



## North East Joint Transport Committee

Tuesday, 19th January, 2021 at 2.30 pm

Meeting to be held virtually via Microsoft Teams and streamed on YouTube

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## AGENDA

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	Page No
1. <b>Apologies for Absence</b>	
2. <b>Declarations of Interest</b>	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (and submit it to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
3. <b>Minutes of the last meeting held on 17 November 2020</b>	<b>3 - 9</b>
4. <b>Transport North East - Regional Transport Update</b>	<b>11 - 18</b>
5. <b>Transport Capital Programme</b>	<b>19 - 39</b>
6. <b>Transport Budget and Levies</b>	<b>41 - 74</b>
7. <b>Active Travel Fund Tranche 2 - Allocation of Funding</b>	<b>75 - 99</b>
8. <b>Transforming Cities Fund Tranche 2 - Grant Funding Agreements</b>	<b>101 - 110</b>
9. <b>East Coast Main Line Update</b>	<b>111 - 125</b>
10. <b>Exclusion of the Press and Public</b>	

The North East Joint Transport Committee may wish to exclude the press and public from the meeting during consideration of item 11 by virtue of paragraphs 1,2 3 and 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

11. **Staffing Proposal - Transport Management Programme**

**127 - 136**

12. **Date of Next Meeting**

The next meeting will be held on Tuesday 16 March 2021 at 2.30pm

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**NORTH EAST JOINT TRANSPORT COMMITTEE**

**DRAFT MINUTES FOR APPROVAL**

**DATE:** 17 November 2020

Meeting held: Virtually using Microsoft Teams and streamed live on YouTube

**Committee Members Present:**

Councillor: M Gannon (Chair)

Councillors: C Johnson, C Marshall, G Miller, M Walsh and Mayor J Driscoll

**In attendance:**

Councillors: J McCarty and G Sanderson

Statutory Officers: M Barker (Deputy Monitoring Officer)  
P Darby (Deputy S73 Officer)  
T Hughes (Managing Director, Transport North East)  
S Ramsey (Lead Chief Executive for Transport)

Officers: G Armstrong, R Broadbent, J Fenwick, A Flynn,  
R Forsyth-Ward, A Harhoff, M Jackson, P Meikle, P Melia,  
E Reynard and M Wilson

**1. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor I Malcolm and Mayor N Redfearn.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**3. MINUTES OF THE PREVIOUS MEETING HELD ON 20 OCTOBER 2020**

The minutes of the previous meeting were agreed as a correct record.

#### 4. NORTH EAST TRANSPORT PLAN – APPROVAL TO CONSULT

The Committee received a report and presentation which outlined the proposed consultation process for the Transport Plan. It is proposed that the consultation will begin on 19 November and will last for eight weeks, finishing on 14 January 2021.

The Transport Plan will deliver profound and lasting improvements that will shape the North East and its people for decades to come. The region will initially require an estimated £6.1m of capital investment which will grow as additional schemes are developed over the lifetime of the Plan. This should be a fair share of national funding which should be allocated to the region from central Government from 2021-2025.

The vision of the Plan is 'Moving to a green, healthy, dynamic and thriving North East'. The Plan has five objectives:

- Carbon neutral North East
- Overcome inequality and grow our economy
- Healthier North East
- Appealing sustainable transport choices
- Safe, secure network

The objectives are supported by five policy areas which focus on encouraging people to make greener, healthier and more sustainable travel choices wherever possible.

The consultation will use a variety of methods to ensure that as many people are reached as possible. This will include use of social media, newspaper and radio adverts, liaising with partners, stakeholders, local businesses, as well as contacting community interest groups.

Engagement will be made via a dedicated phone line, email address, online form or by uploading a video to the dedicated website. Due to the current covid-19 restrictions, contact will not be encouraged in a face to face format.

The Committee noted that since publication of the Transport Plan amendments were proposed to page 33 of the Plan following the announcement of Tranche 2 of the Active Travel Fund, and also on page 54, the wording would be changed to say that the Plan will be updated regularly rather than on a yearly basis.

Councillor Gannon felt that this was an ambitious, transformational plan which will have a huge impact across the North East. He noted that development of the Plan was unique in that it was on behalf of the seven local authorities in the region which demonstrated very strong partnership working crossing all political boundaries. He also noted that the development of the Northumberland Line by Northumberland County Council had the full support of the seven local authorities, and this development would benefit all areas of the region. He added that he was proud of what the region had achieved so far and was happy to

agree that the Plan to be presented for consultation. He hoped that the North East would welcome the ambitions of the Plan and support its proposals.

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

- (i) progress the North East Transport Plan to public consultation;
- (ii) to delegate authority to the Proper Officer for Transport to agree, following consultation with the Chair, any technical or minor amendments to the Transport Plan and Integrated Sustainability Assessment prior to and during the consultation, including the amendments to the Plan that had been proposed at today's meeting.

## **5. TRANSPORT NORTH EAST – REGIONAL TRANSPORT UPDATE**

The Committee were presented with a report outlining various transport issues. Since publication of the report, the Government has announced the award of £9m to the region from the Active Travel Fund. The Committee will be informed in due course on how the proposals for funding will be allocated across the seven local authority areas.

Government emergency covid-19 grant funding support continues to be received to support bus and Metro services. In addition, the Department for Education has allocated additional funding to assist with home to school transport for the next half term.

The preferred network for the Northern Powerhouse Rail (NPR) project is expected to be agreed at a Transport for the North Board meeting on 18 December. The region has been clear that Leeds-Newcastle section of NPR, must include significantly upgraded East Coast Mainline corridor and the full re-opening of the Leamside Line.

Councillor Sanderson echoed the Chair's earlier comments regarding the Northumberland Line and agreed that the partnership working of the North East regional authorities had been exemplified in the work to re-open the line. He advised the Committee that consultation on the project had only been open for 24 hours, and already 300 responses had been received. He added that this as a fantastic scheme which would provide accessible, convenient public transport, as well as saving car journeys and reducing CO2 emissions. He thanked the Committee Members for their continued support.

Councillor Gannon agreed with Cllr Sanderson's comments and added that the Northumberland Line was a transformational scheme that will provide many economic and sustainable benefits.

Councillor Marshall advised the Committee that he would be attending the Transport for the North Board meeting on 18 November on behalf of the North East region. He added that the message he would be taking to the meeting was that additional capacity and resilience was required on the East Coast Mainline to

ensure connectivity across the region and the rest of the country. This would enable economic benefits for the region. In addition, he would continue to press for the full re-opening of the Leamside Line which again would have huge economic benefits for the region, would provide additional capacity, enable Metro expansion into Washington, connect to HS2 and provide a much needed connection to Sunderland and Durham.

Councillor Gannon thanked Councillor Marshall for his update and noted the work that he and Councillor Forbes had carried out on behalf of the region with Transport for the North and their contribution to lobbying for the Leamside Line, which was a critical transport link for the region.

Mayor Driscoll added that the region was more united than it had ever been and this had been proven with the unification regarding the re-opening of the Northumberland Line, which would connect all areas of the North East. This project fitted into the ethos of the Transport Plan and moved the region forward with its ambitions for a fully integrated transport system.

Councillor Walsh agreed with all of the comments and reiterated that the re-opening of the Leamside Line was vitally important link for the region.

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

## **6. CAPITAL BUDGET MONITORING 2020-21**

The Committee received a report providing an update and forecast of outturn for the 2020/21 Transport Capital Budget based on expenditure and commitments as at the period ending 30 September 2020.

The report identified that a total capital expenditure of £88.25m is forecast against the revised programme budget of £94.081m. The revised programme takes account of adjustments for slippage in the 2019/20 outturn and new grant approvals made since the original capital programme was set in January 2020, particularly in relation to Transforming Cities Fund Tranche 2.

The revised capital programme forecast is £6.669m higher than the original capital programme and expenditure to the end of September 2020 totalled £33.664m – 38% of the forecast total capital expenditure forecast for the year.

Detailed progress reports were provided within the report on the various projects being undertaken.

**RESOLVED:** The North East Joint Transport Committee noted the report and agreed the updated revised capital programme for 2020/21 which has been adjusted to reflect reprofiling of schemes across years and additional grant funding received since the revised programme was agreed by Joint Transport Committee in July.

## **7. REVENUE BUDGET PROPOSALS 2021-22 AND UPDATED FORECAST OUTTURN 2020-21**

The Committee received a report which provided an updated forecast of outturn for the transport revenue budgets for 2020/21 and a summary of the draft Transport budget and levies for 2021/22. The report was presented in advance of a budget setting report which would be presented to Committee in January. The report provided an update on Tyne Tunnels and on Nexus to provide additional context.

In terms of the current year, the transport levies and grants to Durham, Northumberland and Nexus are fixed for the year, so the outturn will be in line with original budget allocations.

The covid-19 pandemic has had a significant impact on Nexus' commercial revenues. Additional grant funding has been received from the Department of Transport to secure bus and Metro services in the form of the Coronavirus Bus Services Support Grant and the Light Rail Revenue Restart Grant (LRRRG). LRRRG had been extended to 18 January 2021 with the likelihood that it will be further extended to 31 March 2021, subject to Nexus working with the Department for Transport on a recovery plan, which aims to make Metro more financially sustainable and less reliant on additional government grant support going forward, as the Department for Transport was keen to remove this additional support as soon as possible. An update on the recovery plan will be provided at the next Joint Transport Committee meeting in January.

While the proposals was to have a stand-still levy next year, given the exceptional circumstances, Nexus was proposing to provide a one-off £1.2m levy rebate (equating to a 2% levy reduction) to be shared by the five Tyne and Wear Councils to partially off-set the cost of the levy in 2021/22. This will be funded by the use of reserves.

Nexus was forecasting an in-year deficit of £1.248m in 2020/21 but work was ongoing to try and eradicate that in-year deficit by the year end. The underlying budget position for 2021/22 was a deficit of £3.7m rising to £6.5m in 2022/23. This was in line with forecasts presented to JTC in January 2020 when the 2020/21 budget was set. The report identified significant efficiencies that had been delivered by Nexus over the last ten years and it was proposed that Nexus apply reserves to balance the budget next year, to allow time for measured consideration of more sustainable solutions to be implemented. Key to these considerations are the post Covid recovery plans.

With regards to Tyne Tunnels, the Committee were advised that there continues to be reduced toll income due to the reduction in traffic levels following the national lockdowns and local restrictions, however this does not have a financial impact on JTC as any financial risks are held by TT2 Ltd due to the nature of the concession contract. The updated forecasts included the proposed advance to TT2 for the Free Flow scheme that had been agreed in September and updated forecasts for capital works to the Pedestrian and Cyclist Tunnels, both of which were being funded from the Tyne Tunnels Reserve.

The Committee's attention was drawn to the proposal for a 10p toll increase on Class 2 vehicles using the Tyne Tunnels next year. Agreeing increases in the tolls is the responsibility of the JTC Tyne and Wear Sub-Committee and this will be considered at its next meeting in January 2021, and if agreed, will be factored into the final budget proposals to be considered by the Joint Transport Committee meeting in January.

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

- (i) Received the report for consideration and comment;
- (ii) Noted the updated projected outturn position for the 2020/21 Transport budget, as set out in the report;
- (iii) Considered the following budget assumptions/ proposals and agreed to these forming the basis of consultation on the 2021/22 Transport Budget:
  - a) That the 2021/22 Transport Levy for Tyne and Wear is indicatively to be set at £61.1m, which represents a cash freeze compared with the current year;
  - b) That the revenue grant to Nexus for 2020/21 is indicatively proposed to be set at £59.0m, which is a cash freeze compared with the current year total;
  - c) That the JTC consider the redistribution of £1.2m of earmarked reserves held on behalf of Nexus by NECA to the Tyne and Wear authorities proportionate to their shares of the 2021/22 Transport Levy for Tyne and Wear;
  - d) That contributions of £500,000 to the Transport Strategy Unit are top sliced from Local Transport Plan Integrated Transport Block grant received by the JTC in 2021/22;
  - e) That the JTC Tyne and Wear Sub-Committee give consideration to increasing the Tyne Tunnels Tolls for Class 2 vehicles next year, in line with the concession contract and the agreed approach to the funding of the Tyne Tunnels. (Note: The final decision to increase the Tyne Tunnel Tolls will be taken by the JTC Tyne and Wear Sub Committee in January 2021).
- (iv) Noted that the budget proposals for Transport will be subject to a consultation process including reports to the Joint Transport Committee Overview and Scrutiny Committee, Joint Transport Committee Audit Committee, relevant officer groups and the Leadership Board of NECA and the NTCA Cabinet; and
- (v) Noted the intention to approve the budget and agree the Transport Levies at the meeting of the JTC on 19 January 2021, after considering any



comments received on the proposals and decisions reached by the Tyne and Wear Sub Committee in January 2021.

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

The North East Joint Transport Committee agreed to exclude the press and public during consideration of item 9 by virtue of paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

The live stream of the meeting on YouTube was suspended after this resolution was agreed.

#### **9. MINUTES OF THE CONFIDENTIAL MEETING HELD ON 20 OCTOBER 2020**

The minutes of the confidential meeting were agreed as a correct record.

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## North East Joint Transport Committee

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**Date:** 19th January 2021

**Subject:** Transport North East, Regional Transport Update

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

### Executive Summary

The Chancellor's 2020 Spending Review on the 25th November took a 12-month view on Government spending priorities including for transport, deemed necessary due to the impact on public finances caused by the pandemic.

A public consultation on the North East Transport Plan was held between 19<sup>th</sup> November and 14<sup>th</sup> January and based on this an amended version of the Plan will be taken to the March JTC seeking member endorsement for its publication.

£9.049m has been awarded to the region through its successful Active Travel Fund tranche 2 bid and will be used to deliver infrastructure measures to give more space to pedestrians and cyclists. Progress with our tranche 2 programme is being discussed in a separate agenda item and supporting Active Travel Fund paper which seeks JTC ratification for schemes which will be delivered and their costs.

The gap between income and costs on regional bus services is still being filled by concessionary fare and tendered bus service payments by Local Transport Authorities at pre-Covid amounts and continued emergency Covid-19 Bus Service Support Grant (CBSSG) from the Government. The continuation of the CBSSG is subject to 8 weeks' notice if the Covid-19 situation eases considerably.

The Tyne and Wear Metro has received £33.3m of funding support from the Government between May 2020 and the 18<sup>th</sup> January 2021 and is expected to receive further funding support until the end of March 2021. A winter service timetable has been announced, which will run until March 2021.

Additional Department for Education (DfE) funding for Home to School Transport has been received for the first half of the spring term, which brings the total allocation for our region so far to around £5.4m.

The region continues to campaign to ensure that our main transport investment priority of the East Coast Main Line (ECML) railway receives necessary investment. A comprehensive update report can be found elsewhere on today's agenda.

The National Infrastructure Commission (NIC) published a final report into the rail needs for the North and Midlands in December. More detail is being sought from the NIC regarding specific proposals for the ECML north of York.

It is expected that the UK government will publish its Integrated Rail Plan (IRP) early in 2021, which will inform the government's planning for the long-term future of the East Coast Mainline (ECML).

In 2021 it is expected that the Outline Business Case (OBC) for the ECML north of York to the North East through Northern Powerhouse Rail will be finalised. Two options are being considered for the Leamside Line but JTC is only supportive of the full reinstatement of the route rather than just Leamside South which would not solve current problems on the ECML.

Transport North East prepared a response to the Union Connectivity Study in December 2020 focusing on the national rail, roads, and air travel infrastructure required to enable the region to meet its transport plan objectives.

The second meeting of the Northern Transport Acceleration Council (NTAC) took place early in December, attended by Cllr Gannon and Mayor Driscoll. It was chaired by the Secretary of State for Transport and the main focus of discussions were the Spending Review and how the NTAC would operate.

Work is drawing to a close on an EV Enabling Study looking at the charging infrastructure the region needs over the next five years and following this it is expected that £500,000 will be made available for installing EV charging infrastructure at prioritised sites.

Six of the ten rapid chargers for the taxi and private hire market were installed by the end of 2020, three will follow shortly after legal agreements are in place and the final charger at Coronation Street in Wallsend has been delayed as the car park has been reserved for use as a temporary Covid-19 testing station.

## **Recommendations**

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

### **1. Background Information**

#### **1.1 Government Spending Review 2020**

The Chancellor's 2020 Spending Review on the 25th November took a 12-month view on Government spending priorities, deemed necessary due to the impact on public finances caused by the pandemic. Announcements made included a share of a devolved funding pot for transport, funding for electric vehicles, rail extensions investigations and a future Infrastructure Bank. As part of this spending review the Government published the National Infrastructure Strategy, which signposts its planned investment in infrastructure, including how they will address climate change, decarbonisation, economic growth and health considerations.

Disappointingly however it did not provide long-term funding certainty for the Tyne and Wear Metro, and the longevity of emergency Covid-19 support for both Metro and local bus services is subject to great uncertainty despite passenger numbers and therefore fare income being heavily depressed.

The JTC's Overview and Scrutiny Committee (OSC) has asked that it be noted that both the taxi and private hire industry and the coach industry are suffering through lost revenues as an impact of Covid-19, and that a specific package of government support for these sectors has not been forthcoming. The OSC expressed concern that private firms in these important sectors may be forced to close down, reducing the overall number of private transport companies in the region as a result.

## 1.2 North East Transport Plan Public Consultation

A public consultation was held for a draft version of the North East Transport Plan which covers the period up to 2035. The consultation was carried out between 19<sup>th</sup> November 2020 and 14<sup>th</sup> January 2021 and included 6 virtual events and the opportunity to complete an online survey. For the first month of the consultation there were approximately 1281 responses, predominantly through the online survey.

Next steps are for the production of a consultation feedback document which will set out how responses have been considered and, where appropriate, included into the final Transport Plan. The Transport Plan will be updated to reflect relevant and appropriate responses and will be taken to the March 2021 JTC to seek the Committee's formal approval of the final document.

## 1.3 Bus Services

Following the end of the second lockdown at the start of December bus use has risen back to about 50% of pre-pandemic levels, assisted by weekend Christmas shopping. The gap between income and costs continues to be filled by Local Transport Authorities maintaining concessionary fare and tendered bus service payments at pre-Covid amounts, and emergency Covid-19 Bus Service Support Grant (CBSSG) paid by the Government. The Department for Transport (DfT) has advised that the continuation of the payment of CBSSG is subject to 8 weeks' notice.

There is every likelihood that when Covid-19 restrictions and the additional Government support for bus services both end there will still be a considerable gap between patronage (and therefore fares revenue) and bus operator costs. Steps are being taken to address this and the long-term future of the bus network. Lifestyle changes resulting from the pandemic such as increased home working and online shopping are likely to result in long-term bus patronage not returning to pre-pandemic levels without further interventions.

JTC members have been discussing this situation directly with NEBus, the North East Bus Operators' Association, and agreed to work in partnership to tackle the issues together. A project will be incepted to commence this work, requiring initial funding to the value of £240k be drawn from JTC's unearmarked reserves to procure the resource necessary to cover the technical and legal work required. Outputs could include the formalisation of a voluntary bus partnership with operators this spring, with the development of a strategy towards more formal arrangements later this year.

Recent informal indications from bus operators are that service reliability has greatly improved due to reduced traffic congestion compared to pre-Covid levels, and they are keen for Authorities to help ensure this continues through bus-friendly traffic management measures.

There are currently no further indications of issues concerning face covering compliance.

#### 1.4 Tyne and Wear Metro

The Tyne and Wear Metro has received £33.3m of emergency Covid-19 funding support (known as "Light Rail Recovery Restart Grant", or LRRRG, from the Government between May 2020 and the 18<sup>th</sup> January 2021. This funding is expected to continue until the end of March 2021. However, any Covid-19 support in the next financial year is dependent upon Nexus agreeing a "Recovery Plan" with the DfT and HM Treasury. This work is currently ongoing.

A winter timetable has been implemented for the Metro which will run until March 2021. This is in response to a shortage of drivers because the pandemic led to driver training schools being cancelled. Nexus is now training a record number of new drivers at its new Learning Centre in South Shields, so this position is only expected to be temporary.

Sections of the Metro in South Tyneside are set to be closed for 12 weeks from September 2022 as part of the "Metro Flow" major upgrade scheme which will see an existing freight line upgraded and electrified making it capable of carrying Metro services, with three sections of track totalling 3km dualled between the Pelaw and Bede Metro station. This is intended to lead to an increase in Metro's daytime frequency capacity. Nexus are looking to create communication plans so that councillors and other stakeholders are providing with up-to-date messaging.

In the middle of December Metro patronage was down by about 63% relative to typical usage because of the effects of Covid-19 and social distancing on ridership.

#### 1.5 Home to School Transport

The considerable efforts and effective partnership with bus operators in providing and managing additional capacity has continued to ensure the smooth operation of school transport. Additional DfE funding has been received for the first half of the spring term, which brings the total allocation for our region so far to around £5.4m.

## 1.6 National Infrastructure Commission (NIC) Rail Needs Assessment / Integrated Rail Plan (IPR)

On Tuesday 15 December 2020 the NIC published a final report into the rail needs for the North and Midlands. The assessment suggests a menu of three options with five budget levels for the Government to consider. The three options are: focusing on upgrades, prioritising regional links, and prioritising long distance links. Whilst the options include proposals for East Coast Main Line investment, the report does not go into any detail. More detail is being sought from the NIC regarding specific proposals for the line north of York, but it appears that the NIC has been given instructions to work within a fiscal envelope that makes it impossible for HS2's Eastern Leg, Northern Powerhouse Rail, and appropriate upgrades to the conventional rail network to all be delivered.

The UK government is planning to publish an 'Integrated Rail Plan' (IRP) in the coming months. Once published, the IRP will inform the government's planning for the long-term future of the ECML. Political leaders, business and industry in the North East have stated that investment in the ECML in our region must be included in the Plan. Better connectivity by rail is an essential enabler for the region's economic growth and environmental improvement plans.

## 1.7 Northern Powerhouse Rail (NPR)

Transport for the North (TfN) are reaching a key milestone with Northern Powerhouse Rail (NPR), which will have major interfaces with the ECML north of York up to the North East. In 2021 the Outline Business Case (OBC) for the scheme will be finalised. The OBC must have one preferred route option.

However, two options for the restoration of the Leamside Line currently remain under consideration. The North East's preferred option is the reinstatement of the full Leamside route. A lower cost option known as 'Leamside South' (effectively a bypass around Durham) remains on the table.

The 'Leamside South' option is not supported by the North East, as it would not solve current problems on the ECML, would have lower economic and environmental benefits, and would limit future local rail expansion in the North East.

## 1.8 Union Connectivity Review

DfT recently announced the commencement of a Union Connectivity Study to establish the capacity and requirements of national infrastructure between all nations in the UK. Transport North East prepared a response in December 2020 which focused on the required national infrastructure and service provision on rail, road and by air to allow the region to meet our transport plan objectives, and contribute towards wider regional social, environmental and economic policies and national economic outputs. This included referring to infrastructure identified in Transport for the North's Strategic Transport Plan, such as links to our Ports.

## 1.9 Northern Transport Acceleration Council

The second meeting of the Northern Transport Acceleration Council (NTAC) took place early in December. Cllr Gannon and Mayor Driscoll were in attendance and it was chaired by the Secretary of State Grant Shapps MP.

Key points to note are:

- The Secretary of State summarised the main points from the Spending Review in terms of transport and also referred to the role of the NTAC, such as tracking transport projects to be funded through the 'Levelling Up Fund.'
- Northern Leaders and Mayors mentioned during the meeting their disappointment that the 'Levelling Up Fund' is for less funding than the Local Growth Fund that it replaces, that it is a competitive rather than a devolved fund and also that it is available UK-wide rather than focusing on the North.
- There was advice given on how projects will be tracked.
- The Green Book referred to in the Spending Review was briefly discussed. The Secretary of State clarified that in most cases the calculation of Benefit Cost Ratios (BCRs) will not be affected but government decisions on future investment will place less emphasis on BCRs and more on other strategic and economic factors.

## 1.10 Electric Vehicle (EV) Infrastructure Enabling Study, and Taxi and Private Hire Electric Vehicle Chargers

Work continues through the Go Ultra Low North East project and installation is expected to commence on the final three hubs imminently. Initially, the project was due to be finished by December 2020, however due to delays experienced due to COVID-19, an extension has been granted by Ministry for Housing, Communities and Local Government (MHCLG) until April 2021.

Urban Foresight was procured to develop a regional EV Enabling Study in order to set out the electric vehicle infrastructure the region needs over the next five years. This work is drawing to a close and following the Enabling Study it is anticipated that £500,000 will be made available to install EV charging infrastructure at those prioritised sites, funded by the Local Growth Fund.

Six rapid chargers for the taxi and private hire market were installed by the end of 2020. Three further chargers in Chester-Le-Street, Blyth and Blandford Square in Newcastle will follow shortly after legal agreements are in place. Work on a tenth charger at Coronation Street in Wallsend has been delayed as the car park has been reserved for use as a temporary Covid-19 testing station. The project also includes funding for engagement with the taxi trade to encourage the uptake of EV's, which will take place through a series of online webinars, trials and workshops over a two-year period. The first webinar is planned early in 2021.



## **2. Proposals**

2.1 This report is for information. Members are asked to note the contents of the report.

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

3.1 This report is for information purposes.

## **4. Alternative Options Available**

4.1 Not applicable to this report.

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

5.1 A further Regional Transport update will be taken to the next JTC meeting.

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

6.1 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.

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

7.1 None.

## **8. Legal Implications**

8.1 Scheme promoters are required to follow the grant funding conditions for the Active Travel Fund otherwise funding may be subject to clawback.

## **9. Key Risks**

9.1 The risk of work streams not progressing in a timely manner may impact upon the region's ability to achieve its aspirations for improving transport.

