has been on the Network Rail managed section of the line between Pelaw and South Hylton. This is the latest phase of the £362m Metro fleet programme, with a rigorous period of testing and driver training under way before the new trains enter service for customers. A further two trains are set to be delivered later this month, bringing the total delivered to five.

#### Metro and Bus services to concerts in June

The concerts on 9/10/11 June featuring Sam Fender performing at St James Park and Pink performing at Stadium of Light represented a major logistical challenge for public transport providers – especially on 10<sup>th</sup> June, with two concerts taking place on the same day. However, Nexus, working in partnership with bus operators, were able to transport thousands of people safely and efficiently to the events, receiving a number of messages of praise such as:

*Excellent proactive planning for a big event. Great customer service, well organised and reliable.*

*Your staff couldn’t have been more helpful and polite. They are a credit to you and got into the spirit of the event making it an even more pleasurable experience.*

*All members of staff were polite, courteous, knew what they were doing and managed the queues with extreme efficiency and friendliness.*

JTC Chair, Cllr Martin Gannon, commented:

*Metro and bus services that Nexus provided for the Pink and Sam Fender Concerts operated smoothly and were very well received by concert-goers and the wider public. Thank you for pulling out all the stops to make the events a success. Big events like these are really important showcases for our region and it is great to see that our transport network supports them so well. I would be grateful if you could pass my thanks on to all Nexus staff and its partners.*

### **3. Connectivity beyond our boundaries**

#### **3.1 Rail**

Ticket office closures – On July 5<sup>th</sup>, the rail industry launched a 3-week staff and public consultation on a programme of closing ticket offices and redeploying the staff there as passenger facing support. In this region, it is proposed to close ticket offices at Alnmouth, Berwick upon Tweed, Bishop Auckland, Durham, Hexham, Morpeth and Sunderland. The ticket office at Newcastle Central station would remain open.

Officers will analyse the impact in the North East and draft a consultation response, liaising closely with other affected authorities in Northern England through Transport for the North. We have already set out in the North East Transport Plan how we want to make regional rail services better for passengers, including more integration with other forms of public transport, with trains and stations that are fully accessible for all. JTC Chair Cllr Martin Gannon has stated:

*“We will be putting these points to the rail industry and the government, so that we can work together to deliver improvements. But I do want to put on record that we won’t accept an approach that simply de-staffs stations in order to save cost, to the detriment of rail users.”*

Leamside Line campaign – The region’s campaign to re-open the Leamside Line continues to gather pace and is raising awareness of the strategic case for investment in the line and the unified support for the project that exists regionally.

The campaign featured prominently in a new prime-time documentary on Channel 4 – “Ben Elton: the Great Railway Disaster.” The documentary features the campaign and includes an interview with advocate Paul Howell, MP for Sedgefield. More activity will follow to raise awareness of the campaign in the coming months.

Durham Coast line – The planned additional semi-fast Northern service on the line (calling at Newcastle-Sunderland-Hartlepool-Thornaby-Middlesbrough only) is unlikely to be operational until the December timetable change due to delays in platform works at Hartlepool.

Industrial Relations – Network Rail staff have settled their pay dispute with no further strike dates planned, however services are still being impacted by lack of rest day working. RMT members have balloted for strike action and action is being taken on the following dates involving TOC staff at 14 companies: 20 / 22 /29 July.

ASLEF members have balloted for action short of a strike from 1<sup>st</sup>-8<sup>th</sup> July at differing levels. They have announced a national overtime ban (excluding TPE) from 5<sup>th</sup>-8<sup>th</sup> July and an overtime ban at LNER until further notice.

Transpennine Express - Chris Jackson has been appointed as Interim Managing Director for the new state-owned company, and a meeting has been arranged between Transport North East (TNE) and TransPennine for mid-July.

It is encouraging that TPE report reaching agreement with ASLEF for it to suspend its current Action Short of a Strike and to reinstate the previously agreed Rest Day Working agreement.

#### **4. Making the right travel choice**

- 4.1 Active Travel Strategy – At the June meeting of the JTC, the North East Active Travel Strategy was approved by members and has been adopted region-wide.

The new strategy outlines a regional ambition to ensure that, by 2035, over half of all short journeys in the region will be made by active travel modes – which would create wide ranging benefits for the environment, public health and the local economy. To achieve this, we would need a 45% increase in walking, wheeling and cycling.

#### **5. Private transport: travelling by car and using road infrastructure**

- 5.1 National Highways Consultation – National Highways is currently undertaking a public consultation on documents they recently released ahead of the third road investment period (RIS3), the documents are:

- Initial Route Strategy – This document outlines the guiding principles for RIS3 investment.
- Connecting the Country – This outlines the long-term strategic vision to 2050.
- 20 individual route strategies – These strategies set out the ambitions for individual routes on the Strategic Road Network, 2 of which are relevant to the North East (London to Scotland East (North) and the North Pennines)

Transport North East is preparing a response to the consultations to ensure that regional priorities are reflected in RIS3 proposals. Our response to the Initial Route Strategy consultation, due by 13<sup>th</sup> July, highlights the importance of decarbonisation and safety, ensuring that the network meets the needs of non-motorised users as well as vehicular traffic, and the necessity to invest in A19 junctions north of Newcastle, in order to cut delays and unlock important regional development sites.

#### **6. Transport and Health workshop**

- 6.1 Building on the results of our successful event last December, a second transport and health workshop took place on July 14<sup>th</sup>. This was organised as a collaboration

between TNE, the Office of Health Improvement and Disparities (OHID) and Newcastle University. The workshop involved leaders from the transport, public health, planning and academic sectors exploring opportunities to work together for common interests.

The keynote speaker was urbanist and transport planner Lucy Saunders, who shared details of the Healthy Streets Approach that she has developed supporting streets to be more human-centred and more welcoming, safe, and more attractive to travel through or spend time in. Luke Robertshaw, who has been on a year-long public health specialty placement with TNE, also shared some of his experiences and insights from the placement.

## **7. Transport Usage Trends**

7.1 Across the region, public transport passenger numbers were high throughout the month of May, with bus at 102% of their 2022 levels and Metro at 118%. Overall, weekday traffic speeds between 08:00-09:00 were faster in May compared to April 2022. Daily cycling rates were up around 30% at the Millennium Bridge compared to April rates.

## **8. Reasons for the Proposals**

8.1 This report is for information purposes.

## **9. Alternative Options Available**

9.1 Not applicable to this report.

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

10.1 Next steps are set out under the respective items, where applicable.

## **11. Potential Impact on Objectives**

11.1 Successful delivery of the various transport schemes and investment proposals outlined in this document will assist the JTC in delivering its objective to maximise the region's opportunities and economic potential.

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

12.1 The report provides an update and overview of progress against the seven Delivery Plan categories in implementing the objectives of the North East Transport Plan and achieving the vision of 'moving to a green, healthy, dynamic and thriving north-east.'

12.2 The North East Transport Plan includes proposed / required investment totalling £7 billion to achieve the aims and ambitions of the JTC, the majority of which is dependent on future funding decisions by central government. The financial and other resource implications aligned to the plan were agreed as part of the

Transport Budget and Levies 2021/22 report to the JTC on 19 January 2021 and in subsequent reports to augment and amend the budget as appropriate.

**13. Legal Implications**

13.1 There are no legal implications arising directly from this report.

**14. Key Risks**

14.1 Appropriate risk management arrangements are in place for each programme of work overseen by the delivery agencies responsible.

**15. Equality and Diversity**

15.1 Successful delivery of schemes to improve public transport, walking and cycling will help to address transport-related social exclusion and create a fairer society.

**16. Crime and Disorder**

16.1 There are no specific crime and disorder implications associated with this report.

**17. Consultation/Engagement**

17.1 Many of the schemes and proposals outlined in this report have been, or will be, the subject of engagement with appropriate stakeholders or the wider public.

**18. Other Impact of the Proposals**

18.1 No specific impacts.

**19. Appendices**

19.1 None

**20. Background Papers**

20.1 None.

**21. Contact Officers**

21.1 Tobyn Hughes, Managing Director, Transport North East

[Tobyn.hughes@transportnortheast.org.uk](mailto:Tobyn.hughes@transportnortheast.org.uk)

**22. Sign off**

- 22.1
- The Proper Officer for Transport:
  - Head of Paid Service:
  - Monitoring Officer:
  - Chief Finance Officer:

**23. Glossary**

23.1 All abbreviations or acronyms are spelled out in the report.

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## North East Joint Transport Committee

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**Date:** 18 July 2023

**Subject:** Bus Service Improvement Plan – Fares package: Multi-operator, Multi-modal tickets

**Report of:** Managing Director, Transport North East

### Executive Summary

This report proposes the budgetary allocation of £17,514,000 of Bus Service Improvement Plan (BSIP) funding for investment in a fares package covering multi-operator and multi-modal day tickets which are intended to be launched in September 2023. The budgetary allocation also covers the cost of reduced price tickets for young people aged 21 and under, previously agreed by the Committee.

The day tickets will be sold through “Network One”, the existing multi-operator ticketing company in the region, and will be available for use on all participating bus operators, and on the Tyne and Wear Metro and Shields Ferry.

The proposal:

- Creates new adult multi-operator day tickets covering unlimited travel in Northumberland and County Durham;
- Reduces the price of existing adult multi-modal products covering travel in Tyne and Wear and region-wide travel;
- Is in addition to the “Under 22” fares already approved by the Joint Transport Committee, but also creates a £3 day ticket for young people for region-wide travel.

This report also seeks the approval of the Joint Transport Committee to vary the Capped Fare Scheme that was previously approved by the Committee, to incorporate the proposed fares to those already covered by the Scheme.

The proposals are intended to make travel by bus more affordable and attractive, in line with the targets set out in the region’s Bus Service Improvement Plan. Modelling shows that the proposed fares could grow overall bus patronage by as much as 1,094,244 trips each year, which would represent a 15.7% uplift in comparable products.

### Recommendations

The North East Joint Transport Committee is recommended to:

- i. Confirm the budgetary allocation of £17,514,000 of Bus Service Improvement Plan funding to cover the cost of reimbursement to bus operators and Nexus of the multi-operator and multi-modal fares to be set out in the BSIP Capped Fares scheme.
- ii. Approve the variation of the BSIP Capped Fare Scheme set out in Appendix 1.

