



North East Joint Transport Committee

Tuesday, 14th July, 2020 at 2.00 pm

Meeting to be held in a To be held virtually via Microsoft Teams

AGENDA

	Page No
1. Apologies for Absence	
2. Declarations of Interest	
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. Minutes of the last meeting held on 9 June 2020	3 - 8
4. Capital Programme 2019/20 Outturn and 2020/21 Update	9 - 28
5. Revenue Budget 2019/20 Outturn and 2020/21 Update	29 - 52
6. Moving Bus Partnership forward in North East England	53 - 76
7. Rail Update	77 - 84
8. Regional Transport Update	85 - 92
9. Exclusion of the Press and Public	

The North East Joint Transport Committee may wish to exclude the press and public from the meeting during consideration of the following item on the grounds indicated:

Item 12: By virtue of paragraphs 2, 3 and 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

Contact Officer: Emma Reynard

Tel: 0191 433 2280

E-mail: emmareynard@gateshead.gov.uk



NORTH EAST JOINT TRANSPORT COMMITTEE

DRAFT MINUTES FOR APPROVAL

DATE: 9 June 2020

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

Present:

Councillor: M Gannon (Chair)

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

In attendance:

Councillor J McCarty

Statutory Officers: M Barker (Deputy Monitoring Officer), P Darby (Deputy S73 Officer) and T Hughes (Managing Director, Transport North East).

Officers: G Armstrong, F Bootle, R Broadbent, T Collins, R O'Farrell, M Jackson, G Mansbridge, P Meikle, P Melia, S Ramsey, E Reynard, D Wafer, T Warburton,

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 21 JANUARY 2020

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

4. FUNDING RECOVERY OF THE BUS INDUSTRY IN THE NORTH EAST

The Committee received a report outlining the effect of the coronavirus pandemic on the use of local bus services. The pandemic has severely reduced the number of people using bus services and social distancing guidelines mean that capacity will be greatly reduced for the foreseeable future.

Local authorities and the Government have provided emergency funding to bus operators which has enabled them to maintain a reduced level of service during the lockdown period, with further financial assistance being provided to help restore bus services during the restart phase. The Government has also requested that local authorities continue to maintain concessionary fare and tendered services bus payments to the bus operators at pre-pandemic levels. Whilst Nexus, Northumberland County Council and Durham County Council continue to do so, there are some concerns as to the open-ended nature of the request and the mechanism being used. It may be that this can be addressed by attaching certain conditions to future payments in order to address these concerns, which could include, for example, open-book accounting and joint working on network development.

As with all public expenditure, it is important that there is transparency over these payments and accountability for the outcomes achieved. Work is underway with other Combined Authorities across the country to develop a common set of conditions intended to achieve this. Further discussions will take place with the Joint Transport Committee when this work is concluded with a view to considering how this can be taken forward and reflecting local conditions. Any conditions attached to the funding will need to be separately agreed by Durham County Council, Northumberland County Council and Nexus.

The Joint Transport Committee and its constituent authorities will continue to make the case for financial support to the bus industry from central government for as long as the effects of Covid-19 continue to have a negative impact. Work will also be carried out into future models of bus service funding and provision, jointly with relevant partners, to ensure that the development of the local bus network post Covid-19 meets the long term aims of the Joint Transport Committee.

Cllr Gannon placed on record his gratitude to the bus companies who have been working on the front-line during the lockdown to support key workers. He commented the North East region has campaigned for many years for a regulated bus service, but noted that that the region is in a very different position than it was prior to the pandemic. He added that since the pandemic began, emergency funding has been provided from local authorities and Nexus to the bus companies to enable them to continue to provide services, from the concessionary and tendered service budgets that amount to £70m annually. Because of this bus operators are now almost 100% publicly funded and the old operating model is no longer viable. Cllr Gannon said that local authorities will continue to work positively with the bus operators to maintain services, but a long-term funding agreement is required from Government.