## **10. Equality and Diversity**

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

## **11. Crime and Disorder**

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

## **12. Consultation/Engagement**

12.1 Many of the transport programmes outlined in this report have been the subject of consultation at a regional level.

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

13.1 No specific impacts.

**14. Appendices**

14.1 None

**15. Background Papers**

15.1 None

**16. Contact Officers**

16.1 Simon Jobe, Specialist Transport Planner, Transport North East Strategy Unit  
simon.jobe@northeastca.gov.uk

Tobyn Hughes, Managing Director, Transport North East  
[Tobyn.hughes@nexus.org.uk](mailto:Tobyn.hughes@nexus.org.uk)

**17. Sign off**

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

**18 Glossary**

18.1 All acronyms or technical terms used are explained in the body of the report.

## North East Joint Transport Committee

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**Date:** 19 January 2021  
**Subject:** Transport Capital Programme 2021/22  
**Report of:** Chief Finance Officer

### Executive Summary

This report provides the North East Joint Transport Committee with an updated forecast capital outturn for 2020/21 and presents the initial 2021/22 capital programme, totalling £152.674m, for consideration and approval.

The report identifies that total capital expenditure on Transport schemes of £91.802m is now forecast for 2020/21 against the revised programme budget of £88.235m. The main variance since the last update reported to the committee is an increase in forecast expenditure on the Fleet Replacement Programme and the inclusion of the capital elements of the Active Travel Fund within the capital programme.

The revised capital programme is £14.441m lower than the original capital programme for the year, mainly due to the significant reduction in forecast expenditure on Transforming Cities Fund (TCF) Tranche 2 schemes, which have been delayed due to the Covid-19 pandemic.

£2.725m is forecast to be invested on TCF Tranche 1 schemes in 2020/21, with the majority of schemes due to complete this financial year. £0.248m of investment will however be delivered in 2021/22, reflecting slippage on a scheme within the Tranche 1 programme.

In March 2020, the JTC was notified of the successful award of TCF Tranche 2 funding of £198.484m, made up of £94.685m for Metro Flow project delivered by Nexus and £103.799m as a devolved programme. £9.901m of capital grant was received at the end of March 2020 and work has been undertaken to agree a revised prioritised programme of schemes to be funded from the devolved funding pot. £1.517m of expenditure is currently forecast for 2020/21 pending a detailed review of likely construction dates for each project, taking into account slippage arising as a result of Covid-19. Reporting on the Metro Flow project is included within the sections on the Metro capital programme.

TCF Tranche 2 funding and investment of £34.735m is included in the initial 2021/22 capital programme, with a number of schemes due to progress to grant funding approval stage in early 2021.

£0.384m is forecast on the Go Ultra Low project, representing slippage from 2019/20 and costs required to bring the remaining rapid charging clusters into operation. The project will be completed in 2020/21.

£0.497m is forecast on the Ultra-Low Emission Vehicles – Taxi Project and actual expenditure to November is £0.418m. The project will be completed in 2020/21.

2020/21 is the final year of the Metro Asset Renewal Plan programme which runs from 2010 to 2021. Expenditure in year is forecast to be £23.546m which is within the minimum and maximum levels set for the year by the Department for Transport (DfT).

The Metro Fleet Replacement project is forecast at £46.615m in 2020/21.

The report sets out details of the Nexus capital programme for 2021/22, totalling £98.643m which includes the Metro Asset Renewal Programme (MARP, £19.222m), Fleet Replacement Programme (FRP, £63.069m), Other Nexus Capital Projects (£8.252m) and Metro Flow (£8.100m). Indicative figures for 2022/23 and 2023/24 are included, which are subject to approval of funding.

In terms of the Tyne Pedestrian and Cycle Tunnels there is still outstanding work to complete and the commissioning of the inclined lifts continues to be delayed because of contractors being unable to complete the works because of ongoing travel restrictions. Expenditure in 2020/21 is forecast to be £1.007m with an initial estimate of £0.500m for 2021/22.

The programme includes £13.949m of Local Transport Plan Integrated Transport Block grant that will be received by NECA on behalf of the Joint Transport Committee, most of which will be paid to constituent authorities and Nexus on a quarterly basis to support their capital programmes. Expenditure on the Nexus elements is included in the sections on the Nexus capital programme.

A new programme element has been added in the revised forecast for 2020/21 and the initial 2021/22 programme, for the capital elements of the Active Travel Fund programme, for which the JTC has been awarded Tranches 1 and 2 funding. The capital elements of this programme (which is a mix of revenue and capital grant paid by DfT to NECA and which will be paid to constituent local authorities to deliver active travel projects) totals £8.396m (£1.157m Tranche 1 and £7.239m Tranche 2) and the investment is expected to be delivered by the end of next financial year.

Most of the capital works during the current and next financial year will be funded through government grants awarded (£77.457m in 2020/21 and £147.253m in 2021/22) with elements of the Nexus capital programme and the Tyne Pedestrian and Cyclist Tunnels works funded by reserves (£14.464m in 2020/21 and £5.500m in 2021/22) held specifically for this purpose.

## **Recommendations**

The North East Joint Transport Committee is recommended to:

- i. Note the latest position in respect of the 2020/21 capital programme, set out in section 2.1 and the following sections;
- ii. Approve the proposed initial capital programme for 2021/22 which amounts to £152.674m as set out in section 2.1 and the following sections.

## 1. Background Information

1.1 In January 2020, the JTC approved the initial 2020/21 capital programme of £81.566m. The capital programme was updated to take account of adjustments for slippage in the 2019/20 and any new grant approvals made since the original capital programme was set in January 2020, particularly in relation to Transforming Cities Fund Tranche 2 at the JTC meeting in July. It was subsequently updated in reports to the JTC in October and November 2020.

1.2 The updated position shows a revised capital programme forecast of £91.802m - £3.567m higher than the position reported to the last meeting where the updated capital programme was £88.235m.

## 2. Proposals

### Forecast of Capital Outturn 2020/21 – Period to 30 November 2020

2.1 A summary of the Transport capital outturn forecast for 2020/21, together with an initial programme for 2021/22 is set out in the table below, with further details provided in the sections that follow.

*Table 1: Transport Capital Programme 2020/21 and 2021/22*

	2020/21 Updated (November JTC)	2020/21 Updated Forecast	2020/21 Forecast Variance	2021/22 Initial Programme
	£m	£m	£m	£m
Transforming Cities Fund Tranche 1	2.725	2.725	0.000	0.248
Transforming Cities Fund Tranche 2 (Excluding Metro Flow)	1.517	1.517	0.000	34.735
Go Ultra Low	0.384	0.384	0.000	0.000
Ultra-Low Emission Vehicles – Taxi Project	0.497	0.497	0.000	0.000
Metro Asset Renewal Plan	23.546	23.546	0.000	19.222
Metro Fleet Replacement	44.380	46.615	2.235	63.069
Nexus Other Capital Projects	1.479	1.479	0.000	8.252
Metro Flow	1.598	1.566	-0.032	8.100
Tyne Tunnels	0.800	1.007	0.207	0.500

Local Transport Plan <sup>1</sup>	11.309	11.309	0.000	11.309
	<b>2020/21 Updated (November JTC)</b>	<b>2020/21 Updated Forecast</b>	<b>2020/21 Forecast Variance</b>	<b>2021/22 Initial Programme</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Active Travel Fund (capital elements)	0.000	1.157	1.157	7.239
<b>Total Capital Programme</b>	<b>88.235</b>	<b>91.802</b>	<b>3.567</b>	<b>152.674</b>

## Transforming Cities Fund (TCF) – Tranche 1 and Tranche 2

- 2.2 The Transforming Cities Fund represents a significant opportunity for the region to source capital funding for public transport and sustainable transport infrastructure. An initial £10m allocation was secured for the region from Tranche 1, which was announced and received in March 2019.
- 2.3 In July 2020 the JTC approved a revised programme for 2020/21 for Tranche 1, factoring in slippage from 2019/20. As set out in the report presented to the JTC in November 2020, one scheme (Cycling Links to Newcastle City Centre – High Level Bridge scheme) is likely to slip into 2021/22, due to it being held up with delivery of earlier phases which need to be completed first. The remaining Newcastle spend has now been refocussed to achieve similar outcomes and ensure timely delivery of infrastructure in the early part of 2021/22.
- 2.4 The forecast to the end of 2020/21 for Tranche 1 schemes is £2.725m, with £0.248m of capital investments being undertaken in 2021/22. This will represent full utilisation of the £10m grant funding received.
- 2.5 A Tranche 2 funding bid was submitted to Government in November 2019 following a draft submission in June 2019. In March 2020 we received a substantial settlement that funded the Metro Flow scheme (£95m) and a devolved fund to deliver a range of local schemes (£104m). In addition, a commitment was given to fund the reintroduction of passenger trains on the Northumberland Line through a different funding source..
- 2.11 A Transport Planner has been appointed to work with local authorities to deliver the programme of schemes funded by the Devolved Pot, which was ratified by JTC members in May 2020. Expenditure in 2020/21 has been less than originally forecast in the TCF bid, largely due to the effects of the Covid-19 pandemic, and these are reported quarterly to the DfT. However, the programme is now progressing. A full review of spend profiles is being carried out for each scheme in the programme, and schemes will begin to be presented to the JTC for grant funding award decisions in the early months of 2021.
- 2.12 The schemes to be delivered using the TCF Devolved Pot retain a considerable

<sup>1</sup> Excluding amounts for local contribution to Metro ARP, shown within Nexus capital programme lines.

degree of over-programming and the TCF team is working with scheme promoters to understand opportunities for how this can be managed. A plan for dealing with the over-programming will be prepared in due course and presented to the JTC. Initial forecast expenditure in the 2021/22 programme is £34.735m for schemes in the Devolved Pot and £8.100m on Metro Flow (more details of which are included in the Nexus capital programme at section 2.35-2.37).

*Table 2: TCF Tranche 2 Capital Forecast of Outturn 2020/21 to 2020/23:*

<b>TCF Tranche 2</b>	<b>2020/21 Budget £m</b>	<b>2021/22 Budget £m</b>	<b>2022/23 Budget £m</b>	<b>Total Budget £m</b>
Devolved Programme Level	1.517	34.735	67.547	103.799
Nexus Metro Flow (reported with Nexus Capital Programme)	1.700	8.100	84.885	94.685
<b>All Programme Level</b>	<b>3.217</b>	<b>42.835</b>	<b>152.432</b>	<b>198.484</b>

### **Go Ultra Low**

- 2.13 The Go Ultra Low project is jointly funded through from Office for Low Emission Vehicles (OLEV) and European Regional Development Funding (ERDF) resources and includes the construction of one of the UK's first Electric Vehicle (EV) filling stations at West Wear Street in Sunderland city centre, along with the installation of a number of rapid charging clusters across the region.
- 2.14 Work in 2020/21 is on bringing the remainder of the rapid charging clusters into operation. The Go Ultra Low North East programme has been extended until January 2021 by the Ministry of Housing, Communities and Local Government. This extension is primarily so that the remaining EV rapid hubs can be installed as this had to be paused due to the furlough of staff as a result of the Covid-19 lockdown. We are on course to fully spend the allocated fund. The project is expected to be complete this financial year.
- 2.15 Capital expenditure to the end of November 2020 was £0.224m. Forecast expenditure to the year end is £0.384m.

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

- 2.16 The North East was awarded a grant of £500,750 from the Office of Low Emission Vehicles, Ultra Low Taxi Infrastructure scheme to deliver 10 chargers dedicated to the Taxi and Private Hire trade across 9 sites. Commissioning for nine of the ten rapid chargers to be installed for the taxi and private hire market at strategic locations in car parks and on street around areas of high taxi demand is due to be completed by the end of 2020. Work on the tenth charger has been delayed as the car park has been reserved for use as a temporary COVID-19 testing station. The project also includes funding for engagement with the taxi trade to encourage the

uptake of EV's, which will take place through a series of online webinars, trials and workshops over a two-year period.

- 2.17 Capital expenditure to the end of November 2020 was £0.419m. Forecast expenditure to the year end is £0.497m. The project is expected to be complete this financial year.

### **Nexus Capital Programme**

- 2.18 Nexus' planned capital programme for 2021/22 to 2023/24 includes investment in four main areas:

- i) Metro infrastructure (the Metro Asset Renewal Programme or MARP);
- ii) A new fleet of Metrocars (the Fleet Replacement Programme or FRP);
- iii) Other Capital Projects (OCP) e.g. the cross Tyne Ferry; and
- iv) Metro Flow (MFL)

- 2.19 Funding for these programmes is largely provided by the DfT:

- i) In respect of MARP, 2021/22 represents the first year of a five-year Essential Renewals Programme. An application for funding covering the period 2021/22 to 2025/26 was submitted to DfT who, to date, have only been able to confirm £20.000m funding for 2021/22 but are considering the future investment need;
- ii) In relation to FRP, 2021/22 represents the third year of capital funding from DfT, with the programme fully funded to expected completion in 2025/26;
- iii) OCP is largely funded via DfT Transforming Cities Fund (TCF) grant and the Getting Building Fund, administered by the North East Local Enterprise Partnership (in respect of the North Shields Ferry Landing Relocation project), which in lieu of other funding being confirmed is currently underwritten by a local contribution from Nexus reserves;
- iv) With regard to MFL, 2021/22 funding and beyond is subject to a successful Final Business Case (FBC) application to DfT, scheduled to be submitted in Summer 2021. The local contributions will come from Metro Rail Grant which at this stage is still unconfirmed.

- 2.20 Funding for 2021/22 has been confirmed, with the exception of MFL, and the various programmes are defined and deliverable. Programmes for 2022/23 and 2023/24 are currently unfunded, except for FRP which is fully funded. As a result, delivery programmes for 2022/23 and 2023/24 are subject to further refinement, depending upon funding approvals and a review of programme deliverability in respect of network capacity and potential disruption. This is important in the context of Metro's recovery plan being developed for DfT/HMT. As a result, the risk contingency for 2022/23 and 2023/24 is higher than the 2021/22 level.

- 2.21 Subject to funding approvals and depending upon the aforementioned refinement of the programme, the scale of investment increases considerably over the next 36 months. Therefore, resource planning across multiple disciplines will be undertaken



during calendar year 2021 to ensure Nexus has the optimum capacity and skills to deliver this step-change in investment efficiently.

### **Tyne and Wear Metro Asset Renewal Programme (MARP)**

2.22 Nexus is nearing the end of the final year of its initial eleven-year, £350m renewal programme to upgrade and replace many of the assets across the Tyne and Wear Metro system.

2.23 With up to £4m of the 2021/22 approved funding able to be deployed in the current year, confirmed funding for the 2021/22 programme is currently assessed as £19.222m, consisting of Metro Rail Grant of £16.000m, supplemented by local contributions of £2.222m LTP grant and £1.000m Highways Challenge Fund in respect of the Tanners Bank bridge project.

2.24 A number of significant projects across a range of different asset categories are planned in 2021/22. The programme is set out in Appendix 1 and a summary is provided below:

- **Civils**

Tanners Bank £1m. Replacement of a vulnerable cast iron bridge in order to increase headroom and access to North shields Fish Quay, funded by grant from the Highways Maintenance Challenge Fund (HMCF).

- **Permanent Way**

Tyne Dock track works £1.850m. Full depth renewal of circa 450m of track between Tyne Dock and Simonside. Plain Line Renewal South Gosforth to Airport £1.500m. Renewal of life expired switch and crossing at Christon Road to ensure access to the Gosforth Depot.

- **Mechanical and Electrical**

Lift and escalator refurbishment works at Haymarket and Monument stations £0.430m.

- **Overhead Line Equipment**

Continuation of the programme of contact wire renewal and cantilever replacement £3.321m.

- **ICT Infrastructure**

Network Refresh £0.900m. Replacement of obsolete IP network management system to enable continuing effectiveness of our operational maintenance, monitoring and support. IP network equipment supporting devices throughout the Metro system, (such as PA, CCTV, Telephony etc.) to be refreshed in order to maintain continuing stable operation.

- **Signalling**

Cable Degradation Relay Rooms £1.000m. Detailed survey (and replacement) of signalling cables within South Gosforth relay room suffering from age related degradation. Cable testing and replacement £0.500m. Location case rewiring

£0.300m. Further development on Scada and mimic panel replacements £0.050m.

- **Capital Maintenance/Other**

Investment in the existing fleet in order to prevent further degradation and help maintain performance until the new fleet is operational.

- 2.25 Despite the eleven-year programme successfully renewing and replacing a range of key assets network wide, this essential programme of renewals needs to continue across the next five years (at least) in order to stabilise the backlog that had developed pre 2010, when Metro was subject to annual funding settlements, meaning that the condition of the Metro infrastructure had steadily declined. Years 2 and 3 (2022/23 and 2023/24) of this three-year programme therefore represents the planned investment to continue network Essential Renewals.
- 2.26 Whilst an Essential Renewals funding bid for the period 2021/22 to 2025/26 was accepted by the DfT in January 2020, as a result of the pandemic this was not confirmed by HMT at the time and only £20m of capital grant for 2021/22 was confirmed in July 2020. Confirmation of funding beyond 2021/22 is still being sought and the JTC will be updated if further funding is approved.
- 2.27 Nexus will still be required to fund 10% of the overall investment in the MARP, which will amount to £2.222m in 2021/22. As with investment since 2010, Nexus will secure this from the LTP Integrated Transport Block.
- 2.28 The MARP includes Tanner’s Bank bridge replacement, which has secured £2.7m of Highways Maintenance Challenge Fund (HMCF) grant.
- 2.29 Over the next 24 months the indicative MARP programme sets out the investment need at this stage and is therefore subject to change depending upon the level of funding confirmed for 2022/23 and 2023/24:

*Table 3: Indicative MARP programme 2021/22 to 2023/24*

	<b>2021/22 Budget</b>	<b>2022/23 Budget</b>	<b>2023/24 Budget</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Maintenance	4.0	3.8	4.0	11.8
Civils	1.2	5.2	0.6	7.0
Mechanical & Electrical	0.4	2.3	0.2	2.9
Miscellaneous	-	0.3	-	0.3
Overhead Line	3.3	3.3	3.6	10.2
Permanent Way	3.6	2.4	9.0	15.0
Plant	0.4	2.5	0.1	3.0
Power	-	2.5	1.3	3.8
Risk Contingency <sup>2</sup>	0.8	5.6	10.5	16.9
Signalling	1.9	4.1	5.8	11.8
Stations	-	1.0	0.8	1.8

<sup>2</sup> The risk contingency will be allocated to individual projects once they are further developed

Ticketing & Gating	-	1.0	0.2	1.2
	<b>2021/22 Budget</b>	<b>2022/23 Budget</b>	<b>2023/24 Budget</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Business Applications	0.2	0.5	-	0.7
ICT Infrastructure	1.3	0.4	2.2	3.9
Project Delivery <sup>3</sup>	2.2	5.3	4.8	12.3
	<b>19.2</b>	<b>40.1</b>	<b>43.2</b>	<b>102.5</b>

### Fleet Replacement Programme (FRP)

2.30 In October 2017, the then Chancellor announced £336.8m of grant funding for the replacement of Nexus' fleet of Metrocars. This is augmented by a £25.0m local contribution.

2.31 The funding profile was confirmed in January 2020 based on the key milestones to be delivered within the programme and is detailed below:

*Table 4: FRP original funding profile*

	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
DfT Capital Grant	-	21.6	29.8	44.0	78.6	117.7	43.6	1.5	336.8
Local Contribution	1.1	7.6	16.3	-	-	-	-	-	25.0
<b>Total</b>	<b>1.1</b>	<b>29.2</b>	<b>46.1</b>	<b>44.0</b>	<b>78.6</b>	<b>117.7</b>	<b>43.6</b>	<b>1.5</b>	<b>361.8</b>

2.32 The programme has necessarily evolved since this funding profile was initially agreed, a sizeable amount of which relates to the Covid pandemic, although there are other factors, most notably changes to the delivery milestones for the Depot Construction Contract (DCC). The latest spend profile for grant draw down is being discussed with DfT and is detailed below:

*Table 5: FRP revised funding profile*

	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
DfT Capital Grant	-	21.6	29.8	59.7	71.2	94.4	45.3	14.8	336.8
Local Contribution	1.5	3.3	16.8	3.4	-	-	-	-	25.0
<b>Total</b>	<b>1.5</b>	<b>24.9</b>	<b>46.6</b>	<b>63.1</b>	<b>71.2</b>	<b>94.4</b>	<b>45.3</b>	<b>14.8</b>	<b>361.8</b>

<sup>3</sup> This includes project management resources and other ancillary costs e.g. site supervision, replacement bus services etc

2.33 Importantly the re-profiling of the delivery programme has not resulted in a delay to the planned delivery of the new train fleet and over the next 36 months, the Manufacture and Supply Agreement (MSA) will progress through detailed design and acceptance of the first train, together with construction and delivery of the next 26 new trains. In addition, the existing depot in Gosforth will be demolished and replaced with a brand-new purpose built and modern facility. The following expenditure is forecast:

*Table 6: FRP programme forecast 2021/22 to 2023/24*

	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
New Train Fleet (MSA)	25.3	48.3	87.4	161.0
Gosforth Depot (DCC)	30.7	15.6	3.2	49.4
Project Delivery	2.0	2.9	3.0	7.9
Risk Contingency	5.1	4.4	0.9	10.4
<b>Total</b>	<b>63.1</b>	<b>71.2</b>	<b>94.4</b>	<b>228.7</b>

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

2.34 Other Capital Projects largely feature other external funding that Nexus has secured. The most notable of which is the project to relocate the North Shields Ferry Landing. Nexus will also construct a new car park at Callerton Metro station and deliver a range of digital enhancements at other car parks across the Metro estate, funded by the Transforming Cities Fund.

*Table 6: Nexus Other Capital Projects 2021/22 to 2023/24*

	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
North Shields Ferry Landing Relocation	6.6	-	-	6.6
Other Ferry Infrastructure	0.3	0.2	0.3	0.8
Callerton Car Park	0.9	0.8	-	1.7
Digital Car Park Enhancements	0.5	2.1	-	2.6
<b>Total</b>	<b>8.3</b>	<b>3.1</b>	<b>0.3</b>	<b>11.7</b>

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

2.35 In March 2020 DfT awarded Nexus £95m of Transforming Cities funding for the Metro Flow project, subject to approval of the Final Business Case in Summer 2021. A local contribution of £9m is dependent on DfT approving Metro Rail Grant

for 2022/23.

- 2.36 The MFL project will deliver more capacity, better frequency and more resilience to the existing network via the implementation of dual tracking in South Tyneside and the procurement of four additional trains. It is envisaged that this project will increase patronage, reduce emissions and improve journey times.
- 2.37 Procurement of the main contracted works is underway. Appointment of the preferred contractor will help further define the required funding profile. At this stage, the expected profile for the project to completion is illustrated below:

*Table 7: MFL profile 2021/22 to 2023/24*

	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
Main Construction Contract	3.1	59.7	-	62.8
Additional Trains	-	20.6	-	20.6
Project Delivery	3.2	5.7	0.6	9.5
Risk Contingency	1.8	6.5	0.2	8.5
<b>Total</b>	<b>8.1</b>	<b>92.5</b>	<b>0.8</b>	<b>101.4</b>

### **Nexus Capital Programme Funding**

- 2.38 The proposed Capital Programme for 2021/22 to 2023/24 is only funded in part, with the bulk of years 2 and 3 dependent on bids to DfT, whether for Metro Rail Grant or Transforming Cities funding. Notwithstanding this, the programme funding is summarised in the following table:

*Table 8: Nexus Capital Programme Funding 2021/22 to 2023/24*

	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
<b>MARP</b>	<b>19.2</b>	<b>40.1</b>	<b>43.2</b>	<b>102.5</b>
Metro Rail Grant (DfT) <sup>4</sup>	20.0	33.8	38.8	92.6
2021/22 Metro Rail Grant (DfT) b'fwd	(4.0)	-	-	(4.0)
Local Funding	-	2.4	2.1	4.5
LTP Grant	2.2	2.2	2.3	6.7
Highways Challenge Fund	1.0	1.7	-	2.7
<b>FRP</b>	<b>63.1</b>	<b>71.2</b>	<b>94.4</b>	<b>228.6</b>
New Fleet Grant (DfT)	59.7	71.2	94.4	225.2

<sup>4</sup> Funding for 2022/23 and 2023/24 has not yet been confirmed by DfT

Fleet Local Funding	3.4	-	-	3.4
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>OCP</b>	<b>8.3</b>	<b>3.1</b>	<b>0.3</b>	<b>11.7</b>
LTP Grant	0.1	-	-	0.1
Transforming Cities Fund (DfT)	1.4	2.5	-	3.9
Local Funding	1.6	0.6	0.3	2.5
LEP Grant - North Shields Ferry	5.2	-	-	5.2
<b>MFL</b>	<b>8.1</b>	<b>92.5</b>	<b>0.8</b>	<b>101.4</b>
Metro Rail Grant (DfT)	-	7.6	0.8	8.4
Transforming Cities Fund (DfT) <sup>5</sup>	8.1	84.9	-	93
<b>Grand Total</b>	<b>98.6</b>	<b>206.9</b>	<b>138.7</b>	<b>444.2</b>

2.39 Dialogue will continue with DfT in respect of approving a longer-term funding arrangement for MARP. This will allow Nexus to better plan and procure delivery of a complex programme with greater certainty, and the JTC will be updated on progress in this respect.

### **Tyne Tunnels**

2.40 It was anticipated at the time of setting the 2020/21 budget that the works would be fully completed, and the Tyne Pedestrian and Cycle Tunnels would be handed over to the operation of TT2. However, due to contractor delays related to Covid-19 travel restrictions, the new inclined lifts have not yet been completed and put into operation during 2020 as planned.

2.41 Until the lifts are operational the Tunnels cannot be handed back to TT2 and will continue to incur costs if they are to remain open to the public. Costs including on-site security, maintenance contracts, cleaning and utilities are being incurred. There is also further expenditure required on lift parts, engineers and testers to complete the inclined lifts. An update report on the refurbishment and the inclined lift works was provided to JTC Audit Committee in December 2020 and regular updates on the works will be taken to the Tyne and Wear Sub Committee from January 2021 onwards.

### **Local Transport Plan**

2.42 Local Transport Plan (LTP) Integrated Transport Block funding is made available by the 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 Metro ARP capital programme). The LTP block allocation is also used to contribute to the costs of the Transport Strategy Unit

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<sup>5</sup> TCF grant for MFL is subject to submission and approval of a full business case in summer 2021.

and, in Tyne and Wear, to the Urban Traffic Management and Control (UTMC) centre. Q1 and 2 payments have been made to constituent authorities following receipt of the grant from DfT, and expenditure to the end of December 2020 is £4.686m.