## **1. Background Information**

- 1.1 The North East's Bus Service Improvement Plan (BSIP) is the region's response to the Government's National Bus Strategy for England which was published in March 2021.
- 1.2 The BSIP, approved by the North East Joint Transport Committee, outlines region-wide ambitions to make buses more attractive by making them an affordable and practical alternative to using private cars for more people and helping existing bus users to travel more frequently. The ambitious plan aims to return bus ridership initially to pre-pandemic levels and then to grow by 10% each year thereafter. This would provide a major economic boost to the region, reduce road congestion, and contribute towards climate change targets.
- 1.3 The numerous measures proposed include improvements to timetables and fares, extensive priority measures on roads and at junctions to speed buses up – including two new Park & Ride sites, new and attractive waiting facilities, a set of affordable fare “caps” that work across all buses and Metro services, lower fares for many young people and simplified and improved information.
- 1.4 As well as a planning document, the BSIP was in effect a bid for a share of a £3 billion national pot of funding for buses announced as part of the National Bus Strategy. The Government allocated £163.5 million over three years to the North East's BSIP, one of the highest allocations in the country.
- 1.5 One government condition for the funding is the creation of a formal “Enhanced Partnership” – an agreement between bus operators and local authorities which will deliver major improvements to the bus network for local people. The region has already established this Partnership with local bus operators.
- 1.6 Our BSIP recognises that although there are already many ticketing options available for bus travel in the region, they can be inconsistent between operators and lack integration. “Network One”, the existing multi-operator ticketing company in the region, has a range of multi-modal tickets on offer, but uptake is relatively low and the product range is limited.
- 1.7 The JTC has already approved the introduction of a new fare for young people aged 21 and under, and this was successfully launched with an accompanying marketing campaign on 7<sup>th</sup> May.
- 1.8 Extensive modelling has been undertaken which has shown the potential for passenger generation through improving ticketing and economic appraisal of the proposed scheme also shows strong benefits which add to the evidence base in support of intervention.

## **2. Proposals**

- 2.1 It is proposed that the Joint Transport Committee confirms a budgetary allocation of £17,514,000 to cover the cost of reimbursing new multi-operator fares whose prices are set out below (as well as the cost of the reduced fare scheme for young people aged 21 and under, as previously agreed) and agrees to vary the Capped Fares Scheme as

set out in Appendix 1 in order to establish the framework in which they may be established and reimbursed.

- 2.2 It is intended that all of the BSIP multi-operator and multi-modal fares are sold through Network One. This will allow the use of well-established existing systems for revenue calculation and share, as well as maintaining a legally-compliant way of allowing bus operators to participate in the setting of multi-modal fares.
- 2.3 Reimbursement will be through a combination of Network One (for the reimbursement of the difference between the original ticket price and the BSIP price), and directly to each operator (for the reimbursement of situations where the BSIP ticket is purchased in place of a more expensive single operator product).
- 2.4 BSIP funding presents an opportunity to build on the success of existing integrated ticketing products in the region by making Network One products more affordable, reducing the penalty for interchange. The price points proposed represent substantial reductions for many journeys with the biggest savings on long distance and those involving interchange.
- 2.5 The proposed prices are the result of detailed modelling, analysis of existing ticket types, and negotiation involving both bus operators and local authority officers. In the case of Northumberland and County Durham there are no existing multi-operator ticket products and so relevant price points had to be created. In Tyne and Wear on the other hand a range of multi-modal tickets already exists through “Network One”, but their costs can be seen as relatively high.
- 2.6 The legal framework for the BSIP fares is set out in the Capped Fare Scheme which, with relevant variations highlighted, can be found in Appendix 1.
- 2.7 The proposed initial pricing for the new adult fare products is set out below. It is intended to launch the new fare products in September 2023, subject to final agreement over reimbursement levels being reached with the bus operators.

## 2.8 Northumberland

It is proposed that the adult day ticket price for unlimited multi-operator travel by bus within the geographic area of Northumberland will be initially set at £5. Whilst there is no equivalent existing ticket to compare with:

- a day ticket allowing unlimited bus travel on Arriva services between Blyth and Morpeth currently costs £7.70, representing a saving of 35%.
- a day ticket allowing unlimited bus travel on Arriva services in North Northumberland currently costs £6.70, representing a saving of 25%;
- a day ticket allowing unlimited bus travel on Go North East services in Northumberland currently costs £6.40, representing a saving of 22%

## 2.9 Durham

It is proposed that the adult day ticket price for unlimited multi-operator travel by bus within the geographic area of County Durham will be initially set at £4. Whilst there is no equivalent existing ticket to compare with:

- a day ticket allowing unlimited bus travel on Arriva services in the Durham and Brandon area currently costs £4.80, representing a saving of 17%;
- a day ticket allowing unlimited bus travel on Arriva services in the Bishop Auckland area currently costs £5.60, representing a saving of 29%;
- a day ticket allowing unlimited bus travel on Go North East services in County Durham currently costs £6.40, representing a saving of 37.5%

#### 2.10 Tyne and Wear

It is proposed that the adult day ticket price for unlimited multi-modal travel by bus, Metro and Ferry will be initially set at £6. The equivalent existing Network One Day Rover ticket price for comparison is £9.10, representing a saving of 34%. However for context the following single operator products are also available, although many customer may purchase two of the below for multi-operator journeys:

- a day ticket allowing unlimited bus travel on Arriva services in Tyne and Wear currently costs £5.60;
- a day ticket allowing unlimited bus travel on Go North East services in Tyne and Wear currently costs £6.40;
- a day ticket allowing unlimited bus travel on Stagecoach services in Tyne and Wear currently costs £5;
- a day ticket allowing unlimited travel on the Tyne and Wear Metro and Shields Ferry currently costs £6.20 (£4.80 when using Pop Pay As You Go);

#### 2.11 Region-wide adult day ticket

A region-wide adult day ticket allowing unlimited travel between Durham, Tyne and Wear and Durham (including travel on bus, Metro and the Shields Ferry) will be initially set at £6.80. The existing region-wide product is the North East Explorer ticket and currently costs £12.70, representing a saving of 46%

#### 2.12 Region-wide young people's day ticket

To complement the capped single fare of £1 for young people aged 21 and under that has already been introduced, it is intended to introduce a region-wide young people's (for aged 21 and under) day ticket allowing unlimited travel between Durham, Tyne and Wear and Durham (including travel on bus, Metro and the Shields Ferry). The price for this will be initially set at £3.

2.13 It should be noted that the ticket products described in this section cover unlimited travel for a day within wide geographical areas, and will provide significant savings compared to existing ticket pricing for directly equivalent journeys. However for many bus journeys cheaper fares are likely to be available, particularly during the period in which the national £2 capped single bus fare scheme remains available. Furthermore people who travel regularly with the same bus company on the same route may find that a season ticket provides the best value.

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

- 3.1 Reducing the price of adult multi-operator bus tickets is a key commitment in our BSIP. The proposed new BSIP products will enable cheaper, simpler, multi-modal and multi-operator fares, something that was identified as a top priority for users in research. This will improve many residents' access to work, education and leisure opportunities and will attract more passengers to the bus network.
- 3.2 Public and stakeholder consultation confirmed these priorities and also highlighted the potential for cheaper and simpler ticketing to drive modal shift. In our independent market research 74% of North East residents told us that multi-operator ticketing would encourage them to use the bus more frequently, 73% told us that better value tickets would help them make the switch to bus and 69% said simple and clearly advertised fares would help drive modal shift.

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

- 4.1 Option 1 – The Joint Transport Committee may accept the recommendations set out in this report; or
- Option 2 - The Joint Transport Committee may not accept the recommendations set out in this report
- Option 1 is the recommended option.

#### **5. Potential Impact on Objectives**

- 5.1 Investing in these schemes will stimulate growth in our bus network, expected to lead to higher ridership and modal share, especially for key demographics such as younger people through use to access work and education. Our ticketing scheme will also reduce the financial burden on those who interchange or travel longer distances therefore increasing the attractiveness of bus travel for rural residents. This will have a positive impact on the following BSIP KPIs:
- KPI 2: Modal share of buses to grow by 1 percentage point in 2023/24 from the baseline of 6.4%, and a further 1 percentage point in 2024/25.
  - KPI 3: Modal share of bus use for journeys to work and education to grow by 1 percentage point in 2023/24 and a further 1 percentage point in 2024/25.
  - KPI 4: Bus patronage to grow by 10% in 2024/25, and then again by a further 10% in 2025/26.
  - KPI 5: Bus patronage from people under the age of 22 to grow by 10% in 2023/24 and then by a further 10% in 2024/25.
  - KPI 6: Bus boarding at rural bus stops to grow by 10% in 2023/24 and then by a further 10% in 2024/25.
  - KPI 7: Overall bus passenger satisfaction to grow from a baseline of 91% to 92% in 2023/24 and to 93% in 2024/25.
- 5.2 Modelling by Systra forecasts that an additional 1,094,244 will be taken each year as a result of the introduction of these new BSIP fares, representing an 15.7% uplift in comparable products.

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

- 6.1 The cost of the scheme will be fully covered by the North East's BSIP allocation of £163.5m, of which £90m is revenue funding.
- 6.2 In order to progress this work bus operators have shared commercially sensitive information with TNE and our specialist consultant Systra. This data includes sales volume by each ticket type over a single 4-week period as well as revenue generated. Systra have then taken this information and modelled the expected revenue lost to the operator due to the introduction, and then variation, of our Capped Fare Scheme, and therefore the cost of the project. Due to uncertainties associated with consumer behaviour, reimbursement has been conservatively estimated accounting for a high-cost scenario and a 20% contingency pot has been allocated. Once implemented, reimbursement, and therefore costs, will be continually reviewed to reach an accurate cost forecast. The fare paid by customers will also be reviewed on both a yearly and 6-monthly basis to ensure the continued viability of the scheme. A 5% administrative cost has also been budgeted for to cover ongoing consultancy support, an independent dispute body and any additional resource costs required at TNE to facilitate the scheme.
- 6.3 The full cost of year one and year two of the scheme will be covered by our BSIP funding award, after which the Capped Fares Scheme will be revoked unless an alternative source of funding has been identified.
- 6.4 Due to substantial cost uncertainty, and therefore the necessity of conservative budgeting to protect against cost overrun it is possible that the scheme will have a lower cost than is currently estimated. It is also expected that the scheme will produce substantial growth in the bus market, with generation decreasing the level of subsidy required.
- 6.5 Frequent internal reviews of the scheme's spending profile will be carried out and reported to Statutory Officers on a regular basis between the more detailed 6-monthly reviews.