Cllr Marshall echoed his gratitude to the bus companies who have been keeping key workers connected during the pandemic. He agreed that the financial model is not working in the current climate due to the capacity restrictions on buses created by social distancing. He added that local authorities needed to lobby Government for a new model which will establish an integrated public transport system across the North East. Cllr Marshall also felt that this was a good opportunity to look at smart-ticketing across multiple operators, fast-tracking some of the work which is already in development.

Cllr Walsh agreed with Cllr Gannon and Cllr Marshall's comments. He believed that this was a good opportunity to push the Government and maximise the opportunity to establish a long-term business model across all public transport including bus, rail and Metro.

RESOLVED: The North East Joint Transport Committee:

- (i) Noted the financial assistance provided to the local bus market to sustain it during the crisis brought about by the Covid-19 pandemic;
- (ii) Noted the wider work being undertaken on the development of potential conditions that could be applied to concessionary fare and tendered bus service payments, that are being made to bus operators at pre-pandemic levels at the request of the government, and that further details will be reported to a future meeting; and
- (iii) Considered the development of longer-term options to align development of the bus network with the JTC's objectives in the post-Covid-19 environment.

5. NATIONAL INFRASTRUCTURE COMMISSION: RAIL NEEDS ASSESSMENT

The Committee received a report outlining the North East's response to the National Infrastructure Commission's 'Rail Needs Assessment for the Midlands and the North'. The assessment will assist the Government in creating the Integrated Rail Plan which will identify the most relevant investments and how to integrate HS2, Northern Powerhouse Rail and other rail investments.

The response is based around the need for Government to commit to providing funding to enable to the East Coast Mainline corridor between York and Newcastle to be HS2/NPR ready by the 2030s and to also eventually enable HS2 trains to continue to Scotland.

Cllr Walsh welcomed the report but asked that an amendment be made to the submission to include the Pelaw flyover and Boldon curve north of the Leamside Line which would enable the South of Tyne and Wearside Loop alongside other Metrofutures expansion schemes.

RESOLVED: The North East Joint Transport Committee noted and endorsed the North East response to the National Infrastructure Commission's call for evidence for the Rail Needs Assessment for the North and Midlands, including the amendment in relation to the South of Tyne and Wearside Loop and other Metrofutures expansion schemes.

6. BOOSTING CYCLING AND WALKING IN THE NORTH EAST

The Committee received a report outlining a bid for funding from the Department for Transport's Emergency Active Travel Fund which was submitted on 5 June 2020.

The Fund is to be used to provide pop-up measures to create a safer environment for walking and cycling in England to enable people to maintain social distancing whilst walking and cycling. Approximately £2.6m is available to the North East Joint Transport Committee from Tranche 1 of the fund and is to be spent on schemes that are well developed and meaningfully alter the status quo on the road to allocate space to cyclists and pedestrians.

Tranche 1 schemes are required to start within four weeks of receiving the funding allocation and be completed within eight weeks. Once Tranche 2 guidance is released, the Transport Strategy Unit will develop a proposal for distributing funding which will be discussed at a future meeting of the Committee.

Cllr Gannon felt that this was a great opportunity to improve problem areas across the region which would also improve quality of life going forward.

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

7. NORTH EAST RESPONSE TO THE TRANSPORT SELECT COMMITTEE INQUIRY INTO CORONAVIRUS: IMPLICATIONS FOR PUBLIC TRANSPORT

The Committee received a report detailing the proposed North East written evidence submission response to the House of Commons Select Committee's inquiry into Coronavirus: implications for transport.

The written response will be submitted by the end of June and primarily focusses on the impact on passenger numbers to the region's bus industry, the impact on the Tyne and Wear Metro and Nexus as well as the financial impact on the Tyne Tunnels.

The response will also make the case that local government is simply unable to carry the burden of wholly new costs related to transport and is struggling to manage the mounting costs of delivering social care and other essential community services and central Government must address this. The response also outlines a summary of key asks of Government.

RESOLVED: The North East Joint Transport Committee agreed a response from the region to the Transport Select Committee inquiry into Coronavirus: implications for transport.

8. NORTH EAST TRANSPORT PLAN UPDATE

The North East Joint Transport Committee agreed its Transport Plan vision of 'Moving to a green, healthy, dynamic and thriving North East' along side some accompanying principles and objectives.