- 2.43 At the time of writing this report, final confirmation from DfT of the level of Integrated Transport Block grant for 2021/22 has not been received. There are no indications that this will be different from the amount received in 2020/21, which has been at the same level for a number of years. For 2021/22 it is proposed that the apportionment of the grant between constituent authorities be made as set out in the table below. This represents no change to the gross allocation or the TSU topslice, but an increase in the topslice on Tyne and Wear authorities to fund the UTMC, from £0.376m to £0.442m, as set out in a report to the last meeting of the Transport Strategy Board. This is an increase of 18% compared to the figure agreed in 2016, partly due to inflation but mainly arising from the increase in maintenance and hosting costs that are a result of the increase in connected assets from National Productivity Improvement Fund and other transport infrastructure schemes.

*Table 9: Allocation of LTP Integrated Transport Block grant 2021/22*

	<b>Allocation</b>	<b>Topslice for TSU</b>	<b>Topslice for UTMC</b>	<b>2021/22 Net Allocation</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Durham	2.789	(0.0625)	0.000	2.727
Gateshead	1.328	(0.0625)	(0.079)	1.187
Newcastle	1.650	(0.0625)	(0.115)	1.472
North Tyneside	1.088	(0.0625)	(0.080)	0.946
Northumberland	1.695	(0.0625)	0.000	1.633
South Tyneside	0.843	(0.0625)	(0.059)	0.722
Sunderland	1.606	(0.0625)	(0.109)	1.434
MARP Local Contribution / Public Transport Schemes	2.950	(0.0625)	0.000	2.888
<b>Total</b>	<b>13.949</b>	<b>(0.500)</b>	<b>(0.442)</b>	<b>13.007</b>

#### **Active Travel Fund (Capital Elements)**

- 2.40 The region successful secured £2.262m of the Active Travel Fund in July, which was made up of £1.157m capital grant and £1.105 revenue grant. This was for temporary measures to reallocate road space to pedestrians and cyclists in order to make these travel modes safer and more convenient, and will be fully

completed this financial year.

- 2.41 On 7 August 2020 JTC submitted a regional bid requesting £15.678m from tranche 2 of the ATF. This was for further measures to support the reallocation of road space to pedestrians and cyclists, both permanent and temporary. In November 2020 it was announced that the JTC had been awarded £9.049m from Tranche 2, £7.239m capital and £1.810m revenue. Schemes will need to be delivered by constituent local authorities by the end of 2021/22. A report elsewhere on this agenda considers the allocation and programme, in light of the award being less than the bid submitted.

### Overall Capital Programme Financing

- 2.42 Forecast capital expenditure for the 2020/21 year will be financed as follows:

*Table 10: Capital Programme Financing 2020/21*

	<b>2020/21 Original Budget</b>	<b>2020/21 Updated (November JTC)</b>	<b>2020/21 Revised Forecast</b>	<b>Variance – November JTC to January JTC</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Government Grants	63.897	73.978	77.338	3.360
Earmarked Reserves	17.669	14.257	14.464	0.207
<b>Total Funding</b>	<b>81.566</b>	<b>88.235</b>	<b>91.802</b>	<b>3.567</b>

- 2.43 The 2021/22 capital programme will be financed as follows:

*Table 11: Capital Programme Financing 2021/22*

	<b>2021/22 Initial Programme Budget</b>
	<b>£m</b>
Government Grants	147.174
Earmarked Reserves	5.500
<b>Total Funding</b>	<b>152.674</b>

### 3. Reasons for the Proposals

- 3.1 The proposals are presented in this report to enable the Joint Transport Committee to agree its capital programme for 2021/22.

### 4. Alternative Options Available

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

Option 2 – The North East Joint Transport Committee may not accept the



4.2 recommendations set out in this report.

Option 1 is the recommended option.

4.3

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

5.1 Progress against the JTC Capital Programme will be reported regularly throughout the year and monitored carefully by officers at the various delivery bodies. As and when updated information on funding bids is received, the capital programme will be updated and presented to the JTC for consideration and approval.

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

6.1 Successful delivery of the various transport schemes and investment proposals outlined in this report will assist the JTC in meeting its objective to maximise the region's opportunities and potential.

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

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

## **8. Legal Implications**

8.1 The Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 specifies that the setting of the capital programme in relation to transport is a function exercisable only by the Joint Transport Committee. Unanimous approval is required.

## **9. Key Risks**

9.1 Risks associated with the delivery of transport schemes by the key delivery bodies are factored into the risk management processes of those organisations.

## **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 Projects being delivered by constituent authorities or in constituent authority areas are subject to local consultation and planning approvals.

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

13.1 There are no other impacts arising from this report.

## **14. Appendices**

14.1 Appendix 1: Nexus Capital Programme 2021/22 to 2023/24

## **15. Background Papers**

15.1 JTC report 17 November 2020 – Capital Programme Update – ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 17/11/2020 14:30 \(northeastca.gov.uk\)](#)

JTC report 21 January 2020 – 2020/21 Initial Capital Programme – ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 21/01/2020 14:00 \(northeastca.gov.uk\)](#)

## **16. Contact Officers**

16.1 Eleanor Goodman, NECA Finance Manager,  
[eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk), 07546 653402

## **17. Sign off**

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

## **18. Glossary**

DfT – Department for Transport

DARP – Digital Asset Renewal Programme

JTC – Joint Transport Committee

LTP – Local Transport Plan

MARP – Metro Asset Renewal Programme

TCF – Transforming Cities Fund

TPCT – Tyne Pedestrian and Cycle Tunnel

TSU – Transport Strategy Unit

UTMC – Urban Traffic Management and Control

## Appendix 1 – Nexus Capital Programme 2021/22

	2021/22	2022/23	2023/24	Grand Total
	£m	£m	£m	£m
<b>MARP</b>	<b>17.070</b>	<b>34.816</b>	<b>38.363</b>	<b>90.248</b>
<b>Capital Maintenance</b>	<b>3.998</b>	<b>3.798</b>	<b>3.998</b>	<b>11.794</b>
<i>Capital Maintenance - Existing fleet and transition.</i>	3.223	3.223	3.223	9.669
<i>Infrastructure Vehicle Maintenance (RRV's, wagons, locos etc.)</i>	0.175	0.175	0.175	0.525
<i>Plain Line (Heavy Maintenance)</i>	0.400	0.400	0.400	1.200
<i>Rail Grinding</i>	0.200	-	0.200	0.400
<b>Civils</b>	<b>1.150</b>	<b>5.185</b>	<b>0.600</b>	<b>6.935</b>
<i>Bridges - condition and assessment led repairs/painting</i>	-	0.500	0.300	0.800
<i>Multi Storey Car Parks refurbishment</i>	-	1.000	-	1.000
<i>Reyrolle Underbridge</i>	-	-	0.075	0.075
<i>Stoddart Street bridges - repair/waterproofing</i>	-	0.500	-	0.500
<i>Structural Assessments - overbridges</i>	0.050	0.050	0.025	0.125
<i>Surface Car Parks Refurbishment</i>	-	0.200	0.200	0.400
<i>Tanners Bank Underbridge</i>	1.000	1.700	-	2.700
<i>Tunnels - repairs and asbestos maintenance</i>	0.100	0.400	-	0.500
<i>Bridges - Benton (1114 1115B) (subway demolition)</i>	-	0.275	-	0.275
<i>Cullercoats Footbridge</i>	-	0.500	-	0.500
<i>FLE drainage</i>	-	0.060	-	0.060
<b>Level Crossings</b>	<b>0.010</b>	<b>0.010</b>	<b>0.010</b>	<b>0.030</b>
<b>Mechanical and Electrical</b>	<b>0.430</b>	<b>2.282</b>	<b>0.245</b>	<b>2.957</b>
<i>Dry risers</i>	-	0.100	-	0.100
<i>Escalator handrail &amp; lift re-ropeing</i>	-	0.075	0.075	0.150
<i>Escalators - Haymarket (No. 1&amp;3) 1/2 Life Refurbishment</i>	0.250	-	-	0.250
<i>Gas supression</i>	-	0.007	0.020	0.027
<i>Lifts - BTN (No. 1-2) 1/2 Life</i>	-	-	0.100	0.100

	2021/22	2022/23	2023/24	Grand Total
	£m	£m	£m	£m
<i>Refurbishment</i>				
<i>Lifts - Haymarket (No. 1) 1/2 Life Refurbishment</i>	-	0.050	-	0.050
<i>Station lighting and small power</i>	-	0.050	0.050	0.100
<i>Escalator - Haymarket 2 1/2 Life Refurbishment</i>	-	0.125	-	0.125
<i>Escalator - Sunderland 1 1/2 Life Refurbishment</i>	-	0.125	-	0.125
<i>Lift - Central (No.1) 1/2 Life Refurbishment</i>	-	0.050	-	0.050
<i>Lift Monument (No.1) 1/2 Life Refurbishment</i>	-	0.050	-	0.050
<i>Lift Monument (No.3) Replacement</i>	0.180	-	-	0.180
<i>Lift Gateshead (No.1) 1/2 Life Refurbishment</i>	-	0.050	-	0.050
<i>Lift Chichester (No.1-2) 1/2 Life Refurbishment</i>	-	0.100	-	0.100
<i>Lighting inverters</i>	-	0.500	-	0.500
<i>Tunnel Lighting</i>	-	1.000	-	1.000
<b>Miscellaneous</b>	-	<b>0.250</b>	-	<b>0.250</b>
<i>Control Centre Improvements</i>	-	0.250	-	0.250
<b>Overhead line</b>	<b>3.321</b>	<b>3.321</b>	<b>3.628</b>	<b>10.270</b>
<b>Permanent Way (Plain line)</b>	<b>3.550</b>	<b>2.375</b>	<b>8.950</b>	<b>14.875</b>
<i>Plain line - Tynemouth to Northumberland Park</i>	-	0.250	0.250	0.500
<i>Plain Line Refurbishment. SGF to Airport (Col)</i>	-	-	6.000	6.000
<i>Plain line Renewal South Gosforth to Airport</i>	-	-	2.500	2.500
<i>Points Heater Controls Replacement</i>	-	0.075	-	0.075
<i>Switches &amp; Crossings - Chillingham Road 3014AB pts (Crossover)</i>	-	0.050	-	0.050
<i>Switches &amp; Crossings - Monkseaton 2036Bpts (Turnout), 2034 Abpts (Crossover), 2032 AB pts (Crossover)</i>	-	0.800	-	0.800

	2021/22	2022/23	2023/24	Grand Total
	£m	£m	£m	£m
<i>Vegetation clearance</i>	0.200	0.200	0.200	0.600
<i>Track Works - Tyne Dock</i>	1.850	-	-	1.850
<i>Plain Line Refurbishment South Gosforth to Airport (Christon Road 1020A/B &amp; 1021 pts)</i>	1.500	-	-	1.500
<i>Switches &amp; Crossings - Pelaw Chords 7016/17 pts</i>	-	0.500	-	0.500
<i>Switches &amp; Crossings - Prudhoe Street 6007A/B pts</i>	-	0.500	-	0.500
<b>Plant</b>	<b>0.390</b>	<b>2.490</b>	<b>0.140</b>	<b>3.020</b>
<i>Vehicle replacement Programme</i>	0.140	0.140	0.140	0.420
<i>Diesel Shunters Battery Locos (likely to be RRVs)</i>	0.250	2.350	-	2.600
<b>Power</b>	<b>-</b>	<b>2.543</b>	<b>1.333</b>	<b>3.876</b>
<i>DC Switch boxes</i>	-	0.333	0.333	0.666
<i>HV/DC troughing fettling</i>	-	1.000	-	1.000
<i>Targeted HV Cabling Replacement</i>	-	0.210	-	0.210
<i>Voltage/harmonics optimisation systems</i>	-	-	1.000	1.000
<i>Traction power mimic replacement (now included in Scada)</i>	-	1.000	-	1.000
<b>Risk Contingency</b>	<b>0.758</b>	<b>5.622</b>	<b>10.519</b>	<b>16.898</b>
<b>Signalling</b>	<b>1.850</b>	<b>4.140</b>	<b>5.765</b>	<b>11.755</b>
<i>Track inpedance bonds(replace oil filled)</i>	-	0.090	0.090	0.180
<i>Cable Degradation relay rooms</i>	-	1.000	1.000	2.000
<i>Cable Testing and Replacement</i>	0.500	0.500	0.425	1.425
<i>Customer Information System (PID's) &amp; pids to IP</i>	-	0.050	1.000	1.050
<i>Ground shunt &amp; Subsidiary Signals</i>	-	0.050	-	0.050
<i>Location Rewire</i>	0.300	0.300	0.300	0.900
<i>Point Machine Replacement</i>	-	-	0.300	0.300
<i>Relay Replacement &amp; relay room equipment</i>	-	0.100	0.100	0.200
<i>Relay rooms cooling and lighting at SGF</i>	-	0.030	0.080	0.110

	2021/22	2022/23	2023/24	Grand Total
	£m	£m	£m	£m
SCADA	0.050	0.050	2.000	2.100
Track Circuits	-	0.250	0.250	0.500
Trainstop replacement (Trackside)	-	0.080	0.080	0.160
Treadle Replacement	-	0.040	0.040	0.080
Troughing	-	0.100	0.100	0.200
Cable degradation - relay rooms	1.000	-	-	1.000
LED Signal Replacement	-	1.500	-	1.500
<b>Stations</b>	<b>0.031</b>	<b>0.950</b>	<b>0.750</b>	<b>1.731</b>
Byker	-	0.450	-	0.450
Halt stations JES – SGF	-	-	0.100	0.100
Halt Stations MAN – NSH	-	-	0.100	0.100
Manors	-	-	0.200	0.200
Monkseaton (incl canopy)	-	-	0.300	0.300
Simonside	-	-	0.050	0.050
Whitley Bay (Canopy)	-	0.500	-	0.500
Station Platform Tactile Paving	0.031	-	-	0.031
<b>Ticketing and Gating</b>	<b>-</b>	<b>1.000</b>	<b>0.200</b>	<b>1.200</b>
Fare Collection Systems	-	1.000	-	1.000
Upgrade TVMs, gates/barriers, validators, TOMs	-	-	0.200	0.200
<b>Business Applications</b>	<b>0.233</b>	<b>0.475</b>	<b>0.025</b>	<b>0.733</b>
Asset Management Software Replacement	0.075	0.175	-	0.250
Finance System	0.058	-	-	0.058
HR/Payroll	0.100	0.250	-	0.350
ArcGis Desktop	-	0.025	-	0.025
Finance System upgrades/developments	-	0.025	0.025	0.050
<b>ICT Infrastructure</b>	<b>1.349</b>	<b>0.375</b>	<b>2.200</b>	<b>3.924</b>
Remote condition monitoring	-	-	2.200	2.200
Cycle Lockers	0.020	-	-	0.020
Microsoft SQL Server	0.044	0.050	-	0.094
Backup & Recovery Solution	0.300	-	-	0.300

	2021/22	2022/23	2023/24	Grand Total
	£m	£m	£m	£m
<i>DMZ Virtual Infrastructure</i>	0.085	-	-	0.085
<i>Network Refresh</i>	0.900	-	-	0.900
<i>Microsoft Sharepoint</i>	-	0.100	-	0.100
<i>Microsoft CRM</i>	-	0.060	-	0.060
<i>Paloalto (Firewall)</i>	-	0.165	-	0.165
<b>FRP</b>	<b>63.069</b>	<b>71.163</b>	<b>94.410</b>	<b>228.642</b>
MSA	25.300	48.299	87.398	160.997
DCC	30.696	15.560	3.165	49.421
Project Delivery	1.997	2.873	2.976	7.845
Risk Allowance	5.077	4.432	0.871	10.380
<b>OCP</b>	<b>8.252</b>	<b>3.098</b>	<b>0.317</b>	<b>11.667</b>
TCF	1.382	2.932	-	4.314
<i>Callerton Car Park</i>	0.876	0.825	-	1.701
<i>Digital Car Park</i>	0.506	2.107	-	2.613
<b>Ferry</b>	<b>6.847</b>	<b>0.166</b>	<b>0.317</b>	<b>7.330</b>
<i>Ferry Vessels</i>	0.090	-	-	0.090
<i>Ferry Property Repairs</i>	-	-	-	-
<i>Ferry North Landing Relocation</i>	6.569	-	-	6.569
<i>South Landing works</i>	0.188	0.166	0.317	0.671
HCE PAYG Development	0.023	-	-	0.023
<b>MFL</b>	<b>8.100</b>	<b>92.500</b>	<b>0.800</b>	<b>101.400</b>
Project Delivery	3.200	5.700	0.600	9.500
Risk Allowance	1.800	6.500	0.200	8.500
Construction Contract	3.100	59.700	-	62.800
Additional Trains	-	20.600	-	20.600
<b>Programme Overhead</b>	<b>2.152</b>	<b>5.305</b>	<b>4.810</b>	<b>12.267</b>
<b>Grand Total</b>	<b>98.643</b>	<b>206.882</b>	<b>138.700</b>	<b>444.224</b>

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## North East Joint Transport Committee

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**Date:** 19 January 2021  
**Subject:** Transport Budget and Levies 2021/22  
**Report of:** Chief Finance Officer

### Executive Summary

This report sets out the 2021/22 Transport Revenue Budget and associated Transport Levies for the North East Joint Transport Committee (JTC) together with indicative forecasts for future years also exemplified for consideration and approval. The budget proposals contained in this report take into account comments received during consultation on the outline proposals presented to this committee in November 2020.

The two Combined Authorities in the JTC area are required to set the Transport Levies before 15 February 2021 to enable their constituent councils to take the levies and other contributions into account in setting their own budgets. The two Combined Authorities will formally consider issuing the levies that are agreed by the JTC at their meetings on 2 February (NECA) and 26 January (NTCA).

The report provides an update on the Revenue Budget outturn for 2020/21 and sets out the revenue resources planned to be used in 2021/22 to deliver the objectives of the JTC. A separate report on this agenda sets out the 2021/22 Transport Capital Programme and provides an update on the delivery of the 2020/21 Transport Capital Programme.

The proposed budget and levy for public passenger transport activity in County Durham is £15.467m for 2021/22, of which £15.457m will be payable as a grant to Durham County Council and £10,000 retained to contribute to the central costs of the JTC. This compares with a levy for 2020/21 of £15.466m, of which £15.456m was payable as transport grant.

The proposed budget and levy for public transport activity in Northumberland is £6.328m for 2021/22, of which £6.318m will be payable as a grant to Northumberland County Council and £10,000 retained to contribute to the central costs of the JTC. This compares with a levy of £6.234m for 2020/21, of which £6.224m was payable as transport grant.

The proposed budget and levy for public transport activity in Tyne and Wear is £61.120m for 2021/22, of which £57.813m will be payable as a grant to Nexus. This represents a year

on year cash freeze in the levy compared with 2020/21. As in previous years, £2.120m of the levy will be retained and used to help fund central costs of the JTC, primarily relating to the former Tyne and Wear Integrated Transport Authority (TWITA) functions. £1.187m will also be retained as a contribution from Nexus towards the Metro Futures Planning Studies budget. A one-off £1.2m levy rebate (the equivalent of a 2% levy reduction), funded from reserves will be shared by the five Tyne and Wear Councils to partially offset the cost of the levy in 2021/22.

The gross expenditure budget for the Transport Strategy Unit is £2.660m in 2021/22, funded through a range of sources, including a contribution from the Local Transport Plan Integrated Transport Block grant of £500,000 (equating to £62,500 for each of the seven local authorities and Nexus), contribution from Transforming Cities Fund (TCF) grant to meet programme management costs relating to the TCF programme, a contribution from the Retained Levy Budget and other specific revenue grants received from central government. There is a proposed use of JTC reserves to fund the Bus Covid Recovery Project and additional work on the Transport Plan.

The Tyne Tunnels revenue account forecast for 2020/21 is a breakeven position and factors in the financial framework agreed by the JTC at its meeting on 15 September 2020 in support of the introduction of the Tyne Pass scheme, which includes a payment of £6.7m to TT2 to be repaid with interest over the life of the concession, to 2037. The budget estimates for 2021/22 have been prepared on the basis that increases in the Retail Price Index (RPI) measure of inflation will trigger an increase in the toll for Class 2 vehicles (Cars). This is a decision for the Tyne and Wear Sub Committee, who will be recommended to agree the increase at their meeting on 14 January 2021.

## Recommendations

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

- i) Note the position of the Transport budget in 2020/21 and approve the revised estimates for the year;
- ii) Agree a Transport net revenue budget for 2021/22 of £82.895m, as set out in section 2.5 of this report;
- iii) Agree the following Transport Levies for 2021/22:
  - a. Durham County Council £15.467m
  - b. Northumberland County Council £6.328m
  - c. Tyne and Wear councils (detailed in Table 6) £61.100m
- iv) Agree a transport revenue grant to Durham County Council for the delivery of transport services of £15.457m, as outlined in section 2.8;
- v) Agree a transport revenue grant to Northumberland County Council for the delivery of transport services of £6.318m, as outlined in section 2.10;
- vi) Agree a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £57.813m (a temporary reduction from £59.000m to facilitate the transfer to Transport Strategy Unit of £1.187m budget for Metro Futures

- Planning Studies) as outlined in section 2.12, noting that £3.3m of this will be used to fund Metro operations;
- vii) Agree the payment of a one-off £1.2m levy rebate to the five Tyne and Wear Councils, funded from reserves, to be distributed on the basis of population (detailed in Table 6 at section 2.13);
  - viii) Agree that Nexus' 2021/22 budget for concessionary fares reimbursement will be held at 2020/21 levels, with Nexus continuing to place reliance on Cabinet Office guidance to reimburse commercial bus operators at such levels, pending further guidance from central government and/or a direction from the JTC to reimburse on a different basis;
  - ix) Note that a fare increase for Metro and the Ferry service of RPI is included in Nexus' budget estimates, pending agreement from the Tyne and Wear Sub-Committee;
  - x) Note the planning assumption in Nexus' budget that agreement will be reached with DfT for Covid support of £21.9m over the full year to cover lost fare and commercial income;
  - xi) Approve the budget for the Tyne Tunnels set out in section 2.50, which includes a recommended increase in the Tyne Tunnels tolls for inflation to be considered for approval by the Tyne and Wear Sub Committee on 14 January 2021;
  - xii) Approve the budget for the Transport Strategy Unit as set out in section 2.37; and
  - xiii) Agree the forecast level and use of reserves at section 2.53.

## 1. Background Information

- 1.1 The draft budget proposals were presented to this committee for consideration on 26 October 2020 and 17 November 2020 and have been the subject of consultation with officer groups, the JTC Overview and Scrutiny Committee, the Tyne and Wear Sub-Committee (for proposals relating to Tyne and Wear) and the JTC Audit Committee.
- 1.2 This report sets out the final budget proposals, taking into account the comments received during the budget setting process and the latest available information.
- 1.3 The report outlines the proposed Transport revenue budget and levies for 2021/22, together with indicative forecasts for future years also exemplified for consideration and approval. The report also provides an updated forecast for the current year.

## 2. Proposals

### Transport Revenue Budgets 2020/21 Forecast

- 2.1 The main area of income and expenditure in the JTC revenue budget is the Transport levies and the revenue grants paid to Durham County Council, Northumberland County Council and Nexus for the delivery of public transport services.
- 2.2 As the Transport Levies and revenue grants are normally fixed for the year, there is no change in the Levies payable and minimal change in the Joint Transport Committee revenue budget itself in year.
- 2.3 Any surplus or deficit against the budgets for the three main delivery agencies (Durham County Council, Northumberland County Council and Nexus) is retained or managed within the reserves of those organisations.
- 2.4 *Table 1: 2020/21 Transport Levies and Grants:*

	<b>2020/21 Original Budget</b>	<b>2020/21 Forecast Outturn</b>	<b>2020/21 Forecast Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Total Transport Levies</b>			
Grant to Durham	15,466	15,466	0
Grant to Northumberland	6,234	6,234	0
Grant to Nexus	59,000	59,000	0
Retained Transport Levy budget (to meet central costs)	2,120	2,120	0
<b>Net</b>	<b>82,820</b>	<b>82,820</b>	<b>0</b>
<b>Contribution to/ (from) JTC unearmarked reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Budget and Levy Proposals for 2021/22

- 2.5 The overall total proposed net revenue budget for transport levies in 2021/22 is £82.895m, as summarised in Table 2 below. This represents a small net increase of £0.095m when compared to 2020/21.

Table 2: Transport Levies 2021/22:

	Levy	Change from 2020/21	Levy per person <sup>1</sup>
	£m	£m	£
Durham	15.467	0.001	29.18
Northumberland	6.328	0.094	19.63
Tyne and Wear	61.120	0	53.53
<b>Total</b>	<b>82.915</b>	<b>0.095</b>	

- 2.6 The variation in the figures for the levy per person reflects the higher costs of concessionary travel demand and capital financing costs in the Tyne and Wear area and demonstrates why three separate levies are required (it should be noted that only £3.3m of the Tyne and Wear levy is used to fund Metro operations). The following table sets out a summary of the transport net revenue spending planned for 2021/22. Around £55.4m (67%) is planned to be spent on concessionary travel and around £18.6m (22%) on subsidised bus services. It should be noted that these figures do not include the costs of home to school transport for children and young people as these are within the budgets of the relevant local authorities.