## **7. Legal Implications**

- 7.1 The Capped Fares Scheme is a requirement set out in the Enhanced Partnership Scheme.
- 7.2 There is a risk that reimbursement in relation to the fares proposals may be limited by subsidy control issues, such issues have been taken into account in the development of the Capped Fare Scheme and will be managed by continued engagement with relevant authorities, operators, Systra and by seeking appropriate legal advice.
- 7.3 The Capped Fare Scheme includes a dispute resolution procedure which will apply to any matter arising from the Capped Fare Scheme which cannot be resolved by agreement between the relevant parties' representatives within 5 working days of the dispute arising.

## **8. Key Risks**

8.1 At present the reimbursement agreement with each bus operator which will underpin the proposed fares has not been finalised. There remains a risk that agreement cannot be reached, at which point the new fares could not be launched. In this eventuality a further report will be presented to the Joint Transport Committee at its next meeting.

8.2 In order to mitigate the risk of cost overrun, as well as the risk to bus operators for under reimbursement, review of the fares applying to the proposed BSIP products will be regular. Transport North East will retain specialist support for the ongoing monitoring of the Capped Fare Scheme's performance as well as for any new modelling that might be required during future re-negotiations of reimbursement during the life of the scheme. TNE will also procure an independent dispute resolution body who operators can escalate issues to in accordance with the dispute resolution procedure under the Capped Fare Scheme if they feel the scheme is no longer leaving them in a 'no better no worse' position. A full risk register is included in Appendix 2.

## **9. Equality and Diversity**

9.1 While everyone will benefit from the increased availability of cheaper and simpler bus fares, we know that this will have a larger impact on certain groups. From our stakeholder groups we have heard directly about the impact bus services have on users who are less likely to have access to private vehicles such as those with certain disabilities, those with lower incomes and young people. In our own independent research older residents, those not in education, employment or training and Black and Minority Ethnic residents were all more than twice as likely to be frequent bus users, when compared to the North East population as a whole. Those whose bus services carry higher price tickets such as those in rural areas and those who interchange between public transport modes (Bus, Metro and Ferry) are also more likely to benefit from the proposals.

## **10. Crime and Disorder**

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

## **11. Consultation/Engagement**

11.1 In the production of the BSIP detailed consultation was undertaken with partners, stakeholders and the public, as reported to JTC on 21 September 2021. Close collaboration has also been ongoing with partners in the development of the Capped Fare Scheme.

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

12.1 Supporting the recovery of the bus network by seeking to boost ridership with cheaper fares will have the positive social, economic, and environmental impacts detailed earlier in this report.

## **13. Appendices**

13.1 Appendix 1 – Capped Fare Scheme



## Appendix 2 – Risk Register

### 14. Background Papers

14.1 North East Bus Service Improvement Plan: [TNE-BSIP\\_FINAL.pdf](#)  
([transportnortheast.gov.uk](#))

Bus Back Better – The National Bus Strategy: [Bus Back Better](#)  
([publishing.service.gov.uk](#))

The Bus Services Act 2017 – Enhanced Partnerships Guidance: [The bus services act 2017: enhanced partnerships](#) ([publishing.service.gov.uk](#))

JTC Report – Vision for Buses (item 9): [\(Public Pack\) Agenda Document for North East Joint Transport Committee, 13/07/2021 14:30](#) ([northeastca.gov.uk](#))

JTC Report – Bus Partnerships (items 9 and 10): [\(Public Pack\) Agenda Document for North East Joint Transport Committee, 15/06/2021 14:30](#) ([northeastca.gov.uk](#))

Bus Service Improvement Plan outline resourcing form (the content of this document is exempt from publication pursuant to paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)

### 15. Contact Officers

15.1 Philip Meikle, Transport Strategy Director  
E-mail: [philip.meikle@transportnortheast.gov.uk](mailto:philip.meikle@transportnortheast.gov.uk)  
Tel: 0191 433 3859

Heather Jones, Head of Enhanced Partnerships  
E-mail: [heather.jones@transportnortheast.gov.uk](mailto:heather.jones@transportnortheast.gov.uk)  
Tel: 07962 867 407

### 16. Sign off

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

### 17. Glossary

BSIP – Bus Service Improvement Plan

BSOG – Bus Service Operators Grant

DfT – Department for Transport

EP – Enhanced Partnership

JTC – Joint Transport Committee

LA – Local Authority

LTA – Local Transport Authority

NBS – National Bus Strategy

## Appendix 1 – Capped Fare Scheme

## Appendix 2 – Risk Register

Unique ID	Description	Risk Response Action Plan	Risk Owner
1	Delay in funding becoming available	Project team to work with DfT to unlock funds	Transport North East
2	Bus Operators not participating in the scheme	Operators engagement in agreeing the fares scheme is written into the EP therefore best efforts must be made by both parties before operators can opt-out.	Transport North East
3	Modelling inaccuracies could mean costs of reimbursement could overrun or be under budget.	Levels of reimbursement will be continually reviewed and readjusted throughout the lifetime of the scheme. If costs are higher than expected proposals to increase the fares will be implemented to reduce reimbursement requirements.	Transport North East
4	Insufficient resources to deliver and promote scheme	Forward planning of resource requirements will be outlined as the project progresses	Transport North East
5	Residents are not sufficiently made aware of scheme	A communication and marketing campaign will be launched.	Transport North East
6	Ticket fraud in U22 tickets could lead to cost overruns	Photo ID will be required to purchase a U22 ticket unless driver can clearly see passenger is under 22.	Transport North East and Bus Operators
7	Technical difficulties could impact on delivery	Established and well tested technologies will be used to deliver schemes	Transport North East and Bus Operators.
8	Scheme benefits are overestimated, and significant modal shift does not occur	Undertake sensitivity tests on demand scenarios to ensure that any variation in benefits does not have a significant impact on the overall deliverability/performance of the project.	Transport North East

**DURHAM, GATESHEAD, SOUTH  
TYNESIDE AND SUNDERLAND  
COMBINED AUTHORITY AND  
NEWCASTLE UPON TYNE, NORTH  
TYNESIDE AND  
NORTHUMBERLAND COMBINED  
AUTHORITY**

**Capped Fare Scheme**

**From [       ]**

**DURHAM, GATESHEAD, SOUTH TYNESIDE AND SUNDERLAND COMBINED  
AUTHORITY AND NEWCASTLE UPON TYNE, NORTH TYNESIDE AND  
NORTHUMBERLAND COMBINED AUTHORITY**

**CAPPED FARE SCHEME**

[ ]

**Background**

- A. The North East Joint Transport Committee (“**NEJTC**”), through its officer group Transport North East (“**TNE**”) submitted a Bus Service Improvement Plan to the Department for Transport on [29] October 2021 on behalf of the NECA and the NTCA (each as defined in Schedule 1) (each a Combined Authority and “**Combined Authorities**” shall mean both or either of them as the case may be), and [indicative funding] has been awarded to the Combined Authorities by the Department for Transport.
- B. The Combined Authorities have made an Enhanced Partnership Plan (“**EP Plan**”) and initial Enhanced Partnership Scheme (“**EP Scheme**”) (each effective from [ ]) to deliver the ambitions of the BSIP.
- C. These capped fare scheme arrangements (subsequently referred to as the “**Arrangements**”) are intended to support the reduction of bus fares in the Principal Area (as defined below) through the implementation of a cap in respect of certain (i) single journeys and (ii) day tickets, pursuant to the EP Scheme and as further detailed below.

**The Arrangements**

1. These Arrangements are made by the Combined Authorities, and are established (so far as applicable) by the Combined Authorities, in pursuance of their powers under:
  - (a) Regulation (EC) 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road as amended and incorporated into UK law, and as amended by the Regulation (EC) No 1370/2007 (Public Service Obligations in Transport) (Amendment) (EU Exit) Regulations 2020 (SI 2020/504) (“**Regulation 1370/2007**”);
  - (b) Section 113A of the Local Democracy, Economic Development and Construction Act 2009; and
  - (c) all other relevant statutory regulations.
2. These Arrangements are established in accordance with the requirements of Regulation 1370/2007. Pursuant to Article 3(2) of Regulation 1370/2007, the Combined Authorities may implement a general rule establishing a maximum tariff for all or certain categories of passenger and have chosen to do so by introducing the Fare Caps under these Arrangements. To comply with Article 3(2), the objective of these Arrangements in relation to reimbursement of Operators subject to the Arrangements is to provide that such Operators are

compensated for the net financial effect, positive or negative, on costs incurred and revenues generated in complying with the Fare Caps in a way that prevents overcompensation in accordance with the principles set out in Articles 4 and 6, and the Annex to Regulation 1370/2007 (the “**Objective**”).

3. The Arrangements cover reimbursement arrangements for Operators in relation to the Fare Caps as detailed in paragraph 8 below. The Arrangements will be administered by the Combined Authorities.

### **Definitions**

4. Words or terms used in these Arrangements shall have the meaning set out in Schedule 1. Unless otherwise defined in these Arrangements, words or terms used shall have the meaning given to them in Regulation 1370/2007.

### **Operative Date**

5. The Arrangements shall come into operation in their entirety on 3 September 2023 (“**Commencement Date**”).

### **Principal Area**

6. The principal area covered by the Arrangements is the administrative areas of the NECA (comprising of the local authority areas of the County Council of Durham, the Borough Council of Gateshead, the Council of the Borough of South Tyneside and the Council of the City of Sunderland) and the NTCA (comprising of the local authority areas of the Council of the City of Newcastle upon Tyne, the Council of the Borough of North Tyneside and Northumberland County Council) (“**Principal Area**”).

### **Services to which the Arrangements Apply**

7. The Arrangements shall apply to Eligible Persons who tender to the Operator on an Eligible Service the relevant Applicable Capped Fare when travelling on Eligible Services on Journeys between places in the relevant Principal Area (“**Arrangement Services**”).