This report outlines a set of technical Key Performance Indicators (KPIs) to be included in the technical document to support the Plan and will monitor its performance.

Mayor Driscoll was pleased with the proposed list of KPIs and the range of areas that they cover.

Cllr McCarty was happy to endorse the proposed KPIs and commented that it provided an opportunity to plan for the future and setting out the ambitions for a green future.

RESOLVED: The North East Joint Transport Committee:

- (i) Noted the content of the report;
- (ii) Agreed that the current vision, objectives and principles which are driving the development of the Transport Plan remain unchanged; and
- (iii) Noted the list of KPIs and agreed that the Transport Plan should include initiatives, which seek to preserve the current positive performance of these indicators; whilst supporting the economic recovery of the region once the Covid crisis has passed.

9. DELEGATIONS TO THE PROPER OFFICER FOR TRANSPORT

The Committee received a report recommending a list of powers to be delegated to the Proper Officer for Transport, to support the effective delivery of the Joint Transport Committee's functions. The powers proposed are in line with those held by other Chief Officers within the North East Combined Authority, the accountable body for the Joint Transport Committee, and include powers facilitating operational delivery of the transport function to be exercised in agreement with the Chief Finance Officer and/or the Monitoring Officer.

RESOLVED: The North East Joint Transport Committee agreed the delegations to the Proper Officer for Transport as set out in Appendix 1 to the report, for inclusion in the Committee's Standing Orders.

10. PROGRAMME OF COMMITTEE MEETINGS FOR 2020-21 MUNICIPAL YEAR

The Committee considered a report proposing a programme of committee meetings for the municipal year 2020-21. The programme of meetings is intended to assist the Joint Transport Committee in discharging its functions effectively and has been developed in consultation with the constituent combined authorities.

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

11. EXCLUSION OF THE PRESS AND PUBLIC

The North East Joint Transport Committee agreed to exclude the press and public during consideration of items 12 and 13 by virtue of paragraphs 2, 3 and 4 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.

North East Joint Transport Committee

Date: 14 July 2020

Subject: Capital Programme 2019/20 Outturn and Forecast of Capital Outturn
2020-21 – Period to 31 May 2020

Report of: Chief Finance Officer

Executive Summary

This report provides the North East Joint Transport Committee with

- a. information on the outturn position in relation to the 2019/20 Transport Capital Budget; and
- b. an update and forecast of outturn for the 2020/21 Transport Capital Budget as at the period ending 31 May 2020.

The report identifies that total capital expenditure during 2019/20 on Transport schemes was £74.236m, against the revised programme budget of £87.394m. Outturn spending was therefore c85% of the revised programme budget, with underspending / slippage totalling £13.158m.

The Transport capital programme encompasses a wide range of capital schemes, mainly delivered by constituent local authorities and Nexus, but also investment in the Combined Authorities' own assets, including the Tyne Tunnels.

Expenditure on Transforming Cities Fund (TCF) Tranche 1 schemes was £6.129m against a revised budget of £9.102m. Underspends identified during the year on one scheme in the programme were reallocated to schemes which will now complete during 2020/21. Additional slippage occurred due to the COVID-19 pandemic delaying some capital works which had been due to be carried out in March 2020, but which will now take place during 2020/21.

The Joint Transport Committee approved the Nexus Capital Programme for 2019/20 in January 2019 totalling £65.673m including the Metro Asset Renewal Programme, Metro Fleet Replacement and other non-Metro Schemes. The capital outturn for 2019/20 was expenditure of just under £54m, against a revised budget of £63.6m with the main items of slippage being £5.268m due to delays in letting the contracts with Stadler for the new fleet and underspends on the Metro Learning Centre and contingency budgets.

Local Transport Plan grants totalling £11.272m were paid to constituent local authorities to support the delivery of their capital programmes, with a further £2.649m paid to Nexus to support delivery of the Metro and Non-Metro capital programmes.