Table 3: Summary of the 2021/22 Transport Budget:

	Durham	N'Land	Tyne & Wear	Total
	£000	£000	£000	£000
Statutory Concessionary Travel	11,932	4,902	35,710	52,544
Discretionary Concessionary Travel	0	0	2,894	2,894
Subsidised Bus Services	2,556	1,231	14,833	18,620
Bus Stations/Infrastructure	196	26	2,154	2,376
Public Transport Information	88	25	1,205	1,318
Metro (incl. Discretionary Travel)	0	0	24,103	24,103
Heavy Rail	0	0	260	260
Ferry	0	0	1,278	1,278
Staffing in Durham/Northumberland	685	134	0	819
Projected Covid-19 Support	0	0	(21,944)	(21,944)
Funded from Reserves	0	0	(2,680)	(2,680)
<b>Transport Grant</b>	<b>15,547</b>	<b>6,318</b>	<b>57,813</b>	<b>79,588</b>
JTC General Transport Costs and former TWITA Costs	10	10	2,100	2,120
Contribution to Metro Futures	0	0	1,187	1,187

<sup>1</sup> ONS mid-2019 Population estimates, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2019>

Planning Studies				
<b>Transport Levy</b>	<b>15,467</b>	<b>6,328</b>	<b>61,100</b>	<b>82,895</b>

2.7 Durham County Council, Nexus and Northumberland County Council make payments to operators under the Government's English National Concessionary Travel Scheme (ENCTS) which entitles pass holders to free off-peak travel after 9.30 am on local bus services. Patronage using the scheme was significantly reduced due to the introduction of the Government's lockdown policy in response to the Covid-19 outbreak. Transport Authorities continue to reimburse operators at pre pandemic levels to ensure the viability of routes and operators is maintained, in line with the Cabinet Office Procurement Policy Note 02/20 – Supplier Relief due to Covid-19, for at least the period of the outbreak to enable the resumption of socially necessary services afterwards.

### Durham

2.8 The budget and levy for public passenger transport activity in County Durham will be set at £15.467m for 2021/22. This compares with a levy for 2020/21 of £15.466m. The budget and levy for 2020/21 and 2021/22 is summarised in the table below.

*Table 4: Durham Transport Budget and Levy 2021/22:*

	<b>2020/21 Original Budget</b>	<b>2020/21 Forecast</b>	<b>2020/21 Forecast Variance</b>	<b>2021/22 Proposed Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Concessionary Fares	11,932	11,932	0	11,932
Subsidised Services	2,556	2,564	8	2,556
Bus Stations	177	159	(18)	177
Bus Shelters	19	82	63	19
Passenger Transport Information	88	61	(27)	88
Staffing	684	685	1	685
Share of NECA Transport Costs	10	10	0	10
<b>Net Expenditure / Levy</b>	<b>15,466</b>	<b>15,493</b>	<b>27</b>	<b>15,467</b>

There is a £27,000 overspend forecast in 2020/21, which will be met by Durham County Council at the year-end. The main reasons for the projected overspend are as follows:

- Bus Stations - £18,000 under budget – this is due to a reduction in payments to third parties;
- Bus Shelters – £63,000 over budget – this is due to additional costs of providing bus shelters; and
- Passenger Transport Information - £27,000 under budget – this is due to a reduction in printing and communications costs

The budget proposals for 2021/22 are largely in line with those for the current year,

with no adverse impact on services anticipated in the coming year.

## Northumberland

- 2.9 The latest forecast indicates that the year-end position will be £40k underspent for both Concessionary Fares and Subsidised Bus Services. Following the Covid-19 outbreak the majority of supported services within Northumberland continued to operate, albeit for the most part at a reduced frequency. The Council has continued to pay operators at full contracted prices with the exception of some seasonal services that had been due to commence from 5th April when these services were suspended until the resolution of the Covid-19 crisis or such point when it was deemed fit to resume. Some of these services have now commenced operating. These supported services include instances of services running commercially at popular/peak times, but where support is given to maintain journeys at other times, for example early mornings or late evenings. As described in paragraph 2.7, the Council continues to make Concessionary Travel payments to operators.
- 2.10 The budget and levy for public transport activity in Northumberland is £6.328m for 2021/22. This compares with a budget of £6.234m for 2020/21. The reason for the small increase is due to an allowance for some inflation. The Council is currently consulting on its 2021/22 budget proposals. The budget and levy for 2020/21 and 2021/22 is summarised in the table below:

*Table 5: Northumberland Transport Budget and Levy 2021/22:*

	<b>2020/21 Original Budget</b>	<b>2020/21 Forecast</b>	<b>2020/21 Forecast Variance</b>	<b>2021/22 Proposed Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Concessionary Fares	4,811	4,772	(39)	4,902
Subsidised Services	1,230	1,230	0	1,231
Bus Stations	25	24	(1)	26
Passenger Transport Information	25	25	0	25
Staffing	133	133	0	134
Share of NECA Transport Costs	10	10	0	10
<b>Net Expenditure / Levy</b>	<b>6,234</b>	<b>6,194</b>	<b>(40)</b>	<b>6,328</b>

## Tyne and Wear

- 2.11 The recommended budget and levy for Tyne and Wear is £61.100m for 2021/22, a year on year cash freeze when compared with 2020/21. A one-off rebate of £1.2m will however be paid to the Tyne and Wear Authorities, to be distributed on the same population basis as the levy. This will be funded from reserves and is set out in Table 6 below.
- 2.12 The levy for Tyne and Wear includes a centrally retained budget of £2.1m, required to fund Tyne and Wear transport costs (primarily relating to the former Tyne and Wear Integrated Transport Authority). A sum of £1.187m will also be retained in 2021/22 as a contribution to Metro Futures Planning Studies, which will now be

coordinated by the Transport Strategy Unit and the grant to Nexus for the provision of public transport services will therefore be £57.813m next year. The reduction in the payment to Nexus is a one off and represents Nexus' commitment to funding Metro Futures Planning Studies as agreed by the JTC in January 2020. Assuming a freeze in the Tyne and Wear transport levy in 2022/23, Nexus' share of the levy will revert back to £59.000m in that year.

- 2.13 The apportionment of the Tyne and Wear levy between the constituent councils is revised each year to consider the mid-year population estimates. In 2021/22 the split of the levy will be based on the mid-2019 population estimates, as set out in Table 6 below. More detail is provided in Appendix 1.

*Table 6: Tyne and Wear Levy Apportionment 2021/22:*

Council	2020/21 Levy	2021/22 Levy	Change	Share of Levy Rebate
	£	£	£	£
Gateshead	10,888,379	10,815,502	(72,877)	(212,416)
Newcastle	16,140,834	16,209,202	68,368	(318,348)
North Tyneside	11,075,330	11,129,066	53,736	(218,574)
South Tyneside	8,079,396	8,081,370	1,974	(158,717)
Sunderland	14,916,061	14,864,860	(51,201)	(291,945)
<b>Total</b>	<b>61,100,000</b>	<b>61,100,000</b>	<b>0</b>	<b>1,200,000</b>

### **Nexus Revenue Budget**

- 2.14 Over the past decade, Nexus' main sources of funding have reduced by a net £5m in cash terms, from £136m to £131m (in real terms, this reduction is estimated at around £45m) including a £15.2m reduction in the grant from the Tyne and Wear Levy. Over this time, a range of efficiency savings have been delivered to protect frontline services. At the same time, Nexus has delivered a significant asset renewal programme on the Tyne and Wear Metro to replace key assets. In anticipation of the delivery of the new fleet, Nexus has modernised its train crew agreement and in partnership with Stadler Rail will transform the way in which fleet engineering is carried out. Despite this, Nexus has managed to generate surpluses of £12.2m since 2014, of which £8.5m has been invested in transport infrastructure, with the balance increasing usable reserves and therefore available to support frontline services.

### **Nexus Forecast 2020/21**

- 2.15 Since the JTC approved Nexus' 2020/21 budget, the Covid-19 pandemic has significantly impacted on the financial position of Nexus. The effect of the nationwide lockdown in March 2020 led to patronage on the Metro immediately declining by around 95%. The nature of Metro's operation is such that many of its costs are fixed and cannot be reduced in the short to medium term. Therefore,



during the lockdown period, the system was operating at a loss of approximately £0.9m per week, excluding costs associated with making the system Covid secure, e.g. purchase of additional Personal Protective Equipment (PPE), new signage and deep cleaning of trains and stations. A partial recovery when lockdown restrictions were relaxed saw the scale of these losses reduce but the imposition of local restrictions in late September 2020 and the second national lockdown in early November 2020, followed by Tier 3 restrictions, mean that Metro is currently forecast to only generate between 25% and 30% of pre-Covid revenues in 2020/21.

- 2.16 As a consequence of Covid, the government introduced a new short-term emergency grant called Light Rail Revenue Restart Grant (LRRRG). This grant covers all of Metro's Covid-related net losses i.e. fare and commercial revenue losses, additional costs associated with combatting the coronavirus pandemic offset by savings from delivering a reduced level of service. The grant provided to Nexus has been paid in five tranches, covering the period 16 March 2020 to 31 March 2021.
- 2.17 In total, around £39.0m of support has been provided in LRRRG this financial year. This is subject to an audit process and Nexus is also required to develop a recovery plan for DfT aimed at becoming financially sustainable and based on two high level assumptions:
- a) LRRRG will be discontinued at some future point; and
  - b) Metro will likely operate with a reduced level of demand in the medium term.
- 2.18 The recovery plan will need to respond to the challenges of stimulating demand once a vaccine is rolled out, whilst also reviewing Metro's cost base in order to identify opportunities for cost reductions. The recovery plan needs to respond to environmental challenges as well.
- 2.19 Bus services were similarly impacted by the national lockdown, and a government grant called "Coronavirus Bus Services Support Grant (CBSSG)" has been provided to commercial bus operators on a broadly similar basis to the light rail funding. CBSSG was also predicated on an assumption made by government that local transport authorities such as Nexus would continue to make payments for Concessionary Travel and Secured Bus Services at pre-Covid levels, even though those services were not being provided (as demand for them had evaporated).
- 2.20 A separate bus grant aimed at local authorities to cover lost fare income on secured bus services was implemented at the same time, called "LACBSSG". In addition, funding has also been made available by the Department of Education (DfE) for school bus services from September 2020 to December 2020. In total, £1.7m has been provided in LACBSSG and DfE funding during this period to Nexus this financial year.
- 2.21 Nexus has also lost revenue on services it provides outside of Metro and bus e.g.

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<sup>2</sup> Additional grant funding was recently announced in the CSR covering the early part of 2021, although Nexus' allocation has yet to be determined

the cross Tyne ferry during 2020/21. Part of these revenue losses will be met by the Ministry of Housing, Communities and Local Government (MHCLG) with £0.125m paid to Nexus for losses sustained to the end of July, with the ability to continue submitting such claims to the end of the current year and into the early part of 2021/22 now confirmed. As a result of additional government support during the current financial year, Nexus is expected to balance its budget in 2020/21.

## **Nexus Planning for 2021/22: Key Assumptions**

### **LRRRG and LACBSSG**

- 2.22 These grants are assumed to continue throughout 2021/22 on the same basis as 2020/21 and the development of the recovery plan for DfT will help inform this. At this point in time, it is assumed that £20.8m of LRRRG will be required and just over £1.0m of LACBSSG but this is dependent on a range of factors relating to the strength of the recovery, much of which is dependent on the tiered system of lockdown, ongoing social distancing requirements, government messaging about travelling on public transport and the efficacy of vaccination programme expected in 2021.
- 2.23 In the event that LRRRG and LACBSSG do not fully cover Nexus' net losses in 2021/22, it will be necessary to use reserves as a short-term measure to cover the gap between expenditure and reserves, whilst Nexus and the JTC consider more sustainable solutions.

### **Service Provision and Use of Reserves**

- 2.24 The budget for 2021/22 has been prepared largely on the same basis as the 2020/21 budget i.e. the same level of service provision and output will be delivered by Nexus. A description of these services is provided in Appendix 2.
- 2.25 The key planning assumptions underpinning the Nexus budget have been updated as the budget preparation has been progressed. Further to the assumptions built into previous reports the budgets now include the following key assumptions:
- a) The budget assumes that agreement will be reached with DfT for Covid support of £21.9m over the full year to cover lost fare and commercial income;
  - b) Reserves will only be required to fund those services where government support for Covid is not anticipated e.g. the ferry service where reductions in fare revenues are not covered by MHCLG grant. This explains the reduction in the level of reserves now assumed as required to underpin Nexus' budget;
  - c) The budget for concessionary fares reimbursement will be held at 2020/21 levels, with an assumption that Nexus is able to continue placing reliance on Cabinet Office guidance to reimburse commercial bus operators at such levels, pending further guidance from central government and/or a direction from the JTC to reimburse on a different basis;
  - d) Headroom exists within the Metro budget to enhance the staffing presence across the Metro network through the deployment of additional

Customer Service Advisors. This is likely to be a key tenet of Metro's recovery plan, referred to earlier in this report and will be used to attract customers back to Metro through improving security, protecting revenue and generally enhancing the customer experience;

- e) As described earlier in this report, the JTC grant payable to Nexus from the Levy will temporarily reduce by £1.187m in 2021/22, which reflects the transfer of the budget for planning studies relating to Metro and Local Rail extensions which will be managed by the Transport Strategy Unit during 2021/22;
- f) The pensions future service contribution is 9.3% (the previous forecast had assumed a voluntary increase to 10.4% in 2021/22 but given the financial pressures Nexus is facing, it has agreed with the Tyne and Wear Pension Fund that this rate can be held at the 2020/21 level); and
- g) Of the JTC grant payable to Nexus from the Levy, £3.3m will be used to fund Metro operations.

### **JTC Grant from the Tyne and Wear Transport Levy**

2.26 As previously explained within this report, given the exceptional circumstances surrounding the Covid pandemic and in recognition of exceptional financial pressures faced by the five Tyne and Wear Councils, the JTC is also asked to agree to redirect part of the reserve held by the North East Combined Authority (NECA) on behalf of Nexus in order to provide a one off £1.2m rebate (the equivalent of a 2.0% levy reduction), to the five Tyne and Wear Councils in 2021/22. The grant payable to Nexus by the JTC will also temporarily reduce in 2021/22 to reflect the transfer of the Metro Futures Planning Studies budget commitments.

### **Metro Rail Grant (MRG)**

2.27 MRG comes in the form of revenue and capital grant:

- a) MRG revenue is confirmed at £27.1m in 2021/22 which represents a £0.5m increase on 2020/21;
- b) MRG capital, used in the financing of Nexus' capital programme<sup>3</sup> which is confirmed at £20.0m in 2021/22; and
- c) The Metro budget also includes a release from the capital grant deferred account in 2021/22 of £27.9m to offset depreciation charged to the revenue account in relation to fixed assets used to deliver the Metro service that were previously financed from MRG capital grant.

### **Bus Services Operators Grant (BSOG) and Rail Admin Grant (RAG)**

2.28 Nexus also receives other government grant in the form of BSOG and RAG. In 2020/21, BSOG was assumed to increase by £0.200m and although from a budgetary perspective, this was accommodated in year by an allocation of Better

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<sup>3</sup> It is important to note that a sizeable proportion of Nexus' workforce (estimated at 15%) is funded from capital grant. With MRG capital of £20m confirmed for 2021/22, together with other DfT capital grant e.g. for the fleet replacement programme and transforming cities, all posts within Nexus that are reliant on capital grant are funded in 2021/22.

Bus Funding, this funding was provided as a one-off so even though BSOG will standstill in 2021/22, this will effectively mean a £0.200m reduction in Nexus' grant income base. RAG will standstill in 2021/22 at £0.260m.

### Nexus Revenue Budget 2021/22

2.29 Nexus' 2021/22 budget is summarised in the table below and in more detail, at Appendix 3 and Appendix 4.

Table 7: Nexus Revenue Budget 2021/22

	<b>Gross Exp</b>	<b>Gross Income<sup>4</sup></b>	<b>Govt Grant<sup>5</sup></b>	<b>Net Expenditure</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	35.7	(0.0)	-	35.7
Discretionary Concessions	3.2	(0.3)	-	2.9
Metro	110.4	(30.3)	(56.0)	24.1
Ferry	1.7	(0.2)	(0.2)	1.3
Local Rail	0.5	(0.0)	(0.3)	0.2
Bus Services	17.1	(1.4)	(0.9)	14.8
Bus Infrastructure	3.1	(0.5)	(0.4)	2.2
Public Transport Information	1.4	(0.2)	-	1.2
<b>Total</b>	<b>173.1</b>	<b>(32.9)</b>	<b>(57.8)</b>	<b>82.4</b>
JTC Grant from Levy				(57.8)
<b>Deficit before Covid Support</b>				<b>24.6</b>
Projected Covid Support <sup>6</sup>				(21.9)
<b>Deficit funded from Reserves</b>				<b>2.7</b>

The analysis shown in the table highlights the need for the continuation of central government support in response to Covid, particularly in relation to Metro.

2.30 The forecasts for 2022/23 and 2023/24 are set out below:

Table 8: Nexus Forecasts 2022/23 and 2023/24

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Net Expenditure</b>	<b>82.4</b>	<b>80.7</b>	<b>81.3</b>
JTC Grant from the Levy	(57.8)	(59.0)	(59.0)
<b>Deficit before Covid Support</b>	<b>24.6</b>	<b>21.7</b>	<b>22.3</b>
Projected Covid Support	(21.9)	(19.3)	(19.0)
<b>Deficit funded from Reserves</b>	<b>2.7</b>	<b>2.4</b>	<b>3.3</b>

2.31 The same planning assumptions have been used in compiling the estimate for

<sup>4</sup> Fare and commercial revenues are assumed to be no more than 60% of pre-Covid levels

<sup>5</sup> Government grant is confirmed funding, before Covid emergency support

<sup>6</sup> Of which LRRRG is assumed at £20.8m, LACBSSG £1.0m, and MHCLG £0.1m, grant total £21.9m

2022/23 and 2023/24 in relation to both the cost base and required Covid support, although notwithstanding the huge uncertainties surrounding recovery, fare revenue is shown as growing to 70% of pre-Covid levels in 2022/23 and 75% of pre-Covid levels in 2023/24. This will necessarily need to be reviewed as more about the shape and length of the recovery becomes known.

2.32 Nexus had £15.0m of unearmarked reserves as at 31 March 2020 available to support its medium-term financial forecast. In the event that LRRRG and LACBSSG do not fully cover Nexus' net losses, it will be necessary to use reserves over and above those highlighted in tables 7 and 8 above, as a short-term measure to cover the gap between expenditure and revenues. Given the scale of the net losses across the medium term, it is evident that having to use reserves in this way will be a very short-term solution and will only support the Metro service in particular until a significant amount of its variable cost base can be shed.

### **Transport Strategy Unit**

2.33 The Transport Strategy Unit (TSU) supports the JTC, providing relevant information to support policy choices and to deliver policies at a regional level. The TSU's activities include developing and maintaining:

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

2.34 The TSU is funded through contributions from the Transport Levies which are retained to support JTC activity and a top slice of the Local Transport Plan Integrated Transport Block grant which is awarded to the JTC plus external contributions to fund some specific posts and activities of the TSU. A series of studies looking at the feasibility of various local rail expansion proposals was commenced by Nexus in early 2020. The lead responsibility for these studies has now transferred to Transport North East (TNE), contracts are being novated to facilitate this and the budget established by Nexus is being transferred to TNE to fund completion of this work.

2.35 The original 2020/21 budget made no assumptions about funding to be received from the Transforming Cities Fund Tranche 2. Costs of programme management were built into the successful bid to be met from the grant award, and the forecast for 2020/21 and the budgets for 2021/22 have been updated accordingly.

2.36 In addition to the significant current activity of developing the Transport Plan and

related delivery programmes, some other major upcoming policy developments for 2021/22 could potentially include the development of a new bus strategy, the expansion of the Metro and local rail network, developing a model for rail devolution, and growing the programme to increase the uptake of walking and cycling. Further work is required in considering the scope of these developments, with funding packages to be agreed once requirements are clearer. There are also significant funding opportunities for well-developed bids along with a need for strong delivery programme management

2.37 A summary of the forecast position for 2020/21 including the Transforming Cities Fund (TCF) bid resources (which was agreed after the original budget was set in January 2020) and the initial proposed budget for 2021/22 is set out in the table below. Should changes be required as a result of the updated Transport Plan which will set clear priorities for the work of the TSU, this will be the subject of future reports to the JTC.

*Table 9: Summary of TSU budget 2021/22:*

	<b>2020/21 Original Budget</b>	<b>2020/21 Forecast</b>	<b>2020/21 Forecast Variance</b>	<b>2021/22 Proposed Initial Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Expenditure</b>				
Employee costs - Managing Director Transport North East and TSU	721	684	(37)	758
Transport Plan and Strategy Work	50	108	58	70
TSU Research and Development	120	91	(29)	100
TSU Travel and Miscellaneous	16	3	(13)	13
TSU IT / Equipment / Accommodation	10	19	9	1
TSU Contingency	10	0	(10)	10
Go Ultra Low – Revenue	0	156	156	0
TCF Tranche 2 Programme Management	0	194	194	361
Covid-19 Grants	0	15,515	15,515	0
Metro Futures Planning Studies	0	0	0	1,187
Bus Covid Recovery Project	0	80	80	160
<b>Total Expenditure</b>	<b>927</b>	<b>16,850</b>	<b>15,923</b>	<b>2,660</b>
<b>Gross Income</b>				
LTP funding – TSU	(500)	(500)	0	(500)
LGF funding – TSU	(95)	(56)	39	0
Retained Transport Levy	(129)	(129)	0	(187)

External funding for specific posts	(148)	(168)	(20)	(216)
ERDF grant – Go Ultra Low Revenue	0	(156)	(156)	0
TCF Tranche 2 grant	0	(194)	(194)	(361)
	<b>2020/21 Original Budget</b>	<b>2020/21 Forecast</b>	<b>2020/21 Forecast Variance</b>	<b>2021/22 Proposed Initial Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Covid-19 grants	0	(15,515)	(15,515)	0
Metro Futures Planning Studies (Transport Levy)	0	0	0	(1,187)
<b>Total Income</b>	<b>(872)</b>	<b>(16,718)</b>	<b>(15,846)</b>	<b>(2,451)</b>
<b>Net Expenditure to be funded from Reserves<sup>7</sup></b>	<b>55</b>	<b>132</b>	<b>77</b>	<b>209</b>

2.38 Forecast expenditure for the Transport Strategy Unit in 2020/21 is estimated to be £16.85m compared with the original budget of £0.9m, primarily as a result of the disbursement of COVID-19 Grants received amounting to £15.5m in relation to:

- Supported Bus Service Funding - £1.5m,
- Emergency Active Travel Funding - £2.9m
- Coronavirus Bus Service Support Grant - £5.2m,
- Travel Demand Management Funding - £0.4m; and
- Additional Dedicated Home to School and College Transport Grant - £5.5m.

These COVID-19 related grants have been or are being passed onto the seven local authorities and Nexus/commercial bus operators (in the case of Home to School and College Transport grant) and have been offset by additional Government Grant Income.

2.39 An increase in the forecast costs in relation to the Transport Plan is reflected in the 2020/21 outturn and the 2021/22 budget as a result of additional work on the Plan requested by the Joint Transport Committee. Go Smarter legacy funds will be used to help fund these additional costs.

A new project, the Bus Covid Recovery project has been included within the revised budget for 2020/21 and the budget for 2021/22, following previous discussions with JTC and a paper to the last meeting of the Transport Strategy Board. Initial funding for this project totalling £0.240m across 2020/21 and 2021/22 will be drawn from the JTC's unallocated reserve to procure the resources necessary to cover the technical and legal work required.

2.40 The staffing budget for 2021/22 includes the cost of a communications officer post for the team which will also provide support to the Transforming Cities team and the Tyne Tunnels contract manager. It also includes the cost of officers currently

<sup>7</sup> Further details provided in paragraph 2.53-2.54.

employed by Nexus working on regional heavy rail activities who will be transferred to NECA and integrated into the wider TSU. The staffing costs, and the cost of a modest planning studies budget, will be met from Rail Admin Grant, received by Nexus each year from the Department for Transport which will be used to reimburse the TSU costs.

### **Tyne Tunnels**

- 2.41 The Tyne Tunnels are accounted for as a ring-fenced account within the JTC budget, meaning that all costs relating to the tunnels are wholly funded from toll income and Tyne Tunnels reserves, with no call on the levy or external government funding.
- 2.42 The JTC receives all toll income from the vehicle tunnels and a payment under the contract with TT2 is determined based on traffic levels. The balance retained by the JTC is to meet other costs associated with the Tyne Tunnels, primarily interest and principal repayments on borrowing taken out to fund the New Tyne Crossing project and client costs associated with the management of the contract with the concessionaire.
- 2.43 The 2020/21 budget included an increase in tolls for Class 3 vehicles to £3.70 in line with inflation as measured by the Retail Price Index (RPI) – a year on year increase of £0.10 (2.6%). This was not implemented until August 2020 due to the Covid-19 pandemic. The delayed implementation of the increase has been factored into the updated forecasts.
- 2.44 Until mid-March 2020, traffic levels and corresponding tolls income were strong and had seen a marked improvement since the completion of Highways England works at Silverlink. From March 2020, however, the impact of the Covid-19 lockdown took effect and traffic levels fell dramatically during March and April 2020 to approximately 17,000 vehicles per day, just 30% of normal levels and the lowest level of traffic seen during the life of the TT2 contract.
- 2.45 From May to August traffic gradually increased, reaching 85% of normal levels by mid-September. This recovery was however impacted by local restrictions from mid-September and the second national lockdown in November, where traffic flows were 23% below target. Latest forecasts suggest traffic might not return to expected levels for many months to come, given local restrictions and the continued impact of many employees working from home and therefore fewer vehicle journeys taking place around the region.
- 2.46 The structure of the project agreement with TT2 means that the JTC retains the first proportion of traffic income per month, with the traffic risk overwhelmingly borne by TT2. This 'Band 0' income represents approximately 30% of journeys, so the JTC is expected to receive its full budgeted net income for the year, which will enable all costs to be met.
- 2.47 At its meeting on 15 September 2020 the JTC approved a financial framework which included an offer to support TT2 in the introduction of the Tyne Pass scheme. This has been factored into the updated forecasts. This framework includes the payment of £6.67m to TT2 from Tyne Tunnel reserves which will be



repaid with interest by TT2 over the life of the concession, to 2037.

- 2.48 The forecast outturn for 2020/21 includes updated forecasts for reduced toll income as a result of reduced traffic and delay in implementing toll increases, offset by reduced payments to TT2 under the contract. An increase is forecasts in the supplies and services budget to reflect the need for additional external engineering advice in relation to the vehicle tunnels and professional advice in relation to the Tyne Pass project during the year.
- 2.49 The budget for Service Level Agreements (SLAs) has been reviewed following the conclusion of the exercise with all local authorities providing services to NECA and the JTC to more accurately reflect the cost of providing these services. The updated costings reflect the resources currently committed by the local authorities providing support to NECA and the JTC which includes oversight and support to the Tyne Tunnels.
- 2.50 The updated forecast outturn and budget for 2021/22 is set out below. This assumes the 10p increase in class 2 vehicle tolls is agreed to increase the toll charge to £1.90 and the additional revenue generated is used to make revenue provision for the repayment of debt. This is a year-on-year increase of 5.5% but will be the first time that the class 2 tolls have been increased since May 2019.