### **Eligible Persons and Nature of Concession**

8. Operators participating in the Arrangements will be required on all Arrangement Services to cap their fares as follows:
  - (i) in respect of single fares for Eligible Young Persons, £1.00;
  - (ii) in respect of daily tickets for Eligible Young Persons, £3.00; and,
  - (iii) in respect of daily tickets Eligible Adults;

<b>Area</b>	<b>Fare Cap</b>
Durham	£4.00
Northumberland	£5.00

Tyne & Wear	£6.00
All Zones	£6.80

or, in each case, such other figure as may be notified to the Operators pursuant to paragraph 9. It is acknowledged that it is intended that a Fare Cap for daily tickets for Eligible Young Persons will be introduced in due course by a variation to this Scheme to include such Fare Cap within this paragraph 8, and references in this Scheme to daily Applicable Capped Fares (including paragraph 13) shall only apply from the date of introduction of such variation.

9. The Combined Authorities may from time to time vary the value of the Fare Caps, the Specified Indexation Measure or these Arrangements by notice, including to provide for separate products to be created which are valid only in, and/or different price points to be specified for use in, each Zone, and where relevant such notice should comply with the provisions of section 97(6) of the Transport Act 1985.

#### **Applicable Fare Caps**

10. Subject to paragraphs 13 and 14 the applicable capped fare payable by an Eligible Person under these Arrangements shall be a fare which is capped at the relevant Fare Cap where such fare is lower than the fare that an equivalent Non-Concessionary Passenger would have been required to pay in order to make such a Journey in the absence of these Arrangements (“**Applicable Capped Fare**”). For the avoidance of doubt, an Applicable Capped Fare may apply to multi-operator and multi-journey products.
11. Subject to paragraphs 13 and 14, references to fare shall include the amount paid for any ticket product which a Non-Concessionary Passenger could have purchased in the Principal Area for such Journey or Journeys including multi-operator and/or multi-journey products and which the Operator would accept from an equivalent Non-Concessionary Passenger, whether these are the Operator’s own products or not. The Operators shall therefore ensure that the relevant Fare Cap applies to all such ticket products available to Non-Concessionary Passengers.
12. The Operator shall not charge any Eligible Person more than the relevant Applicable Capped Fare for any Journey.
13. References in paragraph 10 to fares shall, in respect of daily tickets for Eligible Young Persons and/or Eligible Adults, not include fares in respect of ticket products which are:
  - (i) multi-modal tickets (i.e., tickets which are valid for travel by multiple modes of transport), save in respect of tickets which are valid on the Tyne & Wear Metro, the Shields Ferry and the Local Rail Services, but not other non-bus services;
  - (ii) family tickets.
14. Where any ticket product is valid on services outside the Principal Area, the Combined Authorities reserve the right to exclude such ticket product from the



Fare Caps or require that the Operator offer an equivalent ticket product which can only be used within the Principal Area for the purposes of passengers entitled to a ticket product to which a Fare Cap applies.

### **Payment Periods and Dates**

15. Payments will be made on the first Monday of each Payment Period.
16. Payments will be made via bank transfer. Operators must provide the Combined Authorities with details of their bank account number and sort code. The Combined Authorities will make a payment representing the calculation in accordance with Schedule 4 of the amount due to the Operator in that period, as this may be adjusted in accordance with the terms of this Scheme including paragraphs 33 to 36.

### **Day Tickets**

17. It is acknowledged that revenue under a multi-operator ticketing scheme will be allocated in accordance with the terms of such scheme, and therefore the Combined Authorities shall in respect of any payment due to an Operator which is in respect of Revenue Forgone for a multi-operator ticket be entitled to notify the entity operating the multi-operator ticketing scheme in respect of such multi-operator ticket (including, where applicable, NTL) of the amounts paid in respect of such multi-operator tickets, including identifying to such entity the basis upon which such sum has been calculated and the Operator or Operators to which such payment relates).
18. Each Operator shall procure that any entity operating a multi-operator ticketing scheme in which they participate (including, where applicable, NTL) shall promptly provide the Combined Authorities with any information relating to the allocation of payments and other ticketing revenue in respect of multi-operator tickets to the extent that such information is relevant to any calculation or recalculation of reimbursement under these Arrangements.

### **Additional Costs and Abstracted Revenue**

19. An Operator shall be entitled to a payment in respect of reimbursement for additional costs in accordance with Schedule 8 where:
  - (i) the Operator has necessarily incurred costs which are additional to basic operating costs and attributable to an increase in the number or the capacity of the vehicles used in providing services on which Applicable Capped Fares are available in order to meet the extra demand created by the implementation of the Fare Caps; and
  - (ii) those costs are such that they will not be met by reimbursement payments made in accordance with these Arrangements during the year in which the costs are incurred or during the 3 months immediately following the end of that year and will not otherwise be funded by revenue generated for that Operator by these Arrangements,

(“Additional Costs”).

20. An Operator shall be entitled to payment in respect of reimbursement for abstracted revenue in accordance with Schedule 9 where the Operator can demonstrate that:
- (i) they have lost revenue as a result of Eligible Persons purchasing different products as a result of the implementation of the Fare Caps; and
  - (ii) such lost revenue has not been met by reimbursement payments made in accordance with these Arrangements during the year in which such revenue has been abstracted or during the 3 months immediately following the end of that year, and has not been replaced by revenue generated for that Operator by these Arrangements,

(“Abstracted Revenue”).

**Standard Method of Determining Passenger Journeys and Fare Values for Reimbursement**

21. The standard method(s):
- (i) for assessing the total number of journeys made by Eligible Persons under the Arrangements is set out in Schedule 2;
  - (ii) for assessing the fares value to be attributed to those journeys is set out in Schedule 3;
  - (iii) for calculating the reimbursement for Revenue Forgone due to the Operator will be on the basis of the formula and parameters set out in Schedule 4;
  - (iv) for calculating the reimbursement for Additional Costs is set out in Schedule 8; and
  - (v) for calculating the reimbursement for Abstracted Revenue is set out in Schedule 10.
22. In calculating the reimbursement due to the Operator, the Combined Authorities will take into account any data supplied by the Operator if it can be shown that the data supplied is more accurate than the standard method and is more likely to enable the Combined Authorities to meet the Objective.
23. Where an Arrangement Service has been procured by the County Council of Durham, Northumberland County Council or the Tyne and Wear Passenger Transport Executive in accordance with section 63 of the Transport Act 1985 or section 9A of the Transport Act 1968 (as applicable), that party may request that the Combined Authorities shall make any reimbursement payment due in relation to that Arrangement Service which is in respect of Revenue Forgone to the County Council of Durham, Northumberland County Council or the Tyne and Wear Passenger Transport Executive (as applicable) provided that the terms of the contract for such Arrangement Service make provision for this, such that the Operator should not be adversely affected by such request, and that the data from such Arrangement Services can be disaggregated from the data provided in respect of these Arrangements such that the Operator is not reimbursed in respect of such services.

24. By agreement between an Operator and the Combined Authorities, the standard method need not be applied in respect of calculating the reimbursement in respect of that Arrangement Service if any one of the following conditions are satisfied:
- (i) the vehicles normally used by the Operator in providing the Arrangement Services have 8 or less seats available for fare paying passengers;
  - (ii) the mileage run by vehicles is less than 150,000 miles per annum within the Principal Area during the times at which the Fare Caps are available;
  - (iii) except during the first 3 months of operation of the Arrangements, there has not expired a period of 3 months commencing with the date on which the Operator commences participation in the Arrangements in respect of an Arrangement Service.
25. Where reimbursement payments are estimated or calculated otherwise than by reference to the standard method, the Combined Authorities shall adjust such reimbursement payments accordingly if, and to the extent that, any information upon which they were based is shown to be inaccurate in any material respect.
26. The Combined Authorities reserve the right in calculating the reimbursement of an Operator to:
- (i) divide the area covered by the scheme into a number of separate parts; and
  - (ii) take into account the carrying capacity provided for passengers in different vehicles or classes of vehicles used by the Operator,
- and, in each case, calculate reimbursement in accordance with the standard method, but by reference to each separate area and/or class of vehicle, where the Combined Authorities consider this appropriate to ensure that they meet the Objective.
27. In order to ensure that the reimbursement paid to an Operator accords with the general principle that Operators both individually and collectively meet the requirements of the Objective, the Combined Authorities reserve the right to apply the standard methodology for calculating reimbursement to any individual service where the Combined Authorities, acting reasonably, believe that the nature of that service or the fares charged on that service do or could distort the general application of the standard methodology as applied to the Operator's other services.

### **Data**

28. When an Operator commences the operation of Arrangement Services within the Principal Area, it shall supply to the Combined Authorities, within 7 days:
- (i) a list of Arrangement Services to be operated by that Operator;
  - (ii) all relevant fares, fare stages and fare tables and a list of the ticket types valid for travel on such services;

(iii) the Operator's estimate of the number of Journeys that will be taken by Eligible Persons on Arrangement Services over the following 12 months; and

(iv) the running boards/drivers' duties applicable to such Arrangement Services;

to enable surveys to be scheduled and assessment of its entitlement to reimbursement.

29. The Operator shall inform the Combined Authorities of the introduction or cessation of any Arrangement Services, changes to the times at which and routes on which Arrangement Services operate and any circumstances leading to the temporary cessation of or major disruptions to such services within 7 days of such event occurring.

30. The Operator shall provide data to the Combined Authorities on an ongoing basis in accordance with the provisions of Schedule 6 for the purposes of calculating reimbursement under these Arrangements.

31. If the Operator fails to provide such information or data as is referred to above, or to allow such access for surveys as is required pursuant to Schedule 5 either:

(i) in the case of a payment due in accordance with paragraph 15, in sufficient time to allow the Combined Authorities to form a reasonable estimate of the amount of the payment; or

(ii) in the case of a payment due in accordance with paragraph **Error! Reference source not found.**, in sufficient time to allow the Combined Authorities to calculate the amount of the payment

then the Combined Authorities may in their discretion defer all or part of any payment otherwise due to the Operator until such omission is fully rectified or reimburse the Operator on the basis of such estimated reimbursement as they consider appropriate in the absence of such data or survey information.

32. Where it becomes apparent to the Combined Authorities that any eligible service is or has been subject to material disruption, or has not been operated in accordance with the registered timetable, then the Combined Authorities may, after giving the Operator the opportunity to comment on the effects of the same on the Journeys being taken by Eligible Persons on such services, make such adjustments to the reimbursement due to such Operators as they consider necessary to reflect the effects of such disruption or non-operation.