Works on the Tyne Pedestrian and Cycle Tunnels continued during 2019/20 and the Tunnels reopened to the public in August 2019, although the inclined lifts remain out of service. Expenditure during 2019/20 totalled £2.268m, slightly over the revised budget of £2.090m.

The Go Ultra Low project continued during 2019/20, with total capital expenditure of £0.699m. The Electric Vehicle filling station in Sunderland became operational in April 2019 and two charging clusters became operational towards the 2019/20 year-end. The project will be completed with the remaining rapid charging clusters becoming operational during 2020/21.

Most of the capital works during the year have been funded through government grants (£67.869m), with elements of the Nexus capital programme and the Tyne Pedestrian and Cyclist Tunnels funded by reserves held specifically for this purpose (£5.963m).

The report also identifies that total capital expenditure on Transport schemes of £110.150m is forecast for 2020/21 against the revised programme budget of £106.331m. 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 is £24.765m higher than the original capital programme. Expenditure to the end of May 2020 totalled £18.821m – 17% of the forecast total capital expenditure for the year.

£2.973m is forecast to be invested on Transforming Cities Fund (TCF) Tranche 1 schemes, representing slippage from 2019/20. Schemes are due to complete during 2020/21 bringing the total Tranche 1 programme expenditure to £10m.

In March 2020, the JTC was notified of the successful award of TCF Tranche 2 funding of £198.483m, made up of £94.686m for Metro Flow project delivered by Nexus and £103.797m 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. Approximately £20.103m 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.

£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 fully complete 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 £22.925m 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 £48.604m in 2020/21 following the award of final contracts to Stadler.

In terms of the Tyne Pedestrian and Cycle Tunnels there is still outstanding work to complete and commission the inclined lifts which has been delayed because of contractors being unable to complete the works because of travel restrictions.

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.

Most of the capital works during the current year will be funded through government grants (£90.041m) with elements of the Nexus capital programme and the Tyne Pedestrian and Cyclist Tunnels works funded by reserves (£18.409m) held specifically for this purpose.

Recommendations

The North East Joint Transport Committee is recommended to note the report and agree to the revised capital programme for 2020/21, which has been adjusted to reflect slippage from 2019/20 and additional grant funding received since the original programme was approved in January.

1. Background Information

- 1.1 In January 2019, the Joint Transport Committee (JTC) agreed a capital programme totalling £81.944m for 2019/20, including an element of over-programming, with a forecast likely outturn of £75.187m for the year. The programme was subsequently revised to take into account the 2018/19 capital outturn and the outcome of the successful Transforming Cities Fund Tranche 1 bid announced in March 2019. The revised programme for 2019/20 was £87.394m.
- 1.2 Regular updates on the progress of the Transport capital programme were presented to the Committee for consideration during the year, with the revised capital programme for 2019/20, as reported to the JTC in January, being £87.394m. This report summarises the outturn position for the 2019/20 financial year against this revised programme.
- 1.3 In January 2020, the JTC approved the initial 2020/21 capital programme of £81.566m. This report highlights revisions required to take 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 is £110.150m - £28.584m higher than the original capital programme agreed by the JTC in January.

2. Proposals

Transport Capital Programme Outturn 2019/20

- 2.1 Capital expenditure on transport schemes totalled £74.236m in 2019/20, which is £13.158m less than the revised capital programme budget. This represents expenditure of around 85% against the revised programme for the year, with summary details provided in Table 1 below and a more detailed analysis in the sections that follow:

Table 1: Capital expenditure on Transport schemes

	Original Approved Programme	Revised Approved Programme	Final Outturn	Variance: (Outturn vs Revised Budget)
	£m	£m	£m	£m
Transforming Cities Fund Tranche 1	0	9.102	6.129	(2.973)
Metro Asset Renewal Plan	33.987	31.088	28.496	(2.592)
Metro Fleet Replacement	30.200	30.200	24.932	(5.268)
Nexus non-Metro	1.486	2.292	0.440	(1.852)
Tyne Tunnels	0.260	2.090	2.268	0.178
Local Transport Plan (less amounts shown in other lines)	11.232	11.539	11.272	(0.267)
Go Ultra Low	0.995	1.083	0.699	(0.384)
Total	78.160	87.394	74.236	(13.158)