*Table 10: Tyne Tunnels Budget 2020/21 and 2021/22 and initial forecasts to 2022/23:*

	<b>2020/21 Original Budget</b>	<b>2020/21 Forecast Budget</b>	<b>2020/21 Forecast Variance</b>	<b>2021/22 Proposed Budget</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Tolls Income <sup>8</sup>	(28,441)	(18,714)	9,727	(30,004)	(30,304)	(30,608)
TT2 Contract	21,653	11,900	(9,753)	21,707	21,924	22,144
TT2 Advance (Tyne Pass)	0	6,670	6,670	0	0	0
Employees	62	69	7	93	93	93
Pensions	53	50	(3)	53	54	55
Premises	0	15	15	21	15	15
Support Services	100	113	13	129	129	129
Supplies & Services	45	42	(3)	95	95	95

<sup>8</sup> Toll Income includes an assumed inflation increase in tolls for class 2 vehicles of £0.10 from April 2021.

Financing Charges	6,816	6,815	(1)	8,196	8,284	8,367
Interest /Other Income	(50)	(50)	0	(50)	(50)	(50)
	<b>2020/21 Original Budget</b>	<b>2020/21 Forecast Budget</b>	<b>2020/21 Forecast Variance</b>	<b>2021/22 Proposed Budget</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Repayment from TWITA for temporary use of reserves	(240)	(240)	-0	(240)	(240)	(240)
<b>(Surplus) /Deficit on Tyne Tunnels revenue account</b>	<b>(2)</b>	<b>6,670</b>	<b>6,672</b>	<b>0</b>	<b>0</b>	<b>0</b>

2.51 Financing charges have increased in 2021/22 due to additional minimum revenue provision for the repayment of debt (MRP) being made, in line with the financial model for the New Tyne Crossing. MRP is set on an annuity basis so that the provision was relatively low in the early years of the contract with TT2, increasing in later years in line with anticipated increased traffic levels.

2.52 Tyne Tunnels reserves are held in order to manage risks associated with NECA's ownership of the tunnels, to meet any in-year deficits which may arise on the Tunnels revenue account, to fund capital expenditure relating to the tunnels and to deal with any changes which may arise from changes in accounting treatments. The table below summarises the forecast position against the Tunnels reserves.

*Table 11: Tyne Tunnels Reserves:*

	<b>2020/21 Original</b>	<b>2020/21 Forecast</b>	<b>2020/21 Variance</b>	<b>2021/22 Original</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Tyne Tunnels Reserves b/f</b>	<b>(16,763)</b>	<b>(17,163)</b>	<b>(400)</b>	<b>(9,334)</b>
Deficit (Surplus) on Tyne Tunnels revenue account met from reserves	(2)	6,670	6,672	0
Capital Expenditure funded from Reserves	100	1,007	907	500
NESTI Expenditure funded from Reserves	305	152	(153)	0
<b>Tyne Tunnels Reserves c/f</b>	<b>(16,360)</b>	<b>(9 334)</b>	<b>7,026</b>	<b>(8,834)</b>

Expenditure to be funded from reserves relates to costs incurred on the Tyne Pedestrian and Cycle Tunnels. Once the project is fully complete and the inclined lifts have been commissioned, the tunnels will be passed to TT2 to operate, likely to be during the 2021/22 financial year. Until this point, however, costs are being incurred on the completion of the project including 24 hour security, maintenance and cleaning. There is also further expenditure required on lift parts, engineers and testers to complete the inclined lifts.

## JTC Reserves

- 2.53 The JTC holds reserves to fund future activity and to manage financial risk associated with its activities. A summary of the reserves held at 1 April 2020 and the forecast position at 31 March 2021 and 31 March 2022 is shown in the table below. Reserves are forecast to reduce as a result of the application of funding held in the Tyne Tunnels reserve to make a payment of £6.67m to TT2 and to finance capital investment. The level of reserves forecast at 31 March 2022 is considered to be prudent in order to manage risk associated with the activities of the JTC, taking into account that separate reserves are held by Nexus.

*Table 12: Summary of JTC Reserves to 2022*

	<b>Actual 1 April 2020</b>	<b>Forecast 31 March 2021</b>	<b>Forecast 31 March 2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
JTC Unallocated Reserve	757	677	517
Tyne Tunnels	17,163	9,334	8,834
Metro Reinvigoration	9,243	9,243	9,243
Metro Fleet Renewal	10,097	10,097	8,897
Go Smarter Legacy (within Grants Unapplied)	162	112	70
Transport Strategy Unit (within Grants Unapplied)	125	123	116
<b>Total JTC Reserves</b>	<b>37,547</b>	<b>29,586</b>	<b>27,677</b>

- 2.54 It is recommended that up to £240k of the JTC unallocated reserve is drawn down across 2020/21 and 2021/22 to support the Bus Covid Recovery Project, as described in paragraph 2.39 above, with a forecast profile of £80k in 2020/21 and £160k in 2021/22. This will leave a forecast remaining JTC unallocated reserve of £517k.

## 3. Reasons for the Proposals

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

## 4. Alternative Options Available

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

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

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

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

5.1 The NTCA Cabinet and NECA Leadership Board will issue the transport levies to their constituent authorities on behalf of the Joint Transport Committee, and this will be presented for agreement on 26 January and 2 February respectively.

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

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

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

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

## **8. Legal Implications**

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

8.2 Nexus has a legal obligation to balance its budget, including use of reserves. The funding gap identified within this report assumes that agreement will be reached with DfT for Covid support of £21.9m in 2021/22 to cover lost fare and commercial income, with a similar reliance on such funding across the medium term. The vast majority of this support is dependent on Nexus submitting a Recovery Plan for Metro to DfT and HM Treasury. Without this continued grant funding, Nexus will need to review its budget in order to ensure it can comply with legislation.

## **9. Key Risks**

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

9.2 The major risk to Nexus' budget is that Covid support of £21.9m is required in 2021/22 to cover lost fare and commercial income, with a similar reliance on such funding across the medium term. This risk is highlighted throughout this report.

## **10. Equality and Diversity**

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

## **11. Crime and Disorder**

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

## **12. Consultation/Engagement**

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

12.2 The JTC Overview and Scrutiny Committee met on 26 October 2020 and 17 December 2020 to consider draft proposals. In considering the report on the Nexus budget and the impact of the Covid-19 pandemic on both the 2020/21 outturn and the Medium Term Financial Plans that had been agreed by JTC in January 2020, news that the continuation of LRRRG had been confirmed was welcomed by members of the committee. It was noted that DfT required Nexus to prepare a recovery plan and that this was to form the basis of discussions between the DfT and HM Treasury with regards to funding for 2021/22 and beyond. Members of the committee welcomed this news also and recognised the importance of continued and enhanced funding from central government as Nexus recovers from the impacts of the pandemic.

12.3 JTC Overview and Scrutiny members recognised that notwithstanding Covid-19 impacts there were structural funding issues within Nexus that needed to be addressed across the medium term and were concerned that the report to the JTC on 20 October had stated that there would be a need for further efficiencies and potentially service cuts to close that gap and seemed to preclude any increase in the levy.

12.4 Members of the committee accepted that the use of reserves to balance the budget could only be considered to be a short term measure, to buy some times whilst a longer term more sustainable solution was found but requested that the JTC and its constituent authorities give consideration to the level of the Tyne and Wear levy as part of these considerations rather than severe reductions in services. This point was reiterated by the committee at its meeting on 17 December. It was noted that this required hard choices to be made but JTC Overview and Scrutiny members were concerned about the potential impacts should cuts of the magnitude modelled by required to the existing service offer.

12.5 Members recognised that current government advice on social distancing and use of public transport was impacting on passenger behaviours and patronage. The advice is counter to the JTC Transport Plan objectives of increasing use of public transport as a more sustainable method of transport. The current government advice and Covid-19 restrictions was having a profound impact on Nexus and there was concern over how long it would take and whether patronage would ever return

to pre-Covid levels given the change in working patterns and increased working from home. The Committee were concerned what this might mean for future years, particularly if there is not further government support forthcoming and called on the JTC to better understand what is driving passenger behaviours and to consider what strategies could be adopted to improve engagement with public transport and return to / exceed pre-Covid levels of patronage in the future.

- 12.6 Finally, members of the JTC Overview and Scrutiny Committee welcomed the lobbying that had been undertaken to date with regards to securing additional government grant support, the continuation of this support and a rebalancing of the funding arrangements for Metro in particular if patronage is lower than pre-Covid levels going forward was seen as essential to secure these services.
- 12.7 JTC Audit Committee considered the same draft proposals at their meeting on 9 December 2020. The Committee gave thanks to Nexus officers for all the work carried out in protecting jobs and keeping costs down. The point was made that the biggest risk is the uncertainty around continuation of the LRRRG. Government funding has covered Nexus' revenue losses so far but there is concern that the following year's revenue losses will not be covered.
- 12.8 In terms of the recovery plan, it was noted that patronage is not expected to recover for a long time, as working and travel patterns have changed so much. The economic impact has not been fully felt yet which in turn impacts on the need to travel. In addition, bus operators need to provide financially sustainable services and this will have a direct impact on Nexus, Durham and Northumberland. Committee requested sight of the recovery plan before sign off by the Tyne and Wear Sub Committee. It was also suggested that an informal workshop session be held for all JTC Committee members to give their views and provide extra assurance.
- 12.9 The point was made that a large portion of the region relies on buses as they have no direct access to the Metro, therefore it was felt that this should be made clear to government when looking at what needs to be subsidised.

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

- 13.1 There are no other impacts arising from this report.

### **14. Appendices**

- 14.1 Appendix 1 – Transport Levy Arrangements  
Appendix 2 – Nexus Services  
Appendix 3 – Nexus Summary Revenue Budget Requirement 2021/22  
Appendix 4 – Detailed Nexus Revenue Budget 2021/22

### **15. Background Papers**

- 15.1 Budget Proposals 2021-22 – JTC Report 17 November 2020  
<https://northeastca.gov.uk/wp-content/uploads/2020/11/2020.11.17-JTC-Public-Agenda-Pack.pdf>

## **16. Contact Officers**

16.1 Eleanor Goodman, NECA Finance Manager,  
[eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk), 07546 653402

## **17. Sign off**

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

## **18. Glossary**

CBSSG – Coronavirus Bus Services Support Grant

DfT – Department for Transport

ENCTS – English National Concessionary Travel Scheme

JTC – Joint Transport Committee

LRRRG – Light Rail Revenue Restart Grant

LTP – Local Transport Plan

MHCLG – Ministry of Housing, Communities and Local Government

MRG – Metro Rail Grant

NECA – North East Combined Authority

NTCA – North of Tyne Combined Authority

RPI – Retail Price Index

TCA – Travel Concession Authority

TCF – Transforming Cities Fund

TfN – Transport for the North

TSU – Transport Strategy Unit

TT2 – TT2 Ltd, Tyne Tunnels Concessionaire

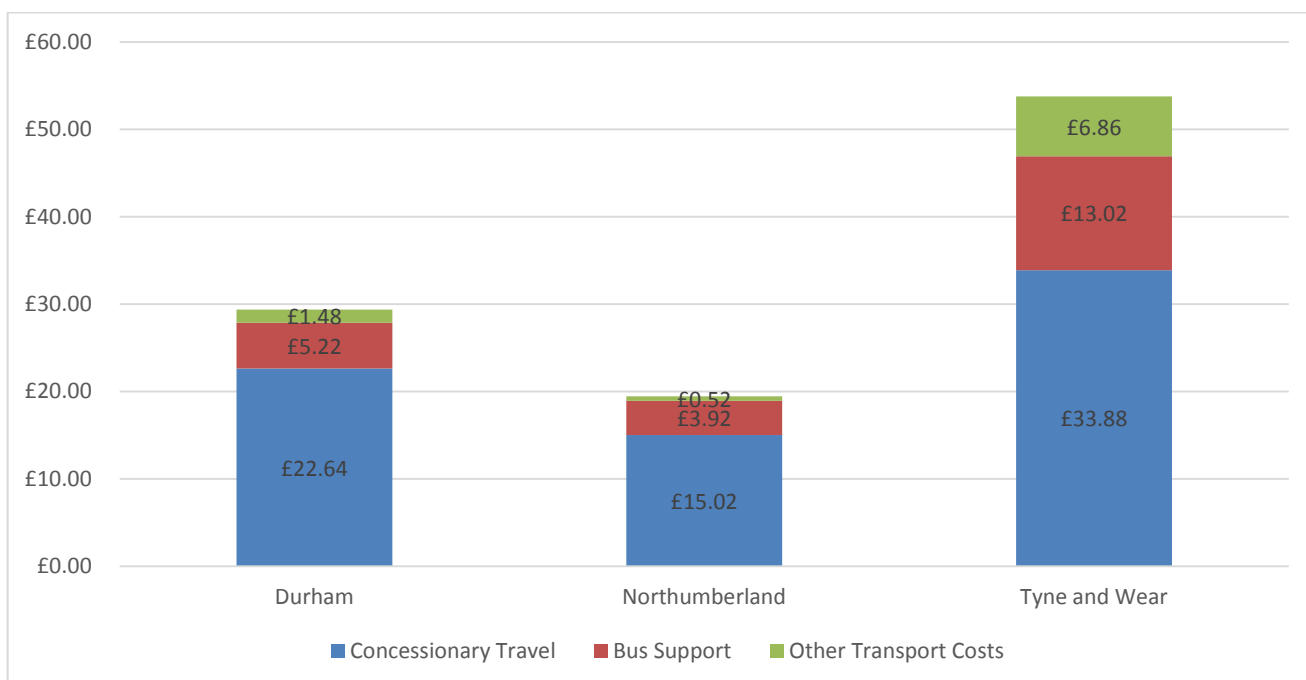
## Appendix 1 – Transport Levy Arrangements

### Background to Levy Arrangements

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

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

**Chart 1: JTC Levies per head of population – 2021/22 Proposed Levies**





The costs per head of population in Tyne and Wear are higher because they reflect a significantly higher level of concessionary travel activity and the support for secured bus services to provide accessible transport schemes across the county. 'Other' Transport costs also includes capital financing costs relating to transport schemes which are not included in the other levies, together with a small contribution towards the operating costs of the Tyne and Wear Metro, reflecting revenue forgone in the carriage of Gold Card concessionary passholders.

### Apportionment on Population basis in Tyne and Wear

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

For the 2021/22 levy, this is the 2019 Mid-Year estimates published by the Office for National Statistics (ONS). The population estimates for 2018 and 2019 are set out in the table below. The population estimates for all five authorities have changed by different proportions, as set out in the table below.

	2018 MYE	2019 MYE	Change	
	People	People	People	Percentage (increase/-decrease)
Gateshead	202,508	202,055	-453	-0.22%
Newcastle	300,196	302,820	2,624	0.87%
North Tyneside	205,985	207,913	1,928	0.94%
South Tyneside	150,265	150,976	711	0.47%
Sunderland	277,417	277,705	288	0.10%
<b>Total Tyne &amp; Wear</b>	<b>1,136,371</b>	<b>1,141,469</b>	<b>5,098</b>	<b>0.45%</b>

Apportioning the proposed levy of £61.100m gives the following figures for Tyne and Wear:

	2020/21	2021/22	Change compared to 2020/21	
	£	£	£	%
Gateshead	10,888,380	10,815,502	(72,878)	(0.67)%
Newcastle	16,140,834	16,209,202	68,368	0.42%
North Tyneside	11,075,330	11,129,066	53,736	0.48%
South Tyneside	8,079,396	8,081,370	1,974	0.02%
Sunderland	14,916,061	14,864,860	(51,200)	(0.34)%

<b>Total Tyne &amp; Wear</b>	<b>61,100,000</b>	<b>61,100,000</b>	<b>0</b>	<b>0</b>
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## Appendix 2 – Nexus Services

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

## APPENDIX 3 - Nexus Summary Revenue Budget Requirement 2021/22

### Revenue Budget 2021/22

	Direct Costs £m	External Income £m	Indirect Cost £m	Indirect Income £m	Grants £m	Loan Interest £m	Capital Adjustment £m	2021/22 Net £m
ENCTS	34.933	0.000	0.811	(0.034)	0.000	0.000	0.000	35.710
Discretionary CT	3.056	(0.340)	0.186	(0.008)	0.000	0.000	0.000	2.894
Metro	95.146	(29.676)	14.071	(0.588)	(27.555)	1.184	(28.479)	24.103
Ferry	1.215	(0.198)	0.465	(0.019)	0.000	0.016	(0.201)	1.278
Local Rail	0.236	0.000	0.271	(0.011)	(0.252)	0.016	0.000	0.260
Bus Services	15.464	(1.332)	1.397	(0.058)	(0.891)	0.258	(0.005)	14.833
Bus Infrastructure	2.434	(0.424)	0.571	(0.025)	0.000	0.010	(0.412)	2.154
Public Transport Information	0.562	(0.170)	0.814	(0.034)	0.000	0.033	0.000	1.205
<b>Total requirement</b>	<b>153.046</b>	<b>(32.140)</b>	<b>18.586</b>	<b>(0.777)</b>	<b>(28.698)</b>	<b>1.517</b>	<b>(29.097)</b>	<b>82.437</b>
<b>JTC grant from the levy</b>								<b>(57.813)</b>
<b>Deficit before Covid support</b>								<b>24.624</b>
<b>Projected Covid support<sup>9</sup></b>								<b>(21.944)</b>

<sup>9</sup> Of which LRRRG is assumed at £20.8m, LACBSSG £1.0m, and MHCLG £0.1m, grant total £21.92m

**Deficit funded from reserves**  
**Appendix 4 – Detailed Nexus Budget 2021/22**

**2.680**

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Statutory Concessionary Travel - Bus	34.933	-	-	-	-	-	34.933
<b>Statutory CT</b>	<b>34.933</b>	-	-	-	-	-	<b>34.933</b>
Discretionary Concessionary Travel - Bus	3.056	(0.340)	-	-	-	-	2.716
<b>Discretionary CT</b>	<b>3.056</b>	<b>(0.340)</b>	-	-	-	-	<b>2.716</b>
<b>METRO</b>							
Metro Farebox (Inc. Car park income)	0.974	(28.621)	-	-	-	-	(27.647)
Ticketing & Gating	1.180	-	-	-	-	-	1.180
Automatic Fare Collection	1.504	-	-	-	-	-	1.504
<b>Fare Collection &amp; Revenue</b>	<b>3.658</b>	<b>(28.621)</b>	-	-	-	-	<b>(24.963)</b>
Contracts & Commercial	14.467	(1.042)	-	-	-	-	13.425
Operations	11.488	-	-	-	-	-	11.488
Service Delivery	2.081	-	-	-	-	-	2.081
Customer Services	4.468	-	-	-	-	-	4.468
<b>Metro Operations</b>	<b>32.504</b>	<b>(1.042)</b>	-	-	-	-	<b>31.462</b>
MMA Management	7.258	-	-	-	-	-	7.258
<b>Metrocar Maintenance Agreement</b>	<b>7.258</b>	-	-	-	-	-	<b>7.258</b>
Metro Insurance & Claims	1.625	-	-	-	-	-	1.625
Metro Rates	1.664	-	-	-	-	-	1.664
Metro Utilities	0.363	-	-	-	-	-	0.363
Metro Marketing	0.762	-	-	-	-	-	0.762
Metro Depreciation	29.623	-	-	-	-	-	29.623

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
<b>Metro - Other</b>	<b>34.037</b>	-	-	-	-	-	<b>34.037</b>
Metro HV Power	6.321	-	-	-	-	-	6.321
Health & Safety	1.432	-	-	-	-	-	1.432
Planning & Performance	0.721	-	-	-	-	-	0.721
Engineering	0.340	-	-	-	-	-	0.340
Buildings & Infrastructure Services	2.891	(0.001)	-	-	-	-	2.890
Facilities & Services	1.900	-	-	-	-	-	1.900
Rail Management & Administration	0.091	-	-	-	-	-	0.091
Permanent Way	1.616	(0.012)	-	-	-	-	1.604
Power Supplies	0.861	-	-	-	-	-	0.861
Signalling	1.310	-	-	-	-	-	1.310
Stores	0.176	(0.001)	-	-	-	-	0.176
Capital Delivery	0.026	-	-	-	-	-	0.026
Renewals	0.005	-	-	-	-	-	0.005
<b>Metro Infrastructure</b>	<b>17.691</b>	<b>(0.014)</b>	-	-	-	-	<b>17.677</b>
<b>Metro</b>	<b>95.146</b>	<b>(29.676)</b>	-	-	-	-	<b>65.470</b>
Ferry	1.215	(0.198)	-	-	-	-	1.016
<b>Ferry</b>	<b>1.215</b>	<b>(0.198)</b>	-	-	-	-	<b>1.016</b>
Local Rail	0.236	-	-	-	-	-	0.236
<b>Local Rail</b>	<b>0.236</b>	-	-	-	-	-	<b>0.236</b>
Contract Management	0.250	-	-	-	-	-	0.250
Network Management	0.206	-	-	-	-	-	0.206

TaxiCard	0.233	(0.038)	-	-	-	-	0.195
Secured Bus Services	14.775	(1.294)	-	-	-	-	13.481

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
<b>Bus Services</b>	<b>15.464</b>	<b>(1.332)</b>	-	-	-	-	<b>14.132</b>

Bus Infrastructure	2.434	(0.424)	-	-	-	-	2.010
<b>Bus Infrastructure</b>	<b>2.434</b>	<b>(0.424)</b>	-	-	-	-	<b>2.010</b>

Public Transport Information	0.562	(0.170)	-	-	-	-	0.392
<b>Public Transport Information</b>	<b>0.562</b>	<b>(0.170)</b>	-	-	-	-	<b>0.392</b>

**INDIRECT**

Pensions and Provisions	-	-	2.285	-	-	-	2.285
Investment Income	-	-	(0.260)	-	-	-	(0.260)
Board	-	-	1.096	-	-	-	1.096

<b>Central Other</b>	-	-	<b>3.121</b>	-	-	-	<b>3.121</b>
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Media & Communications	-	-	0.407	-	-	-	0.407
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Print & distribution	-	-	0.201	-	-	-	0.201
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Marketing	-	-	0.400	-	-	-	0.400
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Customer Services	-	-	0.785	-	-	-	0.785
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Metro Customer Relations	-	-	0.473	-	-	-	0.473
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Retail Sales	-	-	0.005	-	-	-	0.005
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<b>Customer Services</b>	-	-	<b>2.272</b>	-	-	-	<b>2.272</b>
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Human Resources	-	-	0.741	-	-	-	0.741
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Learning & Development	-	-	1.900	-	-	-	1.900
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Corporate Planning	-	-	1.321	-	-	-	1.321
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<b>People &amp; Culture</b>	-	-	<b>3.962</b>	-	-	-	<b>3.962</b>
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Finance & Audit	-	-	1.543	-	-	-	1.543
Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Procurement	-	-	0.267	-	-	-	0.267
Legal & Admin	-	-	0.614	-	-	-	0.614
Estates	-	-	0.689	-	-	-	0.689
ICT	-	-	3.971	-	-	-	3.971
<b>Finance &amp; Resources</b>	-	-	<b>7.083</b>	-	-	-	<b>7.083</b>
Health & Safety	-	-	1.371	-	-	-	1.371
<b>Health &amp; Safety</b>	-	-	<b>1.371</b>	-	-	-	<b>1.371</b>
<b>Indirect</b>	-	-	<b>17.809</b>	-	-	-	<b>17.809</b>
Loan Charges	-	-	-	-	1.517	-	1.517
Released from Capital Reserves	-	-	-	-	-	(1.174)	(1.174)
Released from Capital Grants	-	-	-	-	-	(27.923)	(27.923)
<b>Asset Financing</b>	-	-	-	-	<b>1.517</b>	<b>(29.097)</b>	<b>(27.580)</b>
Bus Operators Grant	-	-	-	(0.891)	-	-	(0.891)
Heavy Rail Grant	-	-	-	(0.252)	-	-	(0.252)
Metro Rail Grant	-	-	-	(27.090)	-	-	(27.090)
Other Grant	-	-	-	(0.465)	-	-	(0.465)
<b>Grants</b>	-	-	-	<b>(28.698)</b>	-	-	<b>(28.698)</b>
<b>TOTAL REQUIREMENT</b>	<b>153.046</b>	<b>(32.140)</b>	<b>17.809</b>	<b>(28.698)</b>	<b>1.517</b>	<b>(29.097)</b>	<b>82.437</b>
JTC Grant	-	-	-	(57.813)	-	-	(57.813)
<b>JTC Grant</b>	-	-	-	<b>(57.813)</b>	-	-	<b>(57.813)</b>



<b>DEFICIT BEFORE COVID SUPPORT</b>	<b>153.046</b>	<b>(32.140)</b>	<b>17.809</b>	<b>(86.511)</b>	<b>1.517</b>	<b>(29.097)</b>	<b>24.624</b>
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Service Aea	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Projected Covid Support				(21.944)			(21.944)
<b>Covid Support Grant</b>	-	-	-	<b>(21.944)</b>	-	-	<b>(21.944)</b>
<b>DEFICIT FUNDED FROM RESERVES</b>	<b>153.046</b>	<b>(32.140)</b>	<b>17.809</b>	<b>(108.455)</b>	<b>1.517</b>	<b>(29.097)</b>	<b>2.680</b>



## North East Joint Transport Committee

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**Date:** 19 January 2021

**Subject:** Active Travel Fund Tranche 2 – Allocation of Funding

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

### Executive Summary

The Department for Transport has allocated £9.049m of grant funding to the North East region for Active Travel Fund (ATF) schemes, which is in line with the indicative allocations that were published but below the level bid for.

In light of the allocation received, a programme of Active Travel schemes has been produced, reviewed and updated and details are set out in the report. An unallocated sum of £532,000 has been included in the programme and a proposal for the use of this funding will be brought to the JTC at a later stage.