### **Recalculation of Reimbursement**

33. At the end of each Reconciliation Period the Combined Authorities shall review the reimbursement calculations made in accordance with these Arrangements during that Reconciliation Period. Such review shall be concluded within two Payment Periods following the end of such Reconciliation period. The review shall consider how any Revenue Forgone calculations in accordance with Schedule 6 would have varied had they been based on the actual data during

that Reconciliation Period, rather than the assumptions upon which payments were based.

34. If following a review carried out in accordance with paragraph 33 it is determined by the Combined Authorities that the amount of reimbursement paid during the previous Reconciliation Period should have been higher, the Combined Authorities shall pay the difference to the Operator within 1 months of the date of recalculation.
35. If following a review carried out in accordance with paragraph 33 it is determined by the Combined Authorities that the amount of reimbursement paid during the previous Reconciliation Period should have been less, the Combined Authorities shall either:
  - (i) deduct by equal instalments the amount of over reimbursement from the next six payments to be made under paragraph 15 above; and/or
  - (ii) if such next six payments are not or will not be sufficient to re-pay such over-reimbursement, demand such over-reimbursement from the Operator by notice in writing, and the Operator shall be obliged to make such repayment within 14 days of receiving such demand.
36. If, following a review of the reimbursement calculations in accordance with the provisions of paragraph 33 above, there is a dispute between an Operator and the Combined Authorities in respect of the level of reimbursement paid to that Operator, then if such dispute relates to either:
  - (i) the fares value to be attributed to Journeys by Eligible Persons on such Operator's Arrangement Services covered by the Arrangements;
  - (ii) the total number of Journeys made by Eligible Persons on such Operator's Arrangement Services covered by the Arrangements; or
  - (iii) the number of additional Journeys generated in consequence of the availability on such Operator's Arrangement Services of the Applicable Capped Fares,

then such dispute shall be the subject of the dispute resolution procedure set out in Schedule 7.

### **Survey Facilities**

37. The provisions of Schedule 5 shall apply in respect of surveys.

### **Other Requirements of the Arrangements**

38. Any Operator participating in the Arrangements shall display on his vehicle any sign, supplied by the Combined Authorities, for the purpose of showing that the Fare Caps apply on such vehicles.
39. Operators shall not discriminate against Eligible Persons or any class of Eligible Persons in the provision of Arrangement Services or associated services and facilities.

40. Operators shall ensure that their drivers and other staff who may retail Applicable Capped Fares are aware of the relevant products, the Fare Caps and their application to Eligible Persons travelling on Arrangement Services.

**Delegation of rights and obligations**

41. The Combined Authorities may, at their sole election, delegate any of their rights or obligations under these Arrangements to the Proper Officer for Transport.

**Contact for Communications**

42. All notices, data and other information required to be given to the Combined Authorities under the Arrangements shall be provided to the following contact point (or such other contact point as may be nominated by the Combined Authorities to Operators in writing from time to time):

Position: Head of Enhanced Partnerships

Address: Transport North East, C/o Gateshead Civic Centre, Regent Street, Gateshead, NE8 1HH

E-mail: [buses@transportnortheast.gov.uk]

43. On commencing the provision of Arrangement Services in the Principal Area, an Operator shall provide to the Combined Authorities details of the name, address, email address and telephone number of its official contact for communications in relation to these Arrangements and shall by notice in writing inform the Combined Authorities of any changes to the same.

44. Any notice or communication sent to the last such address or e-mail address as is referred to above shall be deemed to be duly served on the recipient. If an Operator has failed to give notice in writing to the Combined Authorities of such an official contact, then the Combined Authorities may send any notice or other communication to any address set out in the most recent correspondence from the Operator concerned, which shall be deemed to be its address for service.

## SCHEDULE 1

### DEFINITIONS

**2000 Act** means the Transport Act 2000;

**Abstracted Revenue** shall have the meaning set out in paragraph 19;

**Additional Costs** shall have the meaning set out in paragraph 20;

**Applicable Capped Fare** shall have the meaning set out in paragraph 10;

**Arrangements** shall have the meaning set out in recital C;

**Arrangement Services** shall have the meaning set out in paragraph 7;

**Combined Authorities** shall have the meaning set out in recital A;

**Commencement Date** shall have the meaning given to such term in paragraph 5;

**Concessionary Passenger** means a passenger who qualifies for a concessionary fare on a Journey either by virtue of section 145A of the 2000 Act or under any concessionary fares arrangements established by the Combined Authorities, the County Council of Durham, Northumberland County Council or Tyne and Wear Passenger Transport Executive pursuant to section 93 of the Transport Act 1985 or otherwise.

**CPI** means the Consumer Price Index, published by the Office for National Statistics, or any equivalent official index substituted for it or, where the Office for National Statistics ceases to publish this index, such other index as the Combined Authorities may reasonably determine is the nearest equivalent price index to the Consumer Price Index.

**Durham** means the local authority area of the County Council of Durham;

**Eligible Person** means all Eligible Young Persons;

**Eligible Services** shall have the meaning given in section 94(4) of the Transport Act 1985;

**Eligible Young Person** means all young persons eligible to purchase an Applicable Capped Fare in accordance with the Arrangements, which shall be any Non-Concessionary Passenger aged between 16 and 21 years (inclusive);

**Fare Cap** means the cap for a fare as described in paragraph 8 and as amended from time to time pursuant to paragraph 9;

**Financial Year** means a twelve (12) month period commencing on 1 April and running up to and including 31 March in the following calendar year, and includes any part year thereof;

**Independent Expert** has the meaning given to such term in paragraph 2 of Schedule 7;

**Journey** means a single trip between two points without a change of vehicle or service;

**Local Rail Services** means the rail services operated by Northern Trains Limited between Sunderland and Blaydon;

**Maximum Profit Margin** means a profit margin of 7% in respect of all Arrangement Services provided by the Operator, or such other figure as the Combined Authorities may (in their sole discretion) agree with an Operator is a Reasonable Profit;

**NECA** means the Durham, Gateshead, South Tyneside and Sunderland Combined Authority, known as the North East Combined Authority, comprising of the local authority areas of the County Council of Durham, the Borough Council of Gateshead, the Council of the Borough of South Tyneside and the Council of the City of Sunderland;

**NEJTC** shall have the meaning set out in recital A;

**Non-Concessionary Passenger** means any passenger who is not a Concessionary Passenger;

**Northumberland** means the local authority area of Northumberland County Council;

**NTCA** means the Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority known as the North of Tyne Combined Authority, comprising of the local authority areas of the Council of the City of Newcastle upon Tyne, the Council of the Borough of North Tyneside and Northumberland County Council;

**NTL** means Network Ticketing Limited, a limited company with registered number 02197910;

**Objective** has the meaning given to such term in paragraph 2;

**Operator** means an operator of registered local services in the Principal Area, and, where any provisions of this Scheme relate to multi-modal tickets the term "Operator" shall also include the operator of Tyne & Wear Metro; the Shields Ferry and Local Rail Services;

**Payment Period** means a twenty eight (28) day period commencing on a Sunday and expiring at the end of the fourth Saturday following commencement of the relevant period in any Financial Year, but with the following exceptions:

- (a) the first Payment Period in any Financial Year shall always commence on 1 April and its length shall be adjusted accordingly;
- (b) the final (thirteenth) Payment Period in any Financial Year shall always end on 31 March and its length shall be adjusted accordingly; and
- (c) the first Payment Period for the purposes of this Scheme shall commence on the Commencement Date and end on 27 May 2023, and shall be deemed to be sixth Payment Period in that Financial Year;

**Principal Area** shall have the meaning set out in paragraph 6;

**Proper Officer for Transport** means the officer so designated by NEJTC;



**Reasonable Profit** shall mean a rate of return on capital that is normal for the provision of the Arrangement Services, taking into account the risks, or absence of risk, taken by an Operator as a result of these Arrangements, and which shall not exceed the Maximum Profit Margin;

**Reconciliation Period** means a period covering:

- a) the first seven Payment Periods in any Financial Year; or
- b) the last six Payment Period in any Financial Year,

provided that the first Reconciliation Period in the first Financial Year shall begin on the Commencement Date and end at the end of the seventh Payment Period for that Financial Year (which ends on 14 October 2023)

**Regulation 1370/2007** has the meaning given to such term in paragraph 1;

**Revenue Forgone** shall have the meaning given to it in paragraph 1.3 of Schedule 4;

**Shadow Commercial Fares** means in respect of an Operator the Initial Commercial Fares identified or determined in accordance with paragraph 1 of Schedule 3 as may be adjusted in accordance with paragraphs 2 to 4 of Schedule 3;

**Shadow Fare Increase** has the meaning given to it in paragraph 2 of Schedule 3;

**Specified Indexation Measure** means CPI or such other indexations measure as may be notified in accordance with paragraph 9;

**TNE** shall have the meaning set out in recital C;

**Tyne & Wear** means the area covering the local authority areas of the Borough Council of Gateshead, the Council of the City of Newcastle upon Tyne, the Council of the Borough of North Tyneside, the Council of the Borough of South Tyneside and the Council of the City of Sunderland; and

**Zone** means each of Durham, Northumberland and Tyne & Wear, and references to **Zones** shall be construed accordingly.

## **SCHEDULE 2**

### **STANDARD METHOD OF DETERMINING PASSENGER JOURNEYS**

#### **1 Operation of the Standard Method**

1.1 The Combined Authorities will determine their reimbursement payments to the Operator so as to satisfy the Objective on the basis of the total number of Applicable Capped Fares sold and the total number of passenger Journeys made by Eligible Persons using Applicable Capped Fares on the Operator's Arrangement Services.

1.2 For all Operators (except where paragraph 24 of these Arrangements applies), and subject to paragraph 2, the total number of passenger Journeys made by Eligible Persons using Applicable Capped Fares and the total number of Applicable Capped Fares sold by the Operator will be based upon reporting by the Operator in accordance with the terms of these Arrangements. Each Operator shall, following a request by the Combined Authorities, provide the Combined Authorities with the number of Applicable Capped Fares and the relevant passenger Journeys made by Eligible Persons using such Applicable Capped Fares as requested by the Combined Authorities. The Combined Authorities shall have the right to audit any such information provided by an Operator under the terms of these Arrangements and that Operator shall provide the Combined Authorities and/or their professional advisers with access to its premises, personnel, systems and relevant records to verify such information provided is accurate.