Transforming Cities Fund Tranche 1

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 The grant awarded by DfT was allocated as follows:

Table 2: Allocation of Tranche 1 TCF Funding

Theme Name	TCF Grant Allocation
	£m
Theme 1: Cycling Links to Key Employment Sites	2.557
Theme 2: Cycling Links to Newcastle City Centre	0.980
Theme 3: Cycling Links to Sunderland City Centre	1.446
Theme 4: Public Transport Reliability Upgrades	3.007
Theme 5: Transport Improvements at Barras Bridge	2.010
Total	10.000

2.4 Capital expenditure to 31 March 2020 for Tranche 1 schemes was £7.027m (£0.898m was accrued in 2018/19) which represents 70% of the grant funding. The £2.973m underspend will be re-profiled into 2020/21 and require an adjustment to the current year's programme.

Table 3: TCF Capital Outturn 2019/20

Scheme Name	2019/20 Revised Budget	2019/20 Final Outturn	Variance: Over / (Under)
	£m	£m	£m
Theme 1: Cycling Links to Key Employment Sites	2.407	1.993	(0.414)
Theme 2: Cycling Links to Newcastle City Centre	0.980	0.732	(0.248)
Theme 3: Cycling Links to Sunderland City Centre	1.446	0.930	(0.516)
Theme 4: Public Transport Reliability Upgrades	3.007	2.504	(0.503)
Theme 5: Transport Improvements at Barras Bridge	2.010	0.868	(1.142)
Additional Theme 1: Bowes Railway Path improvements	0.075	0	(0.075)
Additional Theme 2: Horden Rail Station Links (North)	0.075	0	(0.075)
Total	10.000	7.027	(2.973)

2.5 An underspend on the New Road to Lingley Lane (scheme 1) released £0.15m of budget in year and following a mini competition, two additional schemes were added to the programme and funding was awarded to Durham (Horden Rail Station

Links (North) £0.075m) and Gateshead (Bowes Railway Path improvements £0.075m). Expenditure on both these schemes will be incurred in the current year.

Nexus

- 2.6 The Joint Transport Committee approved the Nexus Capital Programme for 2019/20 in January 2019 totalling £65.763m. The Capital Outturn for 2019/20 was just under £54m, against a latest budget of £63.6m.

Table 4: Nexus Capital Outturn 2019/20

Programme	Original Approved Programme	Revised Approved Programme	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Metro ARP (including TCF development)	33.987	31.088	28.496	(2.592)
New Fleet Investment	30.200	30.200	24.932	(5.268)
Other	1.486	2.292	0.440	(1.852)
Total	65.673	63.580	53.868	(9.712)

- 2.7 The 2019/20 outturn for the Metro ARP Capital Programme is £2.592m lower than the revised budget. Major variations included in the underspend are the Learning Centre £1.1m, unused contingency budget of £0.8m plus various projects carried forward to 2020/21, offset by the inclusion of digital assets and TCF.
- 2.8 The underspend of £5.268m against the revised budget on the New Fleet Investment was due to a delay in letting the suite of contracts to Stadler Rail.
- 2.9 Other capital schemes show an underspend of £1.852m due to slippage of Ticketing and Gating (£0.4m) and Ferry (£0.3m) with the TCF and digital assets included in the Metro ARP figures.
- 2.10 The 2019/20 Nexus capital programme was financed as follows:

Table 5: Nexus capital outturn 2019/20 funding

Funding	Original Budget	Final Outturn £m	Variance (Outturn vs Budget)
	£m	£m	£m
DfT Metro Rail Grant	21.000	23.149	2.149
DfT Replacement Fleet Grant	21.600	21.600	(0)
Local Growth Fund	2.446	2.775	0.329
Local Transport Plan Funding	2.410	2.649	0.239
Reserves	10.009	3.695	(6.314)
Over-programming	8.208	0	(8.208)
Total	65.673	53.868	(11.805)