### Recommendations

The North East Joint Transport Committee is recommended to:

- i. Approve the allocation of funding from the Active Travel Fund to schemes as set out in Table 1, subject to compliance with the assurance gateways set out in Appendix 1.
- ii. Instruct officers to work with local authority partners and identify additional Active Travel Fund schemes that will draw down any remaining funding following the public consultation phase, including the unallocated funding identified in Table 1.
- iii. Authorise the Managing Director, Transport North East, to agree detailed Grant Funding Agreements with scheme promoters for each scheme that has been allocated funding and complies with the Transport Assurance Framework, following consultation with the statutory officers.

## **1. Background Information**

1.1 In August 2020 a funding bid from the North East region was submitted to the Department for Transport (DfT) for Tranche 2 of the Active Travel Fund (ATF). On Friday 13 November 2020 it was announced that we had been allocated £9.049m – in line with our indicative allocation but below our bid level of nearly £15.7m.

1.2 When our bid was submitted in August the possibility of being awarded our pre-allocated sum of £9.049m was considered and an initial list of priority schemes was established. That programme has been reviewed by officers together with all seven local highway authorities, the purpose of that review has been:

- To review the scope of each scheme in the light of DfT’s funding requirements;
- To challenge and reduce the amount of funding each scheme needs to draw down from ATF, through value engineering and seeking additional match funding; and

To ensure that all local authorities in the region could benefit from the funding.

1.3 This review has resulted in a revised programme being developed in line with the Fund’s objectives.

## **2. Proposals**

2.1 Table 1 sets out the proposed funding allocation for the programme. It is noted that there is an unallocated sum of £532,000: this has arisen after changes to the scope of schemes in the programme. It is proposed that this unallocated funding is retained for the time being. Further details are available in Section 5 of this report.

## North East Active Travel Fund – Funding Allocations and Total Scheme Costs

<b>Scheme</b>	<b>Promoter</b>	<b>ATF Ask</b>	<b>Total Scheme Cost</b>
Great North Cycleway	Durham	£650,000	£650,000
Gateshead Town Centre Walking and Cycling Improvements	Gateshead	£451,000	£451,000
Grey Street	Newcastle	£2,500,000	£4,000,000
RVI Active Travel Access Improvements	Newcastle	£1,300,000	£2,300,000
Strategic Corridors	North Tyneside	£1,575,000	£1,575,000
A183 Whitburn Road Cycleway	Sunderland	£1,125,000	£1,250,000
Waterloo Road/Renwick Road Cycle Improvements, Blyth	Northumberland	£336,000	£336,000
Four Active Travel Corridors Package	South Tyneside	£540,000	£600,000
Regional Public Opinion Survey	TNE	£40,000	£40,000
Unallocated Funding	TNE	£532,000	£532,000
<b>TOTAL</b>		<b>£9,049,000</b>	<b>£11,202,000</b>

### 3. Reasons for the Proposals

- 3.1 The proposals set out in this report will enable the Transport North East Team to distribute the region's allocation from the Active Travel Fund to suitable schemes that meet our objectives in the emerging Regional Transport Plan, and the Government's Active travel objectives. It will allow approve schemes to commence and ensure that the funding allocated is invested across the region.

### 4. Alternative Options Available

- 4.1 A number of options for distributing this funding have been considered since the bid to Government was submitted in August 2020. Table 1 sets out the schemes that best deliver on our active travel objectives and offer good value for public money.
- 4.2 Option 1 is for the North East Joint Transport Committee to accept the recommendations set out in this report, and deliver the benefits described in this report.
- 4.3 Option 2 is for the North East Joint Transport Committee to not accept the recommendations set out in this report, in which case the active travel benefits will not be realised in full.
- 4.4 Option 1 is the recommended option.

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

- 5.1 Scheme promoters will need to conduct a public consultation exercise before they commence work on their scheme. A consultation plan for both the programme as a whole and individual schemes in the programme has been published and can be found here  
<https://www.transportnortheast.gov.uk/wp-content/uploads/2020/12/NEJTC-ATF-Consultation-Plan-December-2020.pdf>
- 5.2 It is possible that these consultations will lead to further changes in scope for schemes in the current programme, resulting in further adjustments to the value of the schemes, which may increase or reduce the total value of the scheme. Once this process has been completed and a revised unallocated sum is established, a process will be enacted to collate and prioritise additional active travel schemes that could receive funding, with further reports being presented to the Joint Transport Committee at a later date for approval.
- 5.3 Officers will continue to conduct an assurance process based on the North East's existing transport assurance framework. This process will ensure that each scheme in the programme continues to meet our regional transport objectives, is deliverable and offers good value for money.
- 5.4 Given the relatively modest scale of the programme and its component schemes, it is recommended that a full business case process is not enacted for this fund. A series of assurance gateways have instead been devised, which replicate the key requirements of the five cases within a transport business case. These assurance gateways are set out in Appendix 1.
- 5.5 Each scheme will need to demonstrate it passes these seven gateways before a grant funding agreement with scheme promoters is finalised.
- 5.6 A Grant Funding Agreement will then be prepared by officers and agreed with scheme promoters, after which construction can commence.
- 5.7 A proposal for use of the currently unallocated funding of £532,000 will be brought to the Joint Transport Committee for decision at a later stage.

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

- 6.1 The proposal will contribute positively to objectives in the emerging Regional Transport Plan.

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

- 7.1 Whilst the funding bid from the North East region to the Department for Transport (DfT) for Tranche 2 of the Active Travel Fund (ATF) totalled nearly £15.7m, the funding allocation received is £9.049m, in line with the indicative allocations published by DfT.

7.2 The 2021/22 Transport Capital Programme includes £9.049m of Tranche 2 funding (£7.239m of capital investment and £1.810m revenue) in these schemes funded by the DfT grant. Following completion of the assurance reviews by the TNE Team and the establishment of Grant Funding Agreements, funding will be released to individual authorities based on expenditure defrayed in year in line with those agreements. Regular monitoring of expenditure against each individual project and for the programme as a whole will be reported to the Committee.

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 will need to be prepared in order that the scheme promoters can commence drawing down their funding allocation. A standard Grant Funding Agreement has been prepared for previous projects that will be used again, to minimise any legal risks and ensure NECA's obligations (on behalf of the JTC) to the Department for Transport in receiving the ATF devolved funding are appropriately relayed to the scheme promoters..

## **9. Key Risks**

9.1 The key risk for this Committee relates to the potential for construction of the schemes in the programme to be delayed or for individual schemes to overspend. The processes included in the Grant Funding Agreement ensure these risks to the Committee are mitigated and borne by the scheme promoters.

## **10. Equality and Diversity**

10.1 The proposed schemes will be designed to modern standards, ensuring that any equality and diversity implications will be minimised.

## **11. Crime and Disorder**

11.1 The proposed scheme will be designed to modern standards, ensuring that any crime and disorder implications will be minimised.

## **12. Consultation/Engagement**

12.1 The programme recommended in this report has been the subject of extensive consultation with transport officers in the region, as well as the Transport Strategy Board, comments have been taken on board from both groups. Plans are in place to consult formally with the public on each scheme.

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

13.1 The improved active travel facilities to be delivered by this Programme are likely to have a positive impact on the economic and social fortunes of several communities in the North East.

## 14. Appendices

14.1 Appendix 1 – Assurance Gateway Process

## 15. Background Papers

None.

## 16. Contact Officers

Mike Scott, TCF Programme Lead

Email: [mike.scott@transportnortheast.gov.uk](mailto:mike.scott@transportnortheast.gov.uk)

Tel: 0191 203 3512

## 17. Sign off

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

## 18. Glossary

- DfT – Department for Transport
- 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**

### **PROPOSED ASSURANCE GATEWAYS FOR ACTIVE TRAVEL FUND**

The funding settlement letter issued by the Secretary of State for Transport, plus previous guidance and discussions with DfT, have led us to establish seven gateways that each scheme should pass in order to be eligible for an ATF allocation. The gateways broadly align with the main components of our Transport Assurance Framework currently being used for the Transforming Cities Fund, as indicated in brackets

The seven gateways are:

- i. Does the scheme demonstrably deliver roadspace reallocation and is it compliant with DfT's latest Active Travel design standards (LTN 1/20)? (=strategic case)
- ii. Does the scheme avoid negative impacts on local bus services? (=strategic case)
- iii. Does the scheme have a Benefit:Cost Ratio > 1 and offer some wider non-monetised benefits? (=economic case)
- iv. Has the scheme been subject to a review to drive down costs? (=financial case)
- v. Can the scheme be committed by March 2021 and completed by March 2022? (=commercial case)
- vi. Does the scheme have strong acceptance amongst users, stakeholders and residents, as demonstrated by the public consultations undertaken? (=management case)
- vii. Does the scheme have a monitoring and evaluation plan in place? (=management case)

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# **Transport North East**

## **Transport Assurance Framework**

**October 2019**

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## 1. Introduction

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### 1.1 Purpose

- 1.1.1 This Transport Assurance Framework explains the arrangements for supervising funding allocated to the North East Joint Transport Committee (JTC) in order to:
- Demonstrate that provisions are in place to ensure accountable and transparent decision-making;
  - Manage the risks to the programme associated with the allocation of devolved funding;
  - Appraise projects and allocate funding; and
  - Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes.
- 1.1.2 This Assurance Framework applies to North East transport projects and programmes where funding is devolved to the JTC. It is supported by two further documents:
- **Transport Scheme Development Process Note**, Transport North East, October 2019
  - **Proportionality Technical Note**, Systra/JMP, October 2016

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## 2. Governance

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### 2.1 Structure and Operating Principles

- 2.1.1 The North East Joint Transport Committee (JTC) consists of the seven local authorities of Durham County Council, Gateshead Council, Newcastle City Council, North Tyneside Council, Northumberland County Council, South Tyneside Council and Sunderland City Council. In Tyne and Wear the Passenger Transport Executive, Nexus, oversees public transport provision and owns and operates the Metro.
- 2.1.2 The JTC has responsibility for local transport funding, including funding for transport schemes that is devolved by Government. The JTC has been charged with overseeing the programme management and delivery of transport schemes which are funded by the Local Growth Fund programme and the Transforming Cities Fund (TCF). The JTC will also be required to oversee the programme management and delivery of future devolved funding streams for transport.

### 2.2 Support and Administration Arrangements

- 2.2.1 The Transport North East Strategy Unit (TNESU) is a specialist transport resource that provides support to the JTC, the North East Transport Strategy Board and its advisory groups.
- 2.2.2 The JTC seeks specialist advice from the TNESU on matters associated with the region's transport network and can also draw advice from technical officers within the Committee's constituent local authorities. This arrangement ensures that adequate

officer resources are in place to underpin legal, financial, programme management, democratic services and audit arrangements.

2.2.3 The TNESU, acting on behalf of the JTC, will provide the following support to the devolved transport funding programmes delivered through this assurance framework:

- Day to day administrative functions such as the preparation of meeting papers, minutes, agendas, working papers, progress reports, information reports, decision reports, etc.;
- Responding to information requests;
- Give notice of meetings and publishing information;
- Advise on scheme priorities, programming and gateway approvals, using advice from independent technical advisors on business case material submitted by scheme promoters. These technical advisors will be procured by the TNESU, and financial resources for this purpose will be identified and agreed;
- Liaise with local highways authority and local transport authority officers to report progress on delivering funding programmes, and receive comments;
- Programme management of prioritised lists of transport schemes;
- Update this Assurance Framework based on evolving governance arrangements in the North East, and changes to Government assurance guidance; and
- Advise JTC members on specific governance, transparency and probity issues, updating guidance as necessary.

2.2.4 The Transport Strategy Board will draw on the expertise of the TNESU and its advisors to provide advice to the JTC, enabling the Committee to:

- Forward manage their Agenda;
- Forward manage the development of a programme of prioritised transport schemes for the North East area;
- Receive regular updates on progress towards targets and objectives; and
- Commission work as appropriate.

2.2.5 Figure 1 shows the governance structure in place, demonstrating how the TNESU reports through the Transport Strategy Board to the JTC. The Transport Strategy Board will meet regularly, in advance of meetings of the JTC.

### **2.3 Working Arrangements and Meeting Frequency**

2.3.1 The JTC will consider key aspects of the business case and decision-making process during its regular meetings, discussing progress on delivering the programme, approving compliant full business cases and releasing funding.

2.3.2 Meeting dates will be published on the JTC's website (<https://northeastca.gov.uk/decision-making/the-north-east-joint-transport-committee/#dates-section>). JTC meetings are open to the public.

2.3.3 Timescales for the completion of business cases, as outlined in paragraph 3.2.22, will be agreed by the JTC. Promoters will be expected to adhere to such timescales and will only be able to draw down funding once their full business case has been approved, unless staged funding has been agreed for the provision of project development funding.

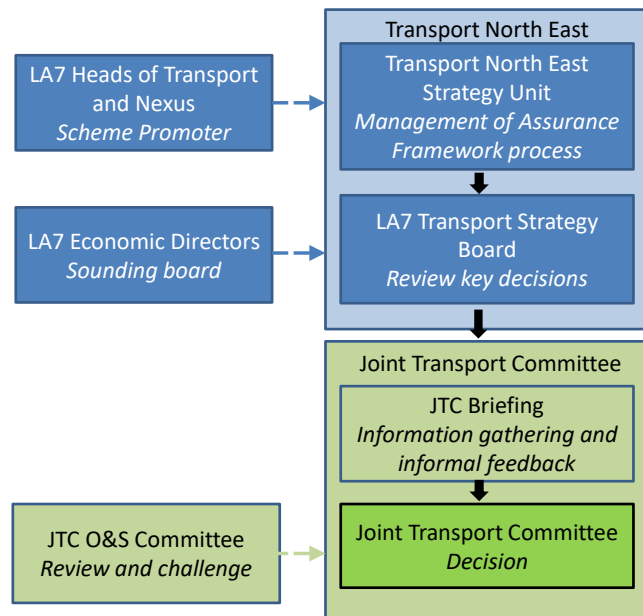


Figure 1: Governance and reporting structure

## 2.4 Operating Principles

2.4.1 The operating principles are detailed in sections 2.4.2 and 2.4.3 and expand on the following topics:

- Conflicts of interest
- Gifts and hospitality
- Status and role of accountable body
- Audit and scrutiny
- Strategic objectives and purpose
- Transparency and local engagement
- Complaints and whistle blowing

2.4.2 The North of Tyne Combined Authority constitution can be found here:

<https://www.northoftyne-ca.gov.uk/order-and-constitution>

2.4.3 The North East Combined Authority constitution can be found here:

<https://northeastca.gov.uk/about-us/neca-order-and-constitution/>

2.4.4 The Local Growth Fund projects in the North East managed under this Assurance Framework form part of the overarching LEP Assurance Framework for funding received from Central Government (other funding streams are not required to follow the LEP Assurance Framework). To view the LEP Assurance Framework visit:

<https://www.nelep.co.uk/wp-content/uploads/2016/11/North-East-LEP-Assurance-Framework-Feb-2017.pdf>

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## 3. Programme Assembly and Assurance

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### 3.1 Introduction

- 3.1.1 The prioritisation process, through which preferred local transport investments are identified, is an important element of this Assurance Framework. The process is robust and transparent, and intended to support decision making.
- 3.1.2 This process is based on the Region's transport, economic and environmental objectives and priorities, which will be reviewed from time to time to ensure these priorities are fully reflected in the Assurance Framework. The particular objectives and priorities of each funding stream made available by Government will also be taken into account.
- 3.1.3 To enable prioritisation for devolved funding streams, a transparent and robust framework for prioritising local transport schemes has been developed. This framework is clearly linked to delivering the priority outcomes of the North East area and is designed to be simple and evidence based. The criteria upon which priorities will be based are:
- A qualitative assessment of how the project achieves regional and/or programme objectives;
  - Value for money, measured either through an economic appraisal that provides a benefit:cost ratio (BCR), or a qualitative statement of value for money when an economic appraisal has yet to be conducted;
  - Deliverability to timescales/funding window; and
  - Risk profile.
- 3.1.4 The **Transport Scheme Development Process Note**, which accompanies this assurance framework, guides scheme promoters in providing evidence on value for money, deliverability and strategic fit, as well as the form of business case and supporting documents required to progress a scheme to full approval and funding release. This guidance identifies appropriate and acceptable sources of evidence and data, helping to support data quality and the rigour of the process.
- 3.1.5 Promoters should also use the **Proportionality Technical Note** that accompanies this assurance framework to guide the level of analysis required for each scheme. It is recommended that the level of analysis is agreed with the TNESU before the scheme promoter proceeds with preparing its business case.

### 3.2 Gateway Process

- 3.2.1 The process for the JTC assessment and approval of a transport scheme will comprise of three gateways as set out in Figure 2. Full scheme approval will require a robust business case and Value for Money statement to be developed as part of Gateway 2, with further refinement as part of Gateway 3. To pass each gateway, the scheme promoter requirements and gateway actions listed below it in Figure 2 must be completed satisfactorily.

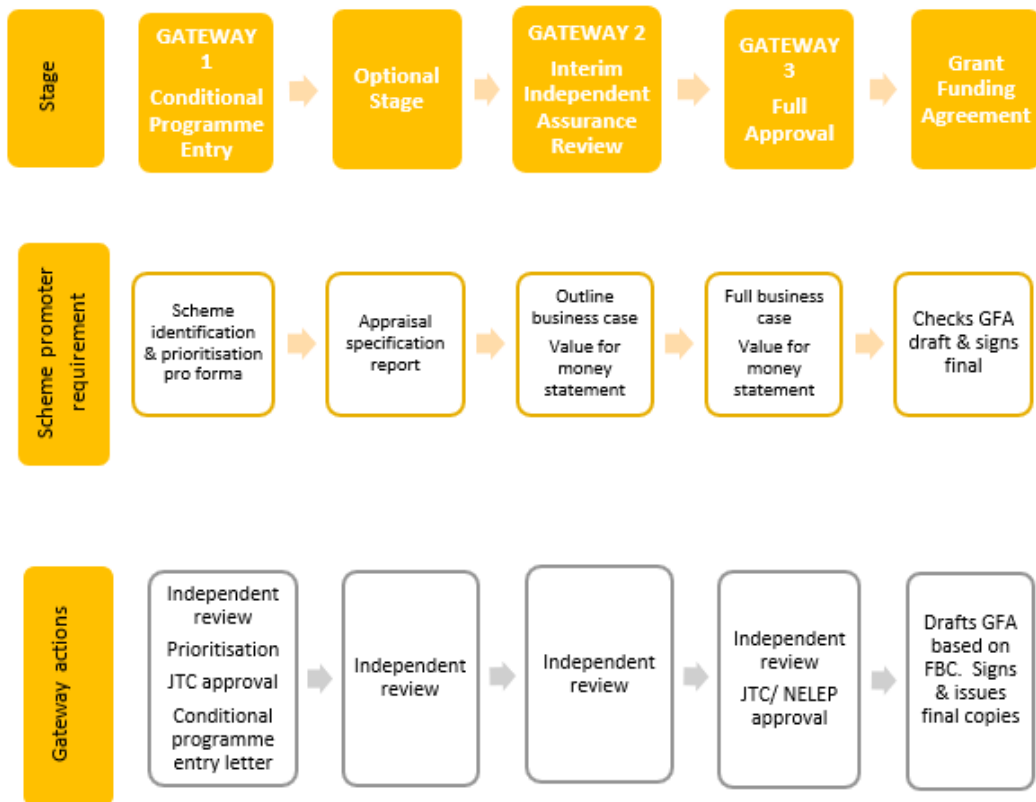


Figure 2: Gateway Process

- 3.2.2 At Gateway 1 scheme promoters are required to complete the scheme identification and prioritisation pro forma issued by the TNESU. The information provided in these pro formas will be used to both prioritise candidate schemes and also to sift out schemes that do not meet the requirements of the particular funding stream. The TNESU will report the findings of Gateway 1 reviews to the Joint Transport Committee, which will judge whether the proposal is suitable for inclusion in the programme. Those prioritised schemes will then proceed through Gateways 2 and 3.
- 3.2.3 Schemes fall into two categories based on their overall capital cost – major schemes are those where the capital sum bid for is over £1.5 million, minor schemes are those where the capital sum bid for is below £1.5 million. Table 1 outlines the criteria that major schemes will need to meet in order to be considered for programme entry. Table 2 sets out the equivalent criteria for minor schemes.



**Table 1: Major Scheme Eligibility Criteria**

**Purpose of scheme**

Schemes are required to make a significant contribution towards achieving the objectives of the funding stream, the JTC and its constituent authorities. Proposals considered via this Assurance Framework should be transport schemes that can be realistically appraised using a recognised transport appraisal methodology – normally TAG.

**Cost Threshold**

In order to be eligible as a distinct standalone project, schemes must have a total net cost to the JTC of at least £1.5m. This will prevent funding from being spread too thinly to be effective.

**Strategic Impact**

Promoters are required to demonstrate how their scheme will have a positive impact on the transport, economic and social challenges within the North East region. It is desirable that schemes will have an impact on a wide area however this does not preclude localised issues being addressed, given that localised solutions can frequently have wider social, environmental and economic impacts.

**Value for Money**

Scheme promoters will be expected to meet requirements set out in section 4.2 (in outline form only for Gateway 1, in line with paragraphs 4.2.4 and 4.2.5).

**Deliverability**

Proposed schemes need to have a reasonable degree of support and must be deliverable within the relevant investment period. An assessment of deliverability must be undertaken in accordance with broad deliverability areas set out in section 4.3.

**Local Contribution**

Scheme promoters should normally provide a local contribution of at least 10% per scheme, although this may vary according to the funding opportunity available. Different requirements are set out for small schemes as part of mini-programmes (see Table 2 below).

**Table 2: Minor Scheme Eligibility and Special Conditions**

**Purpose of minor schemes within mini-programmes or sub-blocks**

This Assurance Framework is largely pitched towards the conditions, governance and delivery associated with major transport schemes. However, various opportunities will exist within future JTC funding programmes to identify and deliver mini-programmes of, typically, smaller transport schemes. The assurance conditions and processes outlined here generally apply to individual schemes within these mini-programmes, albeit via exercising proportional approaches (a technical note on proportionality accompanies this Assurance Framework) to appraisal and business case development, but with some special parameters and conditions as follows:

**Cost Threshold**

Smaller schemes within mini-programmes will have a total net cost to the JTC of less than £1.5m. However, only in rare and exceptional circumstances will specific schemes of a total net cost to JTC of between £1m and £1.5m be considered within these mini-programmes. This is so the limited funding resources allocated to these blocks can be used to address a range of local problems or challenges across a reasonable geographical spread.

**Local Contribution**

Scheme promoters should normally provide a local contribution of at least 20% per minor scheme, although this may vary according to the funding opportunity available. This is reflective of the greater opportunity to identify a higher percentage match contribution from local budgets for these types of schemes, and the importance of local leverage to JTC funding bids that have been secured / are being bid-for under competition.

**Relaxation of Gateway 2 (Interim Independent Assurance Review)**

Minor schemes are not required to submit an interim (or outline) business case for independent review. After passing through Gateway 1, a minor scheme can move towards full business case submission (with accompanying VFM statement) and independent review at Gateway 3 (Full Approval). A light-touch interim business case review may be requested by a scheme promoter if felt necessary to help guide full business case development.

3.2.4 Schemes will be assessed to ensure they meet regional policy objectives and the specific objectives set out for the funding stream available. Policy objectives have been developed based upon the key themes agreed by partner organisations in the region and incorporated into policy and strategy documents including the Strategic Economic Plan, the Local Industrial Strategy and the North East Transport Plan. These policy objectives are:

- Economic Growth and Jobs
- Access to Opportunity
- Quality of Life
- Health and Environmental benefits

As strategic documents are refreshed and new documents are developed, these policy objectives will be kept under review.

3.2.5 These themes have been broken down into policy challenges and defined criteria, in order to develop fully the component parts of the key themes and ensure the policy criteria fully reflect the themes that apply in the North East. For each proposal or scheme assessed, each component criterion is independently scored using quantitative and qualitative evidence provided by the scheme promoter, reflecting the range of impacts likely from the transport schemes under consideration.

3.2.6 The overall assurance framework is an open framework, with the intention that decision makers should see exactly how and where each proposed scheme contributes to the delivery of the North East's agreed policy outcomes and its strategic objectives. This is one of the key features of the approach and is designed to ensure transparency both to stakeholders and the JTC. Where a scheme will deliver positively against a number of these key outcomes, it will be clear that it does so, and a scheme will be credited accordingly. There is scope within the process for the JTC to be made aware of where such benefits are complementary.

3.2.7 A Process Note has been produced for scheme promoters to ensure that schemes are identified in the context of strategic objectives and related challenges, whilst also following a consistent and understandable approach to appraising and developing the business case for each scheme, as well as ensuring that fundamental legislative and assurance requirements are met.

3.2.8 All schemes submitted for consideration will be scrutinised independently on behalf of the TNESU, the Transport Strategy Board and the JTC. The verified information will be used to rate projects and place them on the prioritised list. For consistency the scheme assessment is undertaken by a sole independent assessor. The promoter(s) of each scheme or proposal will be required to attend a clarification meeting. Each meeting will allow the independent assessors to verify scheme evidence and data, and to cross examine scheme sponsors to clarify any issues which are unclear within the evidence presented, and to enable the scheme assessors to gain a clear understanding of the scheme and what it is trying to achieve.

3.2.9 Where there is good cause for doing so the JTC will consider the possibility of the release of 'development' or 'interim' funding through a Gateway 1 Grant Funding Agreement. Such circumstances where a Gateway 1 Grant Funding Agreement could be explored relates to schemes that have been given programme entry status, are considered to have a low risk to overall delivery, where there is sound and progressive development of a scheme business case and early deliverables but

where there is still a significant time gap to achieving a full business case and full funding release.