2 The Combined Authorities reserve the right to make their estimate of the total number of passengers journeys for which reimbursement should be calculated on the basis of any combination of data sources that the Combined Authorities consider is appropriate to ensure that they meet the Objective, including:

2.1 transactions based on Smartcard recorded passenger journeys;

2.2 Operator reported Electronic Ticket Machine data; and

2.3 survey data obtained by, or on behalf of, the Combined Authorities in accordance with Schedule 5.

3 The information required from Operators is set out in Schedule 6.

3.1 To enable surveys in accordance with this Schedule 2, the Operator shall provide the Combined Authorities with full details of the Arrangement Services on which Eligible Persons may use the relevant concession, as specified in paragraphs 28 to 32 of the Arrangements. The Operator also agrees to the use of survey data and other data provided to the County Council of Durham, Northumberland County Council or the Tyne and Wear Passenger Transport Executive for the purposes of their respect concessionary fares arrangements whether established pursuant to section 145A of the 2000 Act or section 93 of the Transport Act 1985 or otherwise.

3.2 The Operator is required to allow surveyors employed by either of the Combined Authorities or their agents (including any of the County Council of Durham, Northumberland County Council or the Tyne and Wear Passenger Transport Executive) access to all passengers using its Arrangement Services, as specified in Schedule 5.

#### **4 Output from the Standard Method**

- 4.1 The Combined Authorities will calculate for each Payment Period:
  - 4.1.1 the total number of passenger Journeys made by Eligible Persons using the Applicable Capped Fares on the Operator's Eligible Services. The quantity of Journeys so calculated may be analysed into such separate categories as are deemed appropriate by the Combined Authorities for the purposes of determining the reimbursement payments to Operators; and
  - 4.1.2 the total number of each Applicable Capped Fare sold by the Operator for use on Arrangement Services. The quantity of Applicable Capped Fares so calculated may be analysed into such separate categories as are deemed appropriate by the Combined Authorities for the purposes of determining the reimbursement payments to Operators.

#### **5 Estimates to be made in the absence of information from an Operator**

- 5.1 In the event that an Operator fails to provide sufficient information to enable the Combined Authorities to operate their survey procedures, the Combined Authorities may at their discretion make such estimates as they think fit of the Journeys made by Eligible Persons using the Applicable Capped Fares on that Operator's Arrangement Services, subject to correction as and when better information becomes available.

### SCHEDULE 3

#### STANDARD METHOD OF DETERMINING FARES VALUE

1. The Combined Authorities will determine their reimbursement payments to each Operator so as to satisfy the Objective on the basis of:
  - 1.1 the actual fares that would have been payable by an Eligible Person using the relevant Operator's relevant Arrangement Services as notified in accordance with clause 28 of these Arrangements; or
  - 1.2 where the information referenced in paragraph 1.1 above is not available, the Combined Authorities shall determine the fares based on the estimate they make of the relevant commercial fares that would be payable based on the Operator charging a fare that would allow it to make no more than a Reasonable Profit, and the Operator shall make such information available to the Combined Authorities as may be reasonably necessary to allow the Combined Authorities to determine such fares,

which:

- 1.3 in respect of paragraph 1.1 above shall be the actual fares charged by the Operators at a point no earlier than 1 November 2021, uplifted by the CPI rate published in August 2022, such fares to be to the nearest penny and not subject to rounding; and
- 1.4 in respect of paragraph 1.2, such determination to be calculated as at the date of these Arrangements,

in each case as at the date of these Arrangements, (“**Initial Commercial Fares**”). The Initial Commercial Fares shall be deemed to be the Shadow Commercial Fares for the relevant Operator on the date of these Arrangements, and any changes to the Shadow Commercial Fares shall be made in accordance with Schedule 4.

2. Subject to paragraph 3 below, an Operator may notify the Combined Authorities of proposed changes to the Shadow Commercial Fares, provided that:
  - 2.1 such fares shall only change at the start of a Payment Period;
  - 2.2 such fares shall only change once in any 12 month period unless the Operator has demonstrated to the reasonable satisfaction of the Combined Authorities that a further fare change is required due to objective commercial factors which have either been reflected in a requirement to change other commercial fares of the Operator or where this is not the case, can be demonstrated as required to ensure that the Operator's services remain viable; and
  - 2.3 such fares shall not increase in any 12 month period such that the average Shadow Commercial Fare (in respect of each fare type that is subject to a Fare Cap) for that Operator increases by more than the increase in the Specified Indexation Measure during that period;

(together a “**Shadow Fare Increase**”).

3. Where an Operator will incur an increase in underlying costs in the provision of the Arrangement Services such that the Shadow Fare Increase would not offset such increase and wishes to increase one or more Shadow Commercial Fares by an amount higher than the Shadow Fare Increase to reflect such increased costs, that Operator shall notify the Combined Authorities of the same at least 60 days prior to the date of the proposed fare increase including details of the amount by which it wishes such Shadow Commercial Fares to increase by.
4. Following receipt of a notice under paragraph 3 above, the Combined Authorities and the relevant Operator shall, each acting reasonably, negotiate in good faith any such increase, provided that the Combined Authorities shall not be considered to be acting unreasonably in not agreeing any proposed increase to the Shadow Commercial Fares where, in their reasonable opinion, the relevant Operator has failed to demonstrate that the requested additional increase in the Shadow Commercial Fares either:
  - 4.1 is limited to reflecting such change in underlying costs;
  - 4.2 is consistent with the Operator's approach to changes in other commercial fares, or where this is not the case is justified by reference to objective commercial factors that justify an approach which is not consistent with such other changes; and
  - 4.3 would not lead to the Operator receiving more than a Reasonable Profit in respect of the provision of Arrangement Services, taking into account any underlying cost impacts the Operator has incurred in relation to providing the Arrangement Services.
5. Where a Shadow Commercial Fare is representative of the fare charged in respect of a multi-operator ticket, it is acknowledged that no single Operator shall be responsible for the setting of that Fare, and it is acknowledged that:
  - 5.1 the Operators participating in the relevant multi-operator ticketing arrangements shall be responsible for determining any proposed Shadow Fare Increase in respect of such multi-operator fares on the basis of the arrangements for establishing such multi-operator fares that such operators may have agreed or determined (including any arrangements that they may have with a ticketing company or other joint venture arrangement established for the purpose of such multi-operator fares);
  - 5.2 where such Shadow Fare Increase exceeds the Specified Indexation Measure in any twelve month period then the relevant Operators (or any ticketing company or other joint venture arrangement acting on their behalf) shall demonstrate that increases in the underlying costs of the Eligible Services which are subject to such a multi-operator fare are such that a Shadow Fare Increase of CPI would not offset such increase and the Operators shall (or shall procure that any ticketing company or other joint venture arrangement acting on their behalf, including where relevant, NTL) notify the Combined Authorities of the same at least 30 days prior to the date of the proposed fare increase including details of the amount by which they wish such Shadow Commercial Fares to increase by; and
  - 5.3 paragraph 4 shall apply in respect of such increase, save that reference to the relevant Operator shall be deemed to be a reference to all Operators participating in the relevant fare arrangements (or any ticketing company or other joint venture arrangement acting on their behalf, including NTL).

## SCHEDULE 4

### STANDARD METHOD OF DETERMINING REVENUE FORGONE

#### 1 Calculation of Reimbursement for Revenue Forgone

- 1.1 The Combined Authorities will calculate reimbursement payments so as to satisfy the Objective.
- 1.2 Calculation of the reimbursement due will be made for each Payment Period. Where a Payment Period has more or less than 28 days, then figures which are based on a 28 day Payment Period shall be prorated accordingly.
- 1.3 Reimbursement for revenue forgone is taken to mean the Combined Authorities' estimate of the revenue by way of fares that an Operator would have earned if the Arrangements did not exist, less any revenue which the Operator has earned in respect of the Applicable Capped Fares ("**Revenue Forgone**").

#### 2 Reimbursement for Revenue Forgone for Under 22 Fares

- 2.1 Revenue Forgone for Under 22 single and daily Applicable Capped Fares (**RevenueForgoneU22<sub>PP</sub>**) for a Payment Period (**PP**) shall be calculated as follows:

$$RFU22_{PP} = \sum_0^{Product} ERevU22_{PP} - \sum_0^{Product} TotalNewRevU22_{PP}$$

being the sum of  $ERevU22_{pp}$  calculated for each Product for Eligible Young Persons, less the sum of  $TotalNewRevU22$  for all Products and Applicable Capped Fares for Eligible Young Persons

Where:

**ERevU22<sub>PP</sub>** has the meaning given to it in paragraph 3; and

**TotalNewRevU22<sub>PP</sub>** has the meaning given to it in paragraph 4; and

**Product** means each ticketing product which has been replaced by an Applicable Capped Fare for an Eligible Young Person, as determined in accordance with paragraph 3.