2.11 Highlights of the capital programme in 2019/20 included:

- The suite of contracts with Stadler Rail in relation to the Fleet replacement programme were signed;
- Construction of the Howdon satellite depot commenced;
- Track from Gateshead Stadium to South Shields and within the tunnels between the Gateshead Stadium and the QEII bridge were renewed;
- Bridge decks at Burnside and Beach Road in North Tyneside were replaced;
- South Shields Transport Interchange opened;
- Structural work was completed at the South Shields Learning Centre;
- The new Radio system became operational;
- The new core IT infrastructure became operational, with the transfer of applications from the old environment;
- The Overhead Line renewal programme continued with wire runs being completed over weekend possessions at 3-week intervals with approximately 25km of the 106km programme now complete;
- Network wide CCTV camera replacements continued with 78 Pan-tilt-zoom cameras replaced; and
- Funding from the Transforming Cities Fund (TCF) was approved with £94m in respect of the Metro Flow project.

Tyne Tunnels

- 2.12 The pedestrian and cyclist tunnels reopened to the public in August 2019. They are open between 06:00 and 22:00, with TT2 providing a night service between 22:00 to 06:00. Expenditure to the end of 2019/20 was £2.268m on completing the works required to reopen and ongoing costs relating to the refurbishment. This is £0.178m higher than the revised programme and relates to additional expenditure incurred as a result of the site presence being required for the full year as the facility has not yet been handed over to TT2 for operation. The refurbishment works are being fully funded from the Tyne Tunnels Reserve.
- 2.13 In terms of the ongoing refurbishment works, the completion and certification of the inclined lifts remains outstanding because the contractors are unable to travel to the UK at this time.
- 2.14 Officers are investigating options with alternative lift specialist contractors. Whilst engaging an alternative contractor is likely to be more expensive than waiting for the original contract to complete the works, all options are being considered to enable the lift to be put into operation for tunnel users.
- 2.15 The pedestrian and cycle tunnels are open to the public at no charge to users. Access is via the vertical lifts. Since reopening in August 2019 the tunnels have been well-used. Usage by pedestrians has dropped slightly during the lockdown period however use of the facility by cyclists has increased. Appropriate social distancing measures have been put in place.

Local Transport Plan

- 2.16 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).
- 2.17 The LTP block allocation is also used to contribute to the costs of the Transport Strategy Unit team which supports the production and delivery of the Local Transport Plan, and £0.144m was used in 2019/20 to help support the Transforming Cities Fund Tranche 2 bid team. Expenditure to the year-end totalled £11.272m (excluding the elements used to meet the Metro ARP local contribution and to fund the non-Metro capital programme, which is reported in sections 2.9 and 2.11 above), which was £0.267m below the revised programme. This underspend / slippage in the 2019/20 relates to amounts for this and previous years allocated to the Metro ARP local contribution not being fully drawn down and amounts required to part-fund the Transport Strategy Unit not being fully utilised, and has been carried forward, with the 2020/21 programme augmented accordingly.

Go Ultra Low

- 2.18 The Go Ultra Low project has been the subject of previous reports to the Joint Transport Committee. The project is jointly funded through funding from Office for Low Emission Vehicles (OLEV) and European Regional Development Funding (ERDF) 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. The electric vehicle filling station in Sunderland became operational in April 2019 with an official opening in June 2019, and it has been positively received. Of the 11 EV charging hubs, which are also funded through the Go Ultra Low North East programme, those situated at Gateshead Leisure Centre become operational during 2019/20 with the remainder becoming operational during 2020/21.

Capital expenditure to the year end was slightly underspent against the revised capital budget of £1.083m. The full project will complete in 2020/21 and the 2020/21 budget will be updated to consider slippage from 2019/20.

Capital Programme Financing 2019/20

- 2.19 Capital expenditure in 2019/20 was financed as set out in the table below.