3.2.10 For a scheme to complete the transition from concept to fully funded proposal, the following process applies:

#### **Gateway 1: Conditional Programme Entry**

Requirements to be fulfilled by Promoter:

- Promoter prepares Scheme Identification and Prioritisation Pro Forma and submits to TNESU, using guidance provided in the Transport Scheme Development Process Note.
- Promoter should normally produce and submit an Appraisal Specification Report to the TNESU (see 3.2.11)

Gateway actions undertaken:

- Consultation held
- Optional Appraisal Specification Report Review

#### **Gateway 2: Interim Independent Assurance Review**

Requirements to be fulfilled by Promoter:

- Promoter prepares Outline Business Case using template and guidance provided in the Transport Scheme Development Process Note;
- Outline Business Case is submitted to TNESU;
- Value for Money Statement prepared and submitted

Gateway actions undertaken:

- Outline Business Case undergoes independent assessment;
- Value for Money Statement undergoes independent review;
- The TNESU reviews independent advice;
- Advice from independent assessor is considered by Scheme Promoter

#### **Gateway 3: Full Approval**

Requirements to be fulfilled by Promoter:

- Final Business Case submitted to the TNESU using template and guidance provided in the Transport Scheme Development Process Note;
- Value for Money Statement finalised and submitted.

Gateway actions undertaken:

- Final Business Case undergoes independent assessment;
- Value for Money Statement undergoes independent assessment;
- The JTC reviews Independent advice and considers Full approval;
- If approval is granted, the scheme moves to Grant Funding Agreement development and signing.

## **Grant Funding Agreement**

Gateway actions undertaken:

- Grant funding agreement proforma completed by TNESU in consultation with Scheme Promoter;
- Final Grant funding agreement issued by TNESU;
- Grant funding agreement signed by TNESU and Scheme Promoter as a Deed.

3.2.11 Prior to progression to Gateway 2, Scheme Promoters are strongly encouraged to produce an Appraisal Specification Report (ASR). This will allow the TNESU and the scheme promoter to agree the approach for developing a business case and appraisal, reducing the risk to the scheme promoter of producing a non-compliant business case. It is however permissible for promoters to move directly to outline or full business case submission at their own risk, without agreeing an ASR in advance. Progression directly from Gateway 1 to Gateway 3, however, should be agreed in advance with TNESU.

3.2.12 At Gateways 2 to 3 the promoter will be required to provide evidence that the scheme offers value for money, in the form of a Value for Money Statement, and demonstrate that the scheme is deliverable and should remain in the prioritised programme.

3.2.13 At Gateway 2 the Value for Money Statement will be reviewed by the independent technical specialist. Should the Value for Money Statement demonstrate a Poor or Low BCR as set out in paragraph 4.2.3, officers will recommend a review of the scheme.

3.2.14 At Gateway 3 the JTC will consider a full value for money statement and approve schemes based on the stipulations contained in paragraph 4.2.3. These Gateway 3 Value for Money Statements will be produced by the Scheme Promoter in line with the Department for Transport's guidance found on the DfT website<sup>1</sup> and will be signed off as true and correct by JTC Chief Finance Officer, taking specialist advice as appropriate. In the event of any perceived conflict of interest, the JTC Chief Finance Officer will nominate an alternative senior officer to sign-off a Value for Money Statement. The JTC will publish a Value for Money Statement for schemes that have received full approval at Gateway 3.

3.2.15 The JTC will need to approve the promoter's Full Business Case before funding can be released and construction commenced. The production of a Value for Money Statement in Gateways 2 and 3 will identify whether the scheme continues to offer good value for money. If a business case does not provide the required assurance of value for money the JTC may decide to withdraw a scheme from the programme.

3.2.16 The scheme promoter is responsible for all costs associated with producing a business case and Value for Money Statement for each scheme. This applies to each scheme that is successful in attracting funding and in circumstances where a scheme is withdrawn by the JTC or the scheme promoter at any point in the process.

3.2.17 Assessment and approval decisions made by the JTC will be based on advice provided by the TNESU and by independent technical specialists procured and managed by the TNESU, to ensure that scrutiny of business cases is quality assured.

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<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/630704/value-for-money-framework.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630704/value-for-money-framework.pdf)

- 3.2.18 Scheme promoters are responsible for informing the TNESU of any changes to the scope of a scheme, its costs and implementation timescales. Scheme promoters will also be responsible for updating pro formas and business cases in order to reflect any new information. The TNESU will be responsible for assessing the impact of any changes on the overall scheme programme, working with the promoter to address any specific issues.
- 3.2.19 Once a scheme has passed Conditional Programme Entry Gateway 1, the JTC will not normally meet any scheme cost increases either in full or part, other than in exceptional circumstances where additional funding may be available due to reprogramming or savings from other schemes. Addressing cost increases will be the sole responsibility of the scheme promoter. Scheme costs for the purpose of allocating devolved fund monies will be fixed at Gateway 1. Design and development costs for schemes that receive Full Approval will be eligible as a local contribution.
- 3.2.20 Delays to a scheme may mean that it is not possible to allocate funding within the available funding period. In this case, the JTC reserves the right to re-prioritise the programme and bring forward another scheme that is deliverable within the timescales.
- 3.2.21 As part of Full Approval, the JTC will clearly set out the conditions under which the devolved funding will be spent – specifically to meet the grant conditions of the funding stream in question and deliver a capital asset based on an approved scheme design which has a contractor’s price and spending profile. These conditions will be set out in the Grant Funding Agreement.
- 3.2.22 As a guide it is assumed the following durations will apply to the gateway review process. The actual durations will be dependent on the size and complexity of the scheme, the quality of materials submitted and the level of engagement and discussions with the TNESU that has happened prior to each submission:

Scheme Promoter: Prepare and submit to TNESU a Scheme Identification and Prioritisation Pro Forma	
TNESU: Receipt of Scheme Identification Pro Forma, JTC to grant Conditional Programme Entry	1 month
Scheme Promoter: Prepare an Outline Business Case and VFM Statement	
TNESU: Receipt of Outline Business Case/VFM Statement, Complete Independent Review, JTC to grant approval	2 months
Scheme Promoter: Prepare a Full Business Case and VFM Statement	
TNESU: Receipt of Full Business Case/VFM Statement Review, Complete Independent Review, JTC to approve to release funding	2 months

### 3.3 Programme Management

- 3.3.1 The TNESU will carry out programme management of agreed transport schemes, on behalf of the JTC, to ensure their delivery by scheme promoters. The identification of schemes, development of scheme proposals and completion of business cases is the responsibility of scheme promoters. This working arrangement will be underpinned by the establishment of formal grant funding agreements that protect the financial

interests of the JTC and enables the JTC to fulfil its responsibility to deliver value for money while setting out respective responsibilities including reporting and audit requirements.

### **3.4 Release of Funding, Cost Control and Approval Conditions**

- 3.4.1 No funding will be allocated to a scheme promoter via the JTC until a business case has received a Stage 1 (development works) or Full Approval and the Grant Funding Agreement has been signed as a deed. The approval will contain:
- General conditions of approval (such as the condition that monies may only be used for capital expenditure);
  - Scheme specific approval conditions (such as those relating to scheme design, matched or third party contributions);
  - The agreed allocation for the scheme;
  - An agreed funding profile to ensure delivery in the funding period; and
  - Provision for 'clawback' and recovery of non-delivery or money not spent for purposes intended.
- 3.4.2 Before any funding is released, the scheme promoter will need to 'accept' the funding (and the conditions for its use) by signing a Grant Funding Agreement issued by TNESU.
- 3.4.3 This agreement will also address the issue of 'clawback'. It will ensure a working arrangement is in place that protects the financial interests of the JTC as the Accountable Body and enables it to fulfil its responsibility to deliver value for money while setting out respective responsibilities including reporting and audit requirements.
- 3.4.4 Funds will normally be released to scheme promoters quarterly in arrears. Release of funds will be based on defrayed expenditure and made upon receipt of grant claim forms and evidence of eligibility of expenditure and delivery progress (which may include invoices, valuations of capital works, etc). Scheme promoters will be required to retain evidence for audit purposes.
- 3.4.5 Finance reports will be provided to the JTC on a quarterly basis (or more frequently if required) in line with payment of claims to scheme promoters. There will be a named finance officer at an appropriate grade who will also act as a point of contact for ad hoc finance-related queries from the JTC or scheme promoters and to attend meetings as required.

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## 4 Further Guidance

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### 4.1 Introduction

4.1.1 This section provides further guidance on detailed matters associated with the assembly of a programme of schemes and the assurance of those schemes through the gateway process in readiness for funding.

### 4.2 Value for Money

4.2.1 Value for Money is the core of the Economic Case.

4.2.2 Independent assessment of value for money (VfM) will be based upon the [estimated] BCR of the scheme and also take into account both qualitative and quantitative evidence of both monetised and non-monetised costs and benefits. A value for money assessment compares the economic, social and environmental impacts of a scheme with the costs of its construction and ongoing maintenance. This assessment of value for money will reflect guidance from the DfT's Transport Business Case Guidance and from TAG<sup>2</sup>. It is expected that scheme sponsors will reference appropriate and proportionate use of the DfT's guidelines in presenting value for money evidence. Scheme promoters should also reference detailed locally-set guidance on proportionate approaches to scheme development set in the Proportionality Technical Note, which accompanies this assurance framework.

4.2.3 The independent assessment will establish an initial value for money category from DfT Guidance<sup>3</sup> based upon the [estimated] Benefit Cost Ratio (BCR) of the scheme<sup>4</sup>. These categories are:

- Poor VfM if the BCR is less than 1.0;
- Low VfM if the BCR is between 1.0 and 1.5;
- Medium VfM if the BCR is between 1.5 and 2.0;
- High VfM if the BCR is between 2.0 and 4.0; and
- Very high VfM if the BCR is greater than 4.0.

Schemes are usually expected to achieve high or very high value for money for inclusion in the programme and awarded funding, but this will be assessed on a case by case basis (see paragraph 4.3.4 for further details).

4.2.4 As part of the prioritisation process it will be necessary to provide in the Scheme Identification and Prioritisation Pro Forma an estimate of the Value for Money (VfM) that a scheme is likely to offer. At the first stage in the scheme development process not all schemes will have a fully worked up business case that will include all aspects of the Benefit to Cost Ratio (BCR).

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<sup>2</sup> <https://www.gov.uk/guidance/transport-analysis-guidance-webtag>

<sup>3</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/630704/value-for-money-framework.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630704/value-for-money-framework.pdf)

<sup>4</sup> For certain schemes the Present Value of Costs may be a positive number and a negative obtained (typically when revenues are received as a result of private sector operations using the new infrastructure). DfT guidance on how to interpret such appraisal outcomes should be used, as set out in Box 1.1 of "Value for Money: Supplementary Guidance on Categories" - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/627490/value-for-money-supplementary-guidance-on-categories.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627490/value-for-money-supplementary-guidance-on-categories.pdf)

- 4.2.5 For schemes that have not yet been fully assessed, evidence from other previous comparable schemes will be examined and likely sources of benefit for each appraisal criteria identified. This approach is consistent with the DfT's Early Assessment and Sifting Tool (EAST) Guidance. A Value for Money Statement must be provided by scheme promoters for each scheme at both Gateway 2 and Gateway 3. An independent review of VfM will take place at each of these stages and reported to the TNESU. If satisfactory, the VfM Statement will be sent for approval by the JTC Chief Finance Officer.
- 4.2.6 Use of the TAG toolkit is mandatory, although proportionate application of its modules and principles is permissible and must be used to conduct appraisals and value for money assessments.
- 4.2.7 Scheme benefits potentially encompass a wide range of economic impacts including:
- Journey time savings for individuals.
  - Reduction in costs to businesses, transport operators and passengers.
  - Increasing access to education and jobs.
  - Increasing inward economic investment.
  - Keeping roads open to traffic (especially freight).
  - Reducing accidents / improving safety and security.
  - Health benefits.
- 4.2.8 Central case assessments will be based on forecasts that are consistent with the definitive version of NTEM (DfT's planning dataset) included within TAG. The JTC and individual promoters reserve the right to use alternative planning assumptions as sensitivity tests and considering the results of these when coming to a decision about whether to approve a scheme.

### **4.3 Deliverability**

- 4.3.1 Deliverability is a key element of assembling and managing a programme of schemes. Potential schemes will be assessed in relation to the level of risk associated with their deliverability. Assessments of deliverability based around four areas will be used, with each of these areas broken down into several components to ensure that all critical aspects of deliverability are examined:
- Risk to programme;
  - Risk to cost;
  - Risk to quality; and
  - Risk to acceptability.
- 4.3.2 A number of key deliverability criteria have been developed in order to assess the potential for scheme delivery in the appropriate funding period. These are outlined in the Transport Scheme Process Development Note. Schemes which perform well against the deliverability criteria will also have:
- Recently calculated outturn costs that meet the requirements of TAG including acceptable level of risk allowance;
  - A committed local contribution;
  - Established credible and realistic milestones for delivery;
  - An established process for undertaking detailed design;



- Established realistic timescales for obtaining statutory consents, carrying out / illustrating public consultation and acceptance and procuring contractors;
  - A comprehensive risk assessment in accordance with TAG;
  - A detailed governance and project management structure; and
  - An established approach to benefits realisation and monitoring and evaluation.
- 4.3.3 The JTC will require that scheme promoters invite Highways England and Network Rail to comment on any strategic road or rail schemes that are to be considered for funding. This will allow for their views on deliverability and impact on the wider network to be taken into account during the prioritisation process.
- 4.3.4 Apart from in exceptional circumstances, the prioritisation process will only consider schemes with a net requirement from public sector sources of at least £1.5m that have an adjusted BCR greater than 2 (i.e. offering 'high' value for money). The circumstances under which schemes with lower than 'high' value for money would be considered are set out below and are where at least one of the below criteria is met (where such circumstances arise, the criteria selected by the JTC to justify approval will be recorded):
- Where a project has very high level of strategic fit for the objectives of JTC
  - Where a project has significant positive Wider Economic Impacts to the JTC
  - Other significant positive wider impacts which can be quantified and attributed to the JTC area and which are in particular accordance with the objectives of the Committee. These will include health impacts, air quality, social & distributional impacts.
  - Where the investment will unlock significant development sites in the JTC area
  - Where the promoter is providing a very high proportion of scheme funding as match funding
- 4.3.5 Scheme promoters are required to maintain any asset that is created and this should be done in accordance with their Asset Management Plan or, in the case of a Passenger Transport Executive or other potential transport delivery agent, an equivalent document. The ongoing revenue costs of a scheme should be identified and a robust funding plan put in place, presented in the form of an analysis of Whole Life Costs.

#### **4.4 The Transport Business Case**

- 4.4.1 Following completion of Gateway 1 (Conditional Programme Entry), Scheme Promoters are required to prepare a business case for investment and update that business case as the scheme is developed further. Guidance on the preparation of a business case is provided in the Transport Scheme Development Process Note.
- 4.4.2 The Transport Scheme Development Process Note sets out the minimum requirements of the development of a major scheme and assists with the production of outline and full business cases and the development of a Value for Money Statement. The Process Note and accompanying Proportionality Technical Note also guides the development of business cases for minor schemes. Use of the Process Note will ensure that the information and assessment of a scheme is set out according to five cases:
- The strategic case;

- The economic case;
- The commercial case;
- The financial case; and
- The management case.

4.4.3 The monitoring and evaluation section of business cases will demonstrate how the outcomes of the scheme will be measured and outline the programme for measuring and evaluating outcomes. This will assist with scheme evaluation.

## **4.5 External Views on Business Cases**

4.5.1 It is the responsibility of scheme promoters to undertake appropriate and proportionate consultation of affected members of the public and other stakeholders in the refinement of their scheme proposals and development of their business case. A consultation plan should form part of all stages of scheme development and be reflected in project documentation.

4.5.2 In order to ensure external comment is possible, promoters will be required to share their business case with key stakeholders for consultation, before a funding approval decision is made so that external comments can be incorporated. Any comments received should be forwarded to the TNESU for inclusion in the Decision Report to the relevant approval body.

## **4.6 Monitoring and Evaluation**

4.6.1 Scheme promoters will be required to put in place mechanisms to ensure as a minimum that schemes are monitored and evaluated in line with both DfT guidance on the evaluation of local major schemes<sup>5</sup> and any additional guidance provided for specific funding streams. This will be enforced as part of the gateway process, and schemes that do not have a robust monitoring and evaluation strategy as part of their business case will not receive Full Approval at Gateway 3. All monitoring and evaluation strategies will be expected to contain a specific budget, logic map, list of metrics to be monitored and a named officer responsible for monitoring and evaluation.

4.6.2 Scheme promoters will be encouraged to share monitoring and evaluation plans with the TNESU at an early stage, in order to aid with establishing programme-wide baselines and in providing early review.

4.6.3 Monitoring metrics should at least be those set out in DfT guidance on the evaluation of local major schemes standard and enhanced monitoring measures, with appropriate additional metrics where required by specific funding streams. Where core individual metrics are not being used, this must be justified in advance of grant award.

4.6.4 A monitoring and evaluation strategy should at a minimum provide and budget for an evaluation report to be written one and five years after the opening of a scheme. There may be additional requirements in line with funding streams and these should

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<sup>5</sup> Monitoring and Evaluation Framework for Local Authority Major Schemes, 2012

be adhered to. It is expected that these reports would be shared with the funding body.

- 4.6.5 The principle of proportionality will be adhered to. Larger and more complex schemes will be expected to provide more detailed impact assessment of the transport, employment and economic impacts of investment. These may be, but are not limited to, assessments of the type identified under DfT guidance on the evaluation of local major schemes 'Fuller Evaluation'. This may also include provision for control areas, process evaluation and use of non-transport datasets.
- 4.6.6 Evaluation Plans and Reports will be published on the scheme promoter's website. The scheme promoter will be required to ensure an independent review of the monitoring and evaluation of their scheme, and this will be ensured as part of the grant award process.

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## North East Joint Transport Committee

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**Date:** 19 January 2021

**Subject:** Transforming Cities Fund Tranche 2 – Grant Funding Agreements

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

### Executive Summary

The purpose of this report is to seek approval to allocate funding from the Transforming Cities Fund (TCF) Devolved Pot to the Durham Bus Station scheme in County Durham. The business case for the scheme has been considered using the region's Transport Assurance Framework, has been checked by independent experts and is considered to offer high value for public money.

### Recommendations

The North East Joint Transport Committee is recommended to:

- i. Approve release of £3,612,500 from the TCF Devolved Pot to enable construction of the Durham Bus Station project
- ii. Instruct officers to prepare and sign a Grant Funding Agreement with Durham County council for this project.

## **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. Some £94m of this funding is allocated to Nexus' Metro Flow scheme, the remaining £104m is allocated to the region to spend on smaller sustainable transport schemes identified in the funding bid ratified by this Committee in October 2019.
- 1.2 A draft programme of schemes was considered by this Committee during May 2020, and local authority promoters of those schemes have since then been advancing the design of their schemes and preparing a business case for investment.
- 1.3 As they come forward, the business case for each scheme in the programme is considered using our Transport Assurance Framework and reviewed by an independent consultant retained by Transport North East (TNE) to ensure that
- 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 by March 2023, a key requirement of DfT's grant funding conditions.

## **2. Proposals**

- 2.1 This report describes the first TCF scheme to complete the Transport Assurance Framework and come forward to the Committee for a decision on funding.
- 2.2 The scheme entails the demolition of the existing life-expired bus station in the centre of Durham City and construction on the same site of a new modern bus station that meets the needs of current bus passengers. The improved layout of the new bus station will also offer operational benefits to bus companies by making access into, egress out of and movement around the new bus station more efficient and reliable.
- 2.3 Should the Committee approve funding for this scheme and officers are instructed to complete a Grant Funding Agreement with Durham County Council, demolition work is scheduled to begin in February 2021 and the new facility will be completed and opened in October 2022.
- 2.4 In total the scheme will cost £10,412,000, of which £3,612,500 is provided by the TCF Devolved Pot and the remainder is provided by local match funding sources.
- 2.5 The consideration of this scheme through the Transport Assurance Framework

reveals that there is a good strategic case for investment and bus passengers in County Durham will benefit from the improved bus station facilities offered. In addition, new passengers are likely to be attracted to the bus network in Durham as a result of this scheme.

- 2.6 Consultants retained by TNE have conducted an independent review of the business case for this scheme, a highlights report for this review is included at Appendix 1. In summary the independent review finds that:
- The proposal offers high value for money, even if we assume that public transport patronage in Durham shrinks by 20% as a lasting impact of COVID19;
  - The scheme will be delivered by the County Council's in-house construction team however, the cost of construction has been independently verified and the design of the new bus station has been developed in partnership with an external architect; and
  - The scheme has attracted a substantial local match funding contribution from the Council of £6.800m, ensuring that the contribution from the TCF Devolved Pot will deliver a high quality and attractive scheme.
- 2.7 Taking account of the work described above to consider this scheme through the Transport Assurance Framework, it is considered by officers that the proposal meets all requirements in full and offers high value for public money. The Committee is therefore recommended to approve the allocation of funding to the scheme and instruct officers to prepare a Grant Funding Agreement for approval by Durham County Council. That Agreement will provide the scheme promoter with permission to draw down funding from the TCF Devolved Pot (which is held by the NECA on behalf of this Committee).

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

- 3.1 The proposals will contribute to the delivery of our Transforming Cities Fund programme, which in turn will contribute to delivery of the objectives in our emerging Regional Transport Plan.

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

- 4.1 Durham County Council has considered a number of alternative proposals for improving bus station facilities in Durham City, as set out in the business case prepared by the County Council. The business case demonstrates why the current proposal is the best option that meets passenger needs and offers high value for public money.
- 4.2 Option 1 is for the North East Joint Transport Committee to accept the recommendations set out in this report, and deliver the benefits described in this report.
- 4.3 Option 2 is for the North East Joint Transport Committee to not accept the recommendations set out in this report, in which case the benefits to bus passengers and bus operators in County Durham will not be realised and poor

bus station facilities will persist in the city for the foreseeable future.

4.4 Option 1 is the recommended option.

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

5.1 A Grant Funding Agreement will be prepared by officers and agreed with Durham County Council, after which construction can commence. TNE will require that the Council provides quarterly monitoring update reports that will detail progress, expenditure and risks.

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

6.1 The proposal will contribute positively to objectives in Durham's Local Transport Plan and the emerging regional Transport Plan.

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

7.1 The TCF allocation proposed in this report amounts to £3,612,500. The financial summary for the TCF Devolved Pot can be updated as follows:

• Total Devolved Pot	£103,797,532
• Funds Committed to Date	£0
• Funds Committed in this report	£3,612,500
• Remaining Devolved Pot	£100,185,032
• Total Ask for Remaining Prioritised Schemes	£125,231,553
• Over-programming	25%

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

## **8. Legal Implications**

8.1 A Grant Funding Agreement will need to be prepared in order that the scheme promoter can commence drawing down its funding allocation. A standard Grant Funding Agreement has been prepared for previous TCF projects that will be used again to minimise any legal risks and ensure NECA's obligations (on behalf of the JTC) to the Department for Transport in receiving the TCF devolved funding are appropriately relayed to the scheme promoters.

## **9. Key Risks**

9.1 The key risk for this Committee relates to the potential for the construction of this



scheme to be delayed or overspent. The processes included in the Grant Funding Agreement ensure these risks to the Committee are mitigated and borne by the scheme promoter.

## **10. Equality and Diversity**

- 10.1 The proposed scheme will be designed to modern standards, ensuring that any equality and diversity implications will be minimised. In particular, the scheme will take account of the access needs of people with disabilities, and the safety and security needs of vulnerable people.

## **11. Crime and Disorder**

- 11.1 The proposed scheme will be designed to modern standards, ensuring that any crime and disorder implications will be minimised.

## **12. Consultation/Engagement**

- 12.1 This report has been shared with the TCF Programme Board and Transport Strategy Board, comments have been taken on board from both groups. The scheme promoter has managed all consultations with regard to the scheme itself.

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

- 13.1 The improved bus station facilities in Durham are likely to have a positive impact on the economic fortunes of the city centre.

## **14. Appendices**

- 14.1 Appendix 1 – Highlights Report from Independent Consultant

## **15. Background Papers**

- 15.1 Durham Bus Station Full Business Case, prepared on behalf of Durham County Council – this document has informed this Committee report and the Highlights Report at Appendix 1.

## **16. Contact Officers**

- 16.1 Mike Scott, TCF Programme Lead  
Email: [mike.scott@transportnortheast.gov.uk](mailto:mike.scott@transportnortheast.gov.uk)  
Tel: 0191 203 3512

## **17. Sign off**

- The Proper Officer for Transport: [✓]

- Head of Paid Service: [✓]
- Monitoring Officer: [✓]
- Chief Finance Officer: [✓]

## 18. Glossary

- DfT – Department for Transport
- TCF Devolved Pot – the Transforming Cities Funds allocation from DfT that is available to spend on the prioritised schemes identified in our November 2019 TCF Strategic Outline Business Case submission
- 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.

# DURHAM BUS STATION

## SUMMARY REPORT

IDENTIFICATION TABLE	
Client/Project owner	Transport for the North East
Project	Durham Bus Station
Title of Document	Summary report
Type of Document	Info Note
Date	10/12/2020
Reference number	IRC009
Number of pages	4

### TABLE OF CONTENTS

<b>1.</b>	<b>SUMMARY REPORT</b>	<b>2</b>
<b>1.1</b>	<b>INTRODUCTION</b>	<b>2</b>
<b>1.2</b>	<b>HEADLINE COMMENTS</b>	<b>2</b>
<b>1.3</b>	<b>3</b>	

# 1. SUMMARY REPORT

## 1.1 Introduction

1.1.1 SYSTRA has conducted a review on behalf of the Transport North East (TNE) of the full business case (FBC) for the Durham Bus Station scheme. These comments are based on the FBC v4 dated 11<sup>th</sup> of December 2020. A completed red-amber-green (RAG) assessment of the FBC with respect to the five cases has been produced, and accompanies this review.

1.1.2 Reporting on the Full Business Case will contain reference to key elements and issues within of each of the five cases and will make recommendations for scheme business case progression or improvement.

## 1.2 Headline Comments

1.2.1 The Durham Bus Station scheme forms part of the package of transport improvements shaping the Transforming Cities Programme for the North East. The strategic case for the scheme is broadly sound with identified problems and objectives as well as making use of available data. The scheme has been an aspiration for Durham for a while and option testing occurred through the development of the scheme.