#### 3 Estimated Revenue for Under 22 Fares

- 3.1 The estimated revenue that was received in respect of those tickets and fares (**Products**) the use of which has been replaced by use of either the single or daily Applicable Capped Fares in respect of Eligible Young Persons (**ERevenueU22<sub>22</sub>**) shall be determined by the Combined Authorities on the following basis:
  - 3.1.1 Based on the data provided pursuant to paragraph 4 of Schedule 6, the Combined Authorities shall determine what proportion of each Product (including singles, returns, daily and other period products) would be expected

to be replaced by use by Eligible Young Persons of Applicable Capped Fares (the **Abstraction Rate**), on the following basis:

- 3.1.1.1 100% of single tickets which were valid for Eligible Young Persons and which were priced higher than the Applicable Capped Fare for single tickets for Eligible Young Persons would be replaced by such Applicable Capped Fare;
- 3.1.1.2 100% of return tickets which were valid for Eligible Young Persons and which were priced higher than twice the Applicable Capped Fare for single tickets for Eligible Young Persons would be replaced by use of two single tickets at the Applicable Capped Fare;
- 3.1.1.3 The proportion of period tickets which were valid for Eligible Young Persons and which were priced higher than the Applicable Capped Fare for daily tickets which would be replaced by the use of such Applicable Capped Fare will be determined based upon whether they offer better value for money, with an assumption that where they do, 75% of such fares would be replaced by the daily Applicable Capped Fare for Eligible Young Persons
- 3.1.1.4 The proportion of adult tickets which are eligible for use by Eligible Young Persons which it is assumed would be replaced by an Applicable Capped Fare for Eligible Young Persons would be 20%;
- 3.1.1.5 The assumptions in paragraph 3.1.1.1 to 3.1.1.4 shall only be a starting assumption and may be varied based upon any more accurate data or analysis provided by the Operator or the Combined Authorities.
- 3.1.2 The  $ERevU22_{pp}$  for a Payment Period for a Product shall then be calculated by multiplying the number of such Product sold for the Payment Period which is used as a baseline for calculation by the value of such Product. Where the Product is still sold and used by a material number of passengers then this shall be the price that such Product is sold by the Operator. Where the Product is not sold by the Operator or the number of sales is immaterial, then the value of the Product shall be the Shadow Commercial Fare for such Product as determined in accordance with Schedule 3.
- 3.1.3 For the avoidance of doubt, where an Operator is able to provide better data as to the actual extent to which Current Tickets Sold are replaced in usage by Applicable Capped Fares, the Combined Authorities will, in good faith, review whether the  $ERevU22_{pp}$  shall be varied.
- 3.2 The yield per journey (**Y**) for a Product shall be calculated by dividing  $ERevU22_{pp}$  for that Product by the number of journeys recorded as made using such Product in the relevant Payment Period (**J**).
- 3.3 The average journeys (**AVJ**) for a Product shall be calculated by dividing the number of journeys recorded as made using such Product in the relevant Payment Period (**J**) by the number of that Product sold during such Payment Period (**T**).
- 3.4 The yield per sale (**YS**) for a Product shall be calculated by dividing  $ERevU22_{pp}$  for a Payment Period for a Product by the number of that Product sold during such Payment Period (**T**).
- 3.5 The number of sales of a Product lost in a Payment Period as a result of abstraction by an Applicable Capped Fare (**T1**) shall be equal to number of that

Product sold during such Payment Period (**T**) multiplied by the Abstraction Rate (**AR**) determined for that Product in respect of such Applicable Capped Fare pursuant to paragraph 3.1.1.

- 3.6 The Revenue Lost in respect of a Product as a result of the Applicable Capped Fare shall be calculated by multiplying T1 (as calculated in accordance with paragraph 3.5 for such Product in such Payment Period) by YS (as calculated in accordance with paragraph 3.4 for such Product in such Payment Period).

#### 4 Total New Revenue for Under 22 Fares

- 4.1 The Total New Revenue for a Product for a Payment Period shall be calculated as follows:

$$TNR_{PP} = \sum RT_{ACF} + \sum RT_{Product}$$

Where:

$RT_{ACF}$  means the revenue received from sales of each Applicable Capped Fare for Eligible Young Persons as calculated in accordance with paragraph 4.2;

$RT_{product}$  means the revenue received from sales of each Product for Eligible Young Persons as calculated in accordance with paragraph 4.3 in respect of each Applicable Capped Fare;

- 4.2 The value of  $RT_{ACF}$  for an Applicable Capped Fare in respect of a Product for a Payment Period shall be calculated by multiplying the number of journeys recorded as made using such Product in the relevant Payment Period (**J**) by the Abstraction Rate (**AR**) determined for that Product in respect of such Applicable Capped Fare pursuant to paragraph 3.1.1 and multiplying that by the Applicable Capped Fare:
- 4.3 The value of  $RT_{product}$  for a Product for a Payment Period shall be calculated as follows:

$$RT_{product} = (T - T1) \times AVJ \times Y$$

Where:

**T** is the number of that Product sold during such Payment Period (**T**)

**T1** is the number of sales of that Product lost in a Payment Period as a result of abstraction by an Applicable Capped Fare as calculated in accordance with paragraph 3.5;

**AVJ** is the average journeys for that Product as calculated in accordance with paragraph 3.3; and **Y** is the yield for such Product as calculated in accordance with paragraph 3.2,

- 4.4 The Combined Authorities shall, for the avoidance of doubt, be able to exclude from reimbursement any passengers under the age of 16 who are travelling on the Applicable Capped Fare for an Eligible Young Person. Where an Operator is not able to disaggregate such journeys from those made by Eligible Young Persons, the Combined Authorities shall be entitled to assume the volume of



such Journeys made is equal to that prior to these Arrangements, as notified in accordance with paragraph 4 of Schedule 6, or otherwise.

- 4.5 The value of  $RF_{U22}$  calculated in respect of each Operator shall be notified to NTL (or any other party who is responsible for allocation of reimbursement under any multi-operator ticketing scheme) for the purposes of revenue allocation under their multi-operator ticketing scheme.

## 5 Reimbursement for Revenue forgone for Adult Day Tickets

- 5.1.1 Revenue Forgone for Applicable Capped Fares for Eligible Adults shall be calculated as follows:

$$RF_{AD} = \sum_0^{Product} ERevAFares - \sum_0^{Product} TotalNewRevAFares$$

being the sum of ERevAFares calculated for each Product for Eligible Adults, less the sum of TotalNewRevAFares for all Products and Applicable Capped Fares for Eligible Adults

Where:

**ERevAFares** has the meaning given to it in paragraph 6 ; and

**TotalNewRevAFares** is the proportion of Product sales allocated to that operator by NTL under the multi-operator ticketing scheme and

**Product** means each ticketing product which has been replaced by an Applicable Capped Fare for an Eligible Adult, as determined in accordance with paragraph 6.

## 6 Estimated Revenue for Adult Fares

- 6.1 The estimated revenue that was received in respect of those tickets and fares (**Products**) the use of which has been replaced by use of the daily Applicable Capped Fares in respect of Eligible Adults (**ERevAFares**) shall be determined by the Combined Authorities on the following basis:

- 6.1.1 Based on the data provided pursuant to paragraph 4 of Schedule 6, the Combined Authorities shall determine what proportion of each Product (including singles, returns, daily and other period products) would be expected to be replaced by use by Eligible Adults of Applicable Capped Fares (the **Abstraction Rate**), on the following basis:

6.1.1.1 100% of single tickets which were valid for Eligible Adults and which were priced higher than the Applicable Capped Fare for adult day tickets for Eligible Adults would be replaced by use the day ticket at the Applicable Capped Fare;

6.1.1.2 100% of return tickets which were valid for Eligible Adults and which were priced higher than the Applicable Capped Fare for day tickets for Eligible Adults would be replaced by use the day ticket at the Applicable Capped Fare;

6.1.1.3 100% of day tickets which were valid for Eligible Adults and which were priced higher than the Applicable Capped Fare for day tickets for Eligible Adults would be replaced by use the day ticket at the Applicable Capped Fare;

- 6.1.1.4 The proportion of period tickets which were valid for Eligible Adults and which were priced higher than the Applicable Capped Fare for daily tickets which would be replaced by the use of such Applicable Capped Fare will be determined based upon whether they offer better value for money, with an assumption that where they do, 75% of such fares would be replaced by the daily Applicable Capped Fare for Eligible Adults
- 6.1.1.5 The assumption in paragraph 6.1.1.4 shall only be a starting assumption and may be varied based upon any more accurate data or analysis provided by the Operator or the Combined Authorities.
- 6.1.2 The ERevAFares for a Payment Period for a Product(s) shall then be calculated by taking the sum each product set out in 6.1.1.1 to 6.1.1.4 by the number of those products sold in the baseline period.
- 6.1.3 For the avoidance of doubt, where an Operator is able to provide better data as to the actual extent to which Current Tickets Sold are replaced in usage by Applicable Capped Fares, the Combined Authorities will, in good faith, review whether the ERevAFares shall be varied.

## **7 Adjustments to baseline data**

- 7.1.1 For the first Reconciliation Period the figures notified in respect of single and daily Products sold to the relevant Eligible Persons as notified pursuant to paragraph 4 of Schedule 6 shall be used for the purposes of calculation under this Schedule 4 (**Initial Data**).
- 7.1.2 Following that period, the Abstraction Rate, the journeys made using a Product or Applicable Capped Fare; the sales of any Product or Applicable Capped Fare may be adjusted by the Combined Authorities for each Operator to reflect the overall change in patronage level for that Operator as notified pursuant to paragraph 1 of Schedule 6, including any modification required to reflect patronage recovery outside the effects of these Arrangements. In determining this level the Combined Authorities may take into account any relevant factors, including data provided by the Operator, provided that such adjustments assume that the first 10% of any growth from the data first provided pursuant to paragraph 1 of Schedule 6 is not generated by the Scheme. This may include, but not be limited to, taking into account the change in sales of ticket products which are not affected by these Arrangements, such as adult single and return sales, but in doing so the Combined Authorities should consider whether there are any other factors which mean that such changes in ticket sales are not representative of broader market growth.
- 7.1.3 The Combined Authority may require provision of such evidence as they may reasonably require in respect of past and current travel patterns on an Operator's Eligible Services, and in particular evidence supporting any other factors which an Operator believes may affect generation of Journeys on those services following introduction of the Applicable Capped Fares. Where an Operator is unable to provide such evidence or information requested the Combined Authority shall be entitled to reach their own conclusions based on the evidence available. The Combined Authorities acknowledge that such information may be confidential and/or commercially sensitive, and where this is identified by an Operator, then the Combined Authorities shall ensure that the independent third party takes account of such confidentiality and/or commercial sensitivity in the use of such information.

- 7.1.4 It is acknowledged that where a new Operator joins these Arrangements during their term, such information and data may not be available. In this case, the Combined Authority shall act reasonably in setting assumed value of Initial Product Sales for that Operator by reference to the information available, which may include consideration of the Assumed Number of Product Sales for one or more Operators providing services of a similar nature
- 7.1.5 Where the Operator does not agree with any determination of the change in Assumed Number of Product Sales then such dispute shall be the subject of the dispute resolution procedure set out in Schedule 7.

## SCHEDULE 5

### SURVEY FACILITIES

1. An Operator shall allow each of the Combined Authorities' officers servants or agents (including, but not limited to, representatives of the County Council of Durham, Northumberland County Council or the Tyne and Wear Passenger Transport Executive) to have access to (including the right to travel free of charge) the vehicles of the Operator on which the Fare Caps are available for the purpose of:
  - (a) surveying or counting or estimating the number of passengers (whether generally or of any particular description) and the fares paid by those passengers; and
  - (b) obtaining information on other matters relating to the journeys made by passengers which is necessary for the calculation by the Combined Authorities of reimbursement payments.
  