1.2.2 The economic case makes use of available data from October 2019 and a bespoke appraisal spreadsheet based on reasonable assumptions. Yet some of the assumptions are high level; therefore, the results should be treated as indicative and used with caution.

1.2.3 The reported BCR for the Core Growth scenario is 3.76 which reflects a high value for money. The robustness of the BCR has been tested using sensitivity tests.

1.2.4 The '-20% in station demand' scenario which is used to reflect the potential impacts of COVID-19 and low growth results in a BCR of 3.01, which shows the scheme is still high value for money.

1.2.5 The '+20% in station demand' scenario which is used to reflect the potential impacts high growth reflect the scheme being very high value for money. Due to the nature of the assessment no conclusion can be reached on the scheme's resilient in increases in demand.

1.2.6 The overall scheme cost is £10,412,012, which is broadly the same as the OBC. There have been a number of minor in the make up of the cost between the OBC and FBC. These changes have resulted from finalising the scheme design, updating the risk register and applying the latest inflation assumptions.

1.2.7 A local contribution of £6,799,505 will be provided by Durham City Council (DCC). A letter from the DCC Section 151 Officer has been provided to confirm this contribution.

1.2.8 Within the Financial Case Jefferson Sheard Archetects have prepared a bill of Quantities. Cost estimates have been prepared by Monaghans (Quantity Surveyors) utilising SPONS rates. The rates have been scrutinised and validated by DCC Internal Building Construction Services.

- 1.2.9 As the project is not formally going to be put out to competitive tender, the document does not contain tender prices, however the scheme will be delivered by DCC internal building construction services who have scrutinised and validated the cost estimates including discussions with their supply chain and accepted they can deliver the project for the cost estimate price included within the FBC.
- 1.2.10 A design and build approach has been chosen, the preferred options for sourcing the work is through the DCC Internal building construction services. This approach has been approved by the Head of Corporate Finance and Commercial Services (who is responsible for procurement).
- 1.2.11 Whilst DCC is not legally able to have a contract between departments, DCC will use an approach similar to NEC3 Engineering and Construction form of contract.
- 1.2.12 A supporting letter has been provided from the Head of Corporate Property and Land and the Highway Service Manager to confirm the appropriate levels of staff are in place for the Durham Bus Station scheme, wider Transforming Cities Fund (TCF) programme and other capital projects.
- 1.2.13 There are no dependencies or links with other projects for the Durham Bus Station Scheme, although there are synergies with other schemes within the wider Durham TCF programme. All appropriate approvals are in place (planning permission).
- 1.2.14 It is proposed that the Monitoring and Evaluation Plan will ultimately cover all the Durham TCF schemes and there is an intension to update it as other schemes progress. Certain aspect of the monitoring and evaluation plan will be undertaken on a scheme level, while other aspects will be completed for Durham TCF programme collectively.
- 1.2.15 To take account of the implication of COVID 19 the Baseline will be 2019 and based on available data. In the absence of a bus passenger baseline survey the plan proposes to use retrospective research approach.

### **1.3 Conclusion**

- 1.3.1 The business case presented is sufficiently TAG compliant with the economic assessment reflecting high to very high value for money. The preferred option of the scheme has been developed enough including detailed costs with prices accepted by DCC Internal building construction services who will be constructing the scheme and all relevant approvals and permissions are in place. Therefore, it may be considered by the Joint Transport Committee for approving the requested funding from the Transforming Cities Fund allocation for the North East.



Version	Name		Position	Date	Modifications
1	Author	Irineos Livadiotes	Senior Consultant	11/12/2020	
	Checked by	Amy Sykes	Associate Director	11/12/2020	
	Approved by	Amy Sykes	Associate Director	11/12/2020	
2	Author			DD/MM/YY	
	Checked by			DD/MM/YY	
	Approved by			DD/MM/YY	

DRAFT



## North East Joint Transport Committee

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**Date:** 19 January 2021

**Subject:** East Coast Main Line update

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

### Executive Summary

This report provides a summary of various updates and key workstreams which the region is currently involved in to ensure that the North East's main transport investment priority of the East Coast Main Line (ECML) receives necessary investment, including the reopening of the Leamside Line in full. Committee members are continuing to use every opportunity available to ensure this.

In December 2020 the National Infrastructure Commission (NIC) published its 'Rail Needs Assessment' report which will in turn inform the Government's upcoming 'Integrated Rail Plan' (IRP) which is expected to be published early in the New Year.

Once published, the IRP will inform the government's planning for the long-term future of the ECML.

Transport for the North is taking forward route options for Northern Powerhouse Rail with choices for the Leamside Line and ECML. Development work on the May 2022 major ECML timetable change is continuing, and the region has set out its preferences ahead of consultation.

### Recommendations

The North East Joint Transport Committee is recommended to note the contents of the report and support the ongoing work to secure the commitment needed to upgrade the East Coast Main Line and enable the North East to connect to the UK's high speed rail network.

## 1. Background Information

### 1.1 The East Coast Main Line

The East Coast Main Line (ECML) is one of the UK's most important strategic transport routes. It is a vital artery for the North East as the region relies on this line for all our rail services to London, Scotland, the Midlands, Leeds, Manchester and beyond.

1.2 Currently the ECML between Northallerton, Newcastle and Berwick consists of only two tracks – one in each direction. Speed differentials between different types of passenger and freight trains, with no facility for faster trains to overtake slower ones, means that only six passenger trains per hour can be accommodated along the corridor. This currently leads to a service pattern south of Newcastle of 2 trains per hour to London, 2 to Manchester and 2 to Birmingham.

1.3 The plans for HS2 and Northern Powerhouse Rail will increase the number of trains serving the North East. These new high-quality fast passenger services will act as enablers for significant economic growth, better connecting the region to other key economic centres. However, the new services will increase the number of trains that need to use the ECML north of Northallerton to 9 per hour. Given that there is currently only capacity for 6 passenger trains per hour, some form of improvement to the capacity of the line will be required.

1.4 The JTC's position is that this is best achieved by the reopening of the currently disused Leamside Line, between Pelaw Junction in Gateshead and Tursdale Junction in County Durham. Working in tandem with an existing freight line between Tursdale Junction and Stockton, reinstatement of the Leamside Line would remove freight from the ECML in our region entirely, allowing express passenger trains to run faster and adding significant capacity. It would also enable the development of local rail services along the A19 corridor for example passenger trains to Durham Belmont Park & Ride and Ferryhill, and Tyne and Wear Metro services between South Shields, Washington and Sunderland.

### 1.5 Northern Powerhouse Rail

At the Transport for the North (TfN) Board meeting on the 19th November 2020, TfN members approved an initial preferred network and phasing strategy for Northern Powerhouse Rail (NPR). Following some further work, it is expected that these will be ratified at the January 14th 2021 TfN Board meeting.

1.6 Both prior to the November meeting (via a letter to the chairman John Cridland) and verbally at the meeting, Members put a strong case across for the preferred option to include the reinstatement of the Leamside line in full. Members also made it clear that they did not accept lesser options still under consideration, namely a scheme called "Leamside South" (effectively a bypass around Durham) or an online ECML upgrade.

1.7 The November 2020 report considered and approved by TfN Board did indeed state the preferred option included the full Leamside but also retained the other lower cost options for further development. Ultimately only a single option can be taken forward



when producing the outline business case.

1.8 In December 2020, a series of questions and clarifications were sent to TfN seeking a further detailed comparison of the costs, impacts and benefits of the two Leamside options.

1.9 Integrated Rail Plan (IRP)

The Government will shortly publish an 'Integrated Rail Plan' (IRP) shortly for the Midlands and the north which will take account of HS2, Northern Powerhouse Rail and conventional rail upgrades. Once published, the IRP will inform the government's planning for the long-term future of the ECML.

1.10 The Government asked the National Infrastructure Commission (NIC) to produce a "Rail Needs Assessment" report to help inform its own work.

On 15 December 2020, the NIC published the final 'Rail Needs Assessment' report. The final report suggests a menu of three options with five budget levels for the Government to consider. The three options are: Focusing on upgrades, prioritising regional links, and prioritising long distance links. The report seems to contradict the recommendations in the Oakervee review that the Eastern Leg of HS2 should go ahead in full.

Whilst most of the options do include proposals for East Coast Main Line investment, the report does not go into any detail apart from referencing 'upgrades'. More detail is being sought from the NIC regarding specific proposals for the line north of York: <https://nic.org.uk/app/uploads/RNA-Final-Report-15122020.pdf#Final%20report>

1.11 Commenting on the report on behalf of the JTC, Chair Cllr Gannon said:

"We have always argued that HS2 and Northern Powerhouse Rail must transform rail links to, and within, all parts of the North. For years the North East has been calling on the Government to publish credible, timely and properly funded plans to upgrade the East Coast Main Line in the North East and build the HS2 Eastern Leg in full so that this can happen."

"We're disappointed therefore that the Rail Needs Assessment published by the National Infrastructure Commission is working from the premise the government is not prepared to invest in connecting high speed rail to all of the North's major cities."

"With the Government now set to publish an Integrated Rail Plan in 2021 it is essential that Northern Powerhouse Rail, the HS2 Eastern Leg, and upgrading the East Coast Main Line in the North East are at the centre of it. The North East needs to be part of the country's high-speed rail revolution."

1.12 Political leaders, business and industry in the North East have all submitted evidence and comments to DfT stating that investment in the ECML in our region must be included in the IRP.

1.13 Cllr Gannon and Mayor Driscoll met Andrew Stephenson MP, the responsible Minister for the IRP, where they stated the case for the ECML to be upgraded and for the Leamside Line to be opened in full. Mr Stephenson indicated that he would consider what had been said, but his advice at the time was that lower cost options

were available.

1.14 Northern Transport Acceleration Council (NTAC)

On 17 December 2020, Cllr Gannon and Mayor Driscoll attended a NTAC meeting where a coordinated approach to investment in the ECML in the North East was requested. This is another forum within which to press for the much-needed investment.

1.15 East Coast Mainline Authorities (ECMA) Consortium and other campaigns

On 19<sup>th</sup> November 2020, ECMA launched the 'Invest East Coast Rail' campaign, calling on the government to invest now and future proof the East Coast Main Line, ahead of a series of forthcoming central government decisions, initiatives, and reviews. The campaign materials are available at: [www.investineastcoast.co.uk/research/](http://www.investineastcoast.co.uk/research/)

1.16 On behalf of the JTC, Cllr Gannon added the following remark to the campaign:

"It's good that partners up and down the East Coast Main Line have come together to press for investment, and we are also working with Transport for the North to make sure their plans are aligned as well.

"It's high time that we saw a clear commitment from the government on upgrading the East Coast Main Line in the North East. The existing line is already slow, unreliable, and over-capacity for our needs now, let alone for the future. With the government set to publish an 'Integrated Rail Plan' early next year, it is absolutely essential that upgrading the East Coast Main Line in the North East is at the centre of the plan.

1.17 Prior to the publication of the IRP, Authorities along the length of the line are calling for:

- A clear long-term investment plan for the East Coast Main Line to ensure the route is ready to maximise the benefit of future projects such as HS2 and Northern Powerhouse Rail.
- Development of a pipeline of schemes to deliver against this plan, which looks beyond short-term planning, recognising the national strategic importance of the route.
- A timely and firm commitment to funding and delivery of these schemes for the short, medium and long term, to provide confidence and improve resilience of the route.

1.18 On 26 November 2020, Transport Secretary Grant Shapps MP responded to ECMA stating that once the IRP is published, this will inform the Department's planning for the long-term future of the ECML. See appendix 1.

1.19 The North East has also fed into campaigns led by the 'HS2 East' group; the 'Connecting Britain' campaign, being led by the Northern Powerhouse Partnership (NPP) think tank; and the North East Chamber of Commerce's 'Fast Track East Coast' campaign. All of these campaigns are championing investment in the ECML in the North East as part of their wider ask.

1.20 May 2022 major ECML timetable change

In May 2022 the ECML will undergo a comprehensive timetable change, the most significant shift in services since 2011. Planning work is currently underway. Train operating companies and the wider industry will formally consult on the major change in the coming months.

1.21 We understand that from May 2022, the train operator LNER is planning to increase its service to three trains each hour between London and Newcastle, originally part of the business case for the new Azuma trains. Additional infrastructure was originally planned to release capacity for this third London train, but it was dropped on cost grounds. As a consequence, the only way the third London service can currently be accommodated on the line is by another service being removed – and we understand that the service to be removed will be one of the twice-hourly Transpennine Express services to Leeds and Manchester.

1.22 The JTC has already discussed this matter and stated its position that, although the North East would warmly welcome an additional service to London, this should not be at the cost of removing hard-won connectivity to other parts of the North. Longer-term, the two Manchester-bound trains per hour are part of the service pattern that will eventually grow into the NPR service and it makes no sense to undo that.

1.23 The JTC's priority is therefore to retain the current 2+2+2 service pattern to and from our region as a minimum, and the introduction of any additional services to London should not come at the cost of connectivity to the North. We will make this clear as part of the formal consultations in early 2021.

1.24 We understand that the Department for Transport and Network Rail are looking at a possible infrastructure solution to this problem to enable up to seven passenger trains per hour in each direction by allowing freight services to be partially separated from the main line. This is unlikely however to be delivered by 2022, and so will not enable the retention of all services plus the increase in LNER services.

1.25 Cllr Gannon wrote to the Rail Minister on November 11<sup>th</sup> 2020, setting out our region's position on the 2022 timetable change, as well as calling for the Bensham Curve to be reinstated. See appendix 2.

1.26 UK Government Union Connectivity review

In October 2020, the UK Government launched an independent review, led by Sir Peter Hendy, into how connectivity across the UK can support economic growth and quality of life post Covid-19.

1.27 The review includes all existing links, examining the quality and reliability of major connections across the UK, bolstering existing links, including the ECML. This is a further opportunity to highlight the case for ECML investment north of Newcastle to Scotland.

## 1.28 Williams Rail Review

We are still awaiting the Williams review white paper, which is due to set out the future structure of the railways post franchise. We will prepare a briefing for members when the white paper is published.

## **2. Proposals**

- 2.1 It is proposed that Members note the contents of the report and support the ongoing work to secure the commitment needed to upgrade the East Coast Main Line and enable the North East to connect to the UK's high-speed rail network.

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

- 3.1 Better connectivity by rail is an essential enabler for the region's economic growth and environmental improvement plans. The ECML (supported by HS2 and NPR) is the key route connecting the region with the rest of the UK both for passengers and freight. Thus, investment in the ECML to cater for predicted growth is vital to the future well-being of the North East. Interventions are starting to emerge from studies and the case for investment is being made by the regions political and business leaders.

- 3.2 Continued efforts must therefore be made to secure the commitment to design and then deliver the essential improvements required for the ECML over the next 10 to 15 years in an incremental and coordinated way.

## **4. Alternative Options Available**

- 4.1 Not applicable for this report as for information only.

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

- 5.1 We are still awaiting the Williams review white paper, which is due to set out the future structure of the railways post franchise. We will prepare a briefing for members when the white paper is published.

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

- 6.1 The delivery of improved rail services in the North East will assist in delivering this committee's key objectives for economic growth, greater opportunities and reduction of transport-based carbon emissions, as well as the North East Transport Plan objectives.

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

- 7.1 There are no financial and other resources implications.

## **8. Legal Implications**

- 8.1 There are no legal implications.

## **9. Key Risks**

- 9.1 Constraints on economic growth economic growth, future opportunities and reduction of transport-based carbon emissions and loss of connectivity are key risks if increased service frequency and reduced journey times are not enabled through increasing the capacity of the ECML between York and Newcastle and the full HS2 and NPR services reaching the North East.

## **10. Equality and Diversity**

- 10.1 There are no equality and diversity implications arising from the proposal.

## **11. Crime and Disorder**

- 11.1 There are no crime and disorder implications arising from the proposal.

## **12. Consultation/Engagement**

- 12.1 None

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

- 13.1 No specific implications

## **14. Appendices**

- 14.1 Appendix 1 – Invest East Coast Rail response letter from UK Government  
Appendix 2 – JTC letter to the Rail Minister regarding the May 2022 ECML timetable

## **15. Background Papers**

- 15.1 None.

## **16. Contact Officers**

- 16.1 Tobyn Hughes, Managing Director, Transport North East.  
[tobyn.hughes@nexus.org.uk](mailto:tobyn.hughes@nexus.org.uk)

## **17. Sign off**

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

## **18. Glossary**

ECML – East Coast Main Line

ECMA – Consortium of East Coast Main Line Authorities

HS2 – High Speed Two

IRP – Integrated Rail Plan

JTC – Joint Transport Committee

NPR – Northern Powerhouse Rail

NTAC – Northern Transport Acceleration Council

TFN – Transport for the North



Department  
for Transport

Councillor Keith Aspden  
Leader, City of York Council  
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From the Secretary of State  
**The Rt. Hon. Grant Shapps**

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Our Ref: MC/319061

26 November 2020

Dear Keith,

Thank you for your letter of 19 November, concerning investment on the East Coast Main Line (ECML).

As outlined in our response to your letter of 24 October 2019, we are investing £1.2 billion as part of the current Enhancements Programme, which will help to deliver journey time, reliability and capacity improvements along the route.

I would also like to thank you for the continuing efforts of the Consortium of East Coast Main Line Authorities (ECMA). Indeed, I am pleased to note that it is thanks to ECMA, and analysis conducted on its behalf by Systra, that we are able to quantify the wider economic impact in Gross Value Added terms – £173m per year – of the Enhancements Programme.

With regards to developing a strategy for the route that follows on from this significant investment, we are currently awaiting the completion of the Integrated Rail Plan for the Midlands and the North. This Plan is intended to ensure that future rail investment is scoped and delivered in an integrated manner, whilst driving down costs and over-specification. Once published, this will inform the Department's planning for the long-term future of the ECML and the development of the comprehensive plan that you call for. My officials will continue to engage with ECMA as this work progresses.

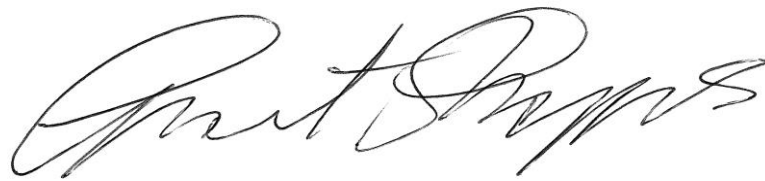
That does not mean, however, that we are not seeking to make further improvements in the interim. Since our last exchange of letters, I am pleased to be able to confirm additional investment on the route. This includes funding for the design of a package of upgrades at Darlington Station, as well as work that has been initiated looking at relieving capacity constraints at York Station.

Further to the above, we are also continuing our close work with Network Rail and stakeholders across the route to identify and assess further potential enhancements.

Thank you once again for your letter, and for providing a copy of ECMA's new campaign brochure. I hope that my response has been helpful.

I am copying this letter to Councillor Gordon Edgar, Councillor Kim Groves, Councillor Bill Mordue and Councillor Derrick Ashley.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grant Shapps', written in a cursive style.

**Rt Hon Grant Shapps MP**

**SECRETARY OF STATE FOR TRANSPORT**



## **NORTH EAST JOINT TRANSPORT COMMITTEE**

Chris Heaton-Harris MP  
Minister of State  
Department for Transport  
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By email: [chris.heatonharris@dft.gov.uk](mailto:chris.heatonharris@dft.gov.uk)

11 November 2020

Dear Minister

### **East Coast Main Line train path capacity between York and Newcastle**

I am writing in relation to the ongoing development of the major East Coast Main Line (ECML) railway timetable change, currently expected to be implemented from May 2022. I thought it would be helpful to set out the North East's position ahead of the formal rail industry consultations expected early next year.

You will know the ECML is vital to the North East. It is the artery that links our region with the rest of Britain. We rely on this line for all of our services to London and Scotland, as well as our rail links to the UK's core cities, including Leeds, Sheffield, Manchester, Liverpool and Birmingham.

Unfortunately, the route north of York is now at full capacity which limits the number of passenger trains that can run within any given hour to six. This is because the line between Northallerton and Newcastle reduces from four to two tracks and limited train paths are shared between fast passenger and slower freight trains.

North East local authorities and businesses have been flagging for years that the line's capacity problems are a major constraint on economic growth and will become an even bigger problem once HS2 and Northern Powerhouse Rail (NPR) are introduced. The government needs to make a clear commitment to investing in the ECML in the North East to address this issue in the medium term.

This investment is part of a wider plan that we have recently set out in our "Connectivity Blueprint". The blueprint sets out how a connected North East can increase the prosperity, quality of life and health of the region. Our goal is to create and sustain 100,000 more and better jobs in a growing and decarbonised economy, where social and health inequalities are greatly reduced. Better infrastructure is fundamental to achieving this.

The current service pattern each hour is two trains to London (LNER), two to the Midlands (CrossCountry), and two to Leeds and Manchester (TransPennine Express), which offers a reasonable level of connectivity – if often slow and very unreliable.

### **May 2022 major ECML timetable change**

We understand that from May 2022, LNER is planning to increase its service to three trains each hour between London and Newcastle, originally part of the business case for the new Azuma trains.

We understand that additional infrastructure was originally planned to release capacity for this third London train, but that it was dropped on cost grounds. As a consequence, the only way the third London service can be accommodated on the line is by another service being removed – and we understand that the victim would be one of our services to Leeds and Manchester.

The North East would of course usually warmly welcome an additional service to London, but we want to make clear this should not be at the cost of removing hard-won connectivity to other parts of the North. Longer-term, the two Manchester-bound trains per hour are part of the service pattern that will eventually grow into the NPR service and we believe it makes no sense to undo that.

Our priority is therefore to retain the current 2+2+2 service pattern to and from our region as a minimum, and the introduction of any additional services to London should not come at the cost of connectivity to the North.

### **Reinstating the Bensham Curve**

We understand that the Department for Transport and Network Rail are looking at a possible infrastructure solution to this problem by assessing the feasibility of reinstating the short Bensham Curve to enable up to seven passenger trains per hour in each direction by allowing freight services to cross the main line without crossing at grade.

Better still, reopening the Bensham Curve also has enormous additional potential. Not only will it solve short-term ECML capacity issues, its reinstatement would also allow for the expansion of our Local Rail and Metro network. This would unlock rail access to Team Valley, one of the largest out of town employment locations in the North, home to over 600 companies and a provider of employment for over 20,000 people. It could also provide an option for a major rail based park-and-ride site adjacent to the A1(M) motorway, offering long-term options for modal shift to sustainable travel modes, improving productivity, air quality and reducing carbon emissions.

Because of these benefits MPs in our region submitted the reinstatement of the Bensham Curve as part of our first round of Restoring Your Railway Fund bids, and they are likely to re-submit these proposals to the third round later this year. We see the scheme as a key strategic driver to enabling the 7th passenger train path on the ECML as well as the enormous local rail connectivity benefits.

I would respectfully request that you ensure that these different strands of activity in relation to the Bensham Curve are joined together as the work is taken forward. Time is

very short for the introduction of the May 2022 timetable and so I also propose that this project be considered a candidate for acceleration.

### **Longer-term**

Along with Jamie Driscoll the Mayor of the North of Tyne Combined Authority, I recently wrote to Andrew Stephenson MP in relation to investment in the ECML – I enclose a copy of the letter for your information.

Jamie and I are both strong supporters of both the HS2 Eastern Leg and NPR, but we would like to make it very plain that both projects will only deliver meaningful economic benefit to the North East if the government also commits to a major upgrade of the East Coast Main Line, including the reopening of the Leamside Line in full.

We believe that investment in the ECML in the North East can and should be delivered in the period 2024-2034. It would be a major 'early win' not only by starting to level up the North East's economy, but also by unlocking local and national rail growth and creating valuable engineering and construction jobs.

When complete the upgraded ECML will carry NPR and HS2 trains speedily to the North East alongside existing long-distance passenger trains, with a parallel Leamside route providing capacity for slow-moving freight and local services.

We would like to see this reflected in the Integrated Rail Plan that the Department will be producing soon.

I would be delighted to discuss these proposals with you along with our other plans to move our region forward.

Yours sincerely



**Councillor Martin Gannon**  
**Leader of Gateshead Council and Chair of the North East Joint Transport Committee**

Enclosure: copy of letter to Andrew Stephenson MP

## North East Joint Transport Committee

Andrew Stephenson MP  
Department for Transport

Gateshead Council  
Civic Centre  
Regent Street  
Gateshead  
NE8 1HH

By email: [andrew.stephenson.mp@parliament.uk](mailto:andrew.stephenson.mp@parliament.uk)

20 October 2020

Dear Andrew

### **Integrating the North East into the UK's High-Speed Rail Network**

You will be aware that a meeting of the Northern Transport Acceleration Council took place on 8th October 2020, chaired by Baroness Vere and focusing on the North East's transport needs. Baroness Vere will no doubt have shared the key messages with you, and we write to add further emphasis to the urgent need for investment in the East Coast Main Line (ECML) in our area.

This investment is part of a wider plan that we have recently set out in our "Connectivity Blueprint". The blueprint sets out how a connected North East can increase the prosperity, quality of life and health of the region. Our goal is to create and sustain 100,000 more and better jobs in a growing and decarbonised economy, where social and health inequalities are greatly reduced. Better infrastructure is fundamental to achieving this.

We are strong supporters of both the HS2 Eastern Leg and Northern Powerhouse Rail, but we would like to make it very plain that both projects will only deliver meaningful economic benefit to the North East if the government also commits to a major upgrade of the East Coast Main Line, including the reopening of the Leamside Line in full.

We believe that investment in the ECML in the North East can and should be delivered in the period 2024-2034. It would be a major 'early win' not only by starting to level up the North East's economy, but also by unlocking local and national rail growth and creating valuable engineering and construction jobs.

When complete the upgraded ECML will carry NPR and HS2 trains speedily to the North East alongside existing long-distance passenger trains, with a parallel Leamside route providing capacity for slow-moving freight and local services.

We would like to see this reflected in the Integrated Rail Plan that you will be producing soon and would welcome an early opportunity to discuss this with you in person.

Yours sincerely,



Councillor Martin Gannon  
Leader of Gateshead Council and  
Chair of the North East Joint Transport Committee



Jamie Driscoll  
Mayor  
North of Tyne Combined Authority

Copied to: Grant Shapps, Secretary of State for Transport

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