2. The survey data will be utilised by the Combined Authorities in calculating the reimbursement payable to the Operator and/or validating the data supplied by the Operator for the purpose of enabling the Combined Authorities to calculate the reimbursement due to the Operator.
  
3. Without prejudice to the generality of paragraph 1 above, the information to be obtained from passengers may include the following:-
  - (a) whether or not the passenger is an Eligible Person;
  - (b) if the passenger is an Eligible Person, what category of Eligible Person he or she is;
  - (c) if the passenger is not an Eligible Person, whether the passenger is a child under the age of 5, a child under the age of 16 or an elderly person;
  - (d) if the passenger has paid on-bus or is using a pre-paid ticket;
  - (e) if the passenger has paid on-bus, the fare paid and the type of ticket bought;
  - (f) if the passenger is using a pre-paid ticket, the type of ticket;
  - (g) the stage or stop at which the passenger boarded the bus and the stage or stop at which the passenger is to alight from the bus;
  - (h) if the passenger is to interchange with another mode of transport;
  - (i) permit or ticket fraud or misuse on the relevant services; and
  - (j) such other information as the Combined Authorities may from time to time reasonably consider it necessary or desirable to obtain in order to enable the Combined Authorities to reimburse each Operator in accordance with this Arrangement.

4. Each Operator is requested to ensure that each driver of its vehicles will make available to any survey staff who request the same, the total value of cash fares shown, on the relevant vehicle's electronic ticketing machine, to have been collected on any journey surveyed by such surveyor together with readings of the number of tickets issued.

## SCHEDULE 6

### DATA PROVISION

1. Every Operator claiming reimbursement under the Arrangements is required to submit to the Combined Authorities a statement relating to each Payment Period, within 10 working days of the end of that Payment Period containing the following:
  - i. the total number of Journeys made by:
    - a. each category of Eligible Persons;
    - b. other classes of passengers as may be specified by the Combined Authorities;

on the Operator's Arrangement Services during the preceding Payment Period, which may be broken down by ticket type utilized where requested by the Combined Authorities because this is required for the purposes of calculation of reimbursement.
  - ii. the total amount of fares received by the Operator in respect of each category of the passengers referred to in (i) above (whether received on or off bus).
  - iii. the total volume and value of:
    - single tickets purchased by Eligible Young Persons subject to the Fare Cap; and
    - daily tickets purchased by Eligible Young Persons subject to the Fare Cap.
  - iv. how many times daily tickets purchased by Eligible Young Persons subject to the Fare Cap were recorded as being used.
2. The information provided by an Operator under subsection iii above should include both its Electronic Ticket Machine (ETM) records, journeys based on Smartcard transactions, and should include all of an Operator's retail sales channels, save where the Combined Authorities have expressly agreed to the exclusion of a retail sales channel on the basis that the data is not significant to the Arrangements.
3. Smartcard transactions should be sourced from the Operator's ticketing backend and may be verified by the Combined Authorities.
4. Each Operator shall also provide the Combined Authorities with a baseline of the data specified in paragraph 1 for a 28 day period. For Operators participating in the Arrangements from their commencement, this should cover the period from 4 September 2022 and 1 October 2022 and should be provided on or about the commencement of these Arrangements. It is acknowledged that in respect of single and daily tickets purchased by Eligible Young Persons, Operators may not have equivalent products prior to the date of participation in this Scheme, and therefore may provide data on single, return and daily products which may have been purchased by Eligible Young Persons prior to participation by the Operator in the Scheme, and any relevant data in respect

of usage of those products by Eligible Young Persons which may inform any calculation under this Scheme.

5. In the event of any delay or failure on the part of any Operator to provide to the Combined Authorities any information to which the Combined Authorities are entitled pursuant to the Arrangements, the Combined Authorities shall be entitled to delay or withhold payment of reimbursement to the Operator concerned for such period of time as the Combined Authorities require in order to form a reasonable estimate of the amount of such payment, and/or calculate the amount of such payment (as applicable).

### **Audit Requirements**

6. A certificate of completeness and accuracy issued by an approved person who is a member of either:
  - a. the Institute of Chartered Accountants – England and Wales;
  - b. the Institute of Chartered Accountants of Scotland; or
  - c. Association of Chartered Certified Accountants,

shall be forwarded when requested by the Combined Authorities at the Operator's expense certifying the agreed information on which reimbursement shall be based at annual intervals including a certificate of mileage operated in the Principal Area.

7. This certificate will also certify the correctness of the fare scales and any boarding data submitted to the Combined Authorities.
8. An Operator who fails to provide the certificate of accuracy within 3 months of such a request shall be regarded as failing to provide the proper information and the Combined Authorities reserve the right to withhold interim payments to that Operator until such information has been provided. If necessary, any adjustment to be made to an Operator's payment shall be made within the next interim payment due to that Operator.
9. The submission of such certificates shall be deemed full and final proof of accuracy of the information so submitted. No retrospective adjustments will be considered once the certificates of accuracy have been signed by an approved person and received by the Combined Authorities.

### **Failure to provide certified statement or certificate of completeness and accuracy**

10. In the event that an Operator fails to provide a certificate of completeness and accuracy (as the case may be) in respect of information which has been used to calculate a reimbursement payment that has been made to that Operator, or the certificate of completeness and accuracy (as the case may be) indicates that the Operator was entitled to less than the reimbursement payment that has been made to the Operator then the Operator shall forthwith repay the amount of the reimbursement payment (in the case of a failure to provide a certificate of completeness and accuracy (as the case may be)) or the amount of the overpayment (in the case of a certificate of completeness and accuracy (as the case may be) indicating that the Operator is entitled to less than had been paid to it).





## SCHEDULE 7

### DISPUTE RESOLUTION PROCEDURE

1. In the event of any dispute arising in connection with any matter arising from these Arrangements which cannot be resolved by agreement between the parties representatives within 5 working days of the dispute arising, senior representatives of the parties shall, within 5 working days of a written request from either party to the other, meet in good faith to attempt to resolve the dispute.
2. If the dispute is not resolved as a result of such meeting, either the Combined Authorities or the Operator may (at such meeting or within 5 working days of its conclusion) propose to the other in writing that the dispute be referred to an independent expert ("**Independent Expert**")
3. If the parties are unable to agree on an Independent Expert or if the Independent Expert agreed upon is unable or unwilling to act then any party may within 5 working days from the date of the proposal to appoint an Independent Expert or within a further 5 working days of notice to either party that he or she is unable or unwilling to act, apply to the President of the Law Society to appoint an Independent Expert.
4. If any matter is referred to the Independent Expert for determination in accordance with paragraph 3 above, then:
  - (a) the Independent Expert shall determine the matter, subject to the remaining provisions of this paragraph 4, on a basis that is fair and reasonable in all respects as between the Operator and the Combined Authorities and that takes into account all relevant factors and circumstances;
  - (b) the Independent Expert shall act as an expert and not as an arbitrator and its determination of the dispute shall be final and binding on the parties (save in the case of manifest error);
  - (c) the Combined Authorities and the Operator shall ensure that the Independent Expert has full access to all books, information and records in their possession or in the possession of their auditors and accountants that are relevant to the dispute and to his determination thereon; and
  - (d) the Independent Expert's fees shall be borne equally by the parties unless he shall decide that one party has acted unreasonably (in which case his fees shall be borne as he shall direct).

## SCHEDULE 8

### ADDITIONAL COSTS

#### **1 Reimbursement for Additional Costs**

- 1.1 An Operator shall be entitled to reimbursement for Additional Costs in accordance with paragraph 19 of the Arrangements.
- 1.2 Reimbursement for Additional Costs is taken to mean the Combined Authorities' estimate based on Operator data of any Additional Costs which an Operator has incurred as a result of participation in these Arrangements, but which have not otherwise been funded by Generated Revenues for that Operator by these Arrangements.
- 1.3 Additional Costs shall be zero (0) unless the Operator has demonstrated that generation of passenger journeys has occurred as a result of the Arrangements, and the Operator is to be reimbursed for Revenue Forgone on the basis of such generation.
- 1.4 Additional Costs shall be determined by the Combined Authorities acting reasonably to reflect any Additional Costs which an Operator is able to fully evidence have occurred as a result of the Arrangements and which the Operator can demonstrate have not been funded by revenue generated for that Operator by the Arrangements. In determining such figures, the Combined Authorities may have regard to the basis of calculation of Additional Costs under its concessionary reimbursement schemes (or the concessionary reimbursement schemes of the County Council of Durham, Northumberland County Council or the Tyne and Wear Passenger Transport Executive as the case may be), but acknowledging that under these Arrangements, revenue generated for an Operator by the Arrangements will cover some or all of such Additional Costs. Where an Operator and the Combined Authorities cannot agree the value of the Additional Costs for a Payment Period, then either party shall be able to refer the dispute as to the value or existence of Additional Costs for determination in accordance with Schedule 7.

## **SCHEDULE 9**

### **ABSTRACTED REVENUE**

- 1 Reimbursement for Abstracted Revenue
  - 1.1 Reimbursement for Abstracted Revenue is taken to mean the Combined Authorities' estimate of any revenue by way of fares which an Operator would have earned in the absence of these Arrangements, but which has not been taken into account in the calculation of Revenue Forgone, and which has not been replaced by revenue generated for that Operator by these Arrangements.
  - 1.2 Abstracted Revenue shall be zero (0) unless the Operator has demonstrated that generation of passenger journeys has occurred as a result of the Arrangements, and the Operator is to be reimbursed for Revenue Forgone on the basis of such generation.
  - 1.3 Abstracted Revenue shall be determined by the Combined Authorities acting reasonably to reflect any Abstracted Revenue which an Operator is able to fully evidence has occurred as a result of these Arrangements and which the Operator can demonstrate has not been taken into account in the calculation of Revenue Forgone, and which has not been replaced by revenue generated for that Operator by these Arrangements. Where an Operator and the Combined Authorities cannot agree the value of the Abstracted Revenue for a Payment Period, then either party shall be able to refer the dispute as to the value or existence of Abstracted Revenue for determination in accordance with Schedule 7.

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

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