Table 6: Capital Programme 2019/20 – Financing

	Original Budget	2019/20 Final Outturn	Variance (Outturn vs Budget)
	£m	£m	£m
Government Grants	59.683	67.869	(8.186)
Revenue Reserves	10.269	5.963	(4.306)
Overprogramming	8.208	0	(8.208)
Total Funding	78.160	73.832	(13.562)

Forecast of Capital Outturn 2020/21 – Period to 31 May 2020

2.20

A summary of the Transport capital programme for 2020/21, together with an initial forecast outturn position and details of actual expenditure to 31 May is set out in the table below, with further details provided in the sections that follow.

Table 7: Transport Capital Programme 2020/21

	2020/21 Original	2020/21 Revised	2020/21 Initial Forecast	Forecast (Under) / Over Spend	Actual Expenditure to 31 May 2020
	£m	£m	£m	£m	£m
Transforming Cities Fund Tranche 1	0	2.973	2.973	0	0
Transforming Cities Fund Tranche 2 (Excluding Metro Flow)	0	20.103	20.103	0	0
Go Ultra Low	0	0.384	0.384	0	0.116
Metro Asset Renewal Plan	22.222	19.604	22.925	3.321	3.428
Metro Fleet Replacement	46.086	48.604	48.604	0	12.655
Nexus non-Metro Programme	1.949	1.652	1.652	0	0.095
Metro Flow	0	1.702	1.702	0	0.310
Tyne Tunnels	0	0	0.500	0.500	0.280
Local Transport Plan ¹	11.309	11.309	11.309	0	1.937
Total Capital Programme	81.566	106.331	110.150	3.821	18.821

¹ Excluding amounts for local contribution to Metro ARP, shown within Nexus capital programme lines

Transforming Cities Fund

- 2.21 The Revised Programme for 2020/21 for Tranche 1 represents slippage from 2019/20 as detailed earlier in the report. The full £2.973m budget is forecast to be spent in 2020/21 which will mean that 100% of the TCF grant funding will have been applied, with details set out in the table below.

Table 8: TCF Capital Forecast of Outturn 2020/21

Theme Name	2020/21 Revised Budget	2020/21 Forecast Outturn	Variance : Over / (Under)	Actual Expenditure to 31 May 2020
	£m	£m	£m	£m
Theme 1: Cycling Links to Key Employment Sites	0.414	0.414	0	0
Theme 2: Cycling Links to Newcastle City Centre	0.248	0.248	0	0
Theme 3: Cycling Links to Sunderland City Centre	0.516	0.516	0	0
Theme 4: Public Transport Reliability Upgrades	0.503	0.503	0	0
Theme 5: Transport Improvements at Barras Bridge	1.142	1.142	0	0
Additional Theme 1: Bowes Railway Path improvements	0.075	0.075	0	0
Additional Theme 2: Horden Rail Station Links (North)	0.075	0.075	0	0
Total	2.973	2.973	0	0

- 2.22 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. Overall this represents a considerable success for the region, though there remains a significant need for further investment in transport infrastructure to meet the needs of our region and the ambitions of the JTC.
- 2.23 Steps are now being taken to recruit programme management resources that will work with local authorities to deliver the programme of schemes funded by the Devolved Pot, which was ratified by JTC members in May 2020.
- 2.24 The Tranche 2 funding will be allocated across 4 themes and programme management. The table below shows the current estimated spend profile across

the financial years of the Devolved Fund programme. Metro Flow is reported as part of the Nexus programme:

Table 9: TCF Tranche 2 Capital Forecast of Outturn 2020/21 to 2022/23

TCF Tranche 2	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget
	£m	£m	£m	£m
TCF Tranche 2 – programme level	20.103	48.110	35.584	103.797

2.25 As the grant award received was lower than the bid submitted, a prioritised list of TCF schemes for delivery from the Devolved Programme has been agreed. Work is now under way with those schemes to refine costs and expenditure profiles and more detail of the Tranche 2 programme will be provided in a future capital programme monitoring report to the JTC.

Go Ultra Low

2.26 The Go Ultra Low project is jointly funded through funding from Office for Low Emission Vehicles (OLEV) and European Regional Development Funding (ERDF) 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. Work in 2020/21 is on bringing the remainder of the rapid charging clusters into operation, and the project will be completed during this financial year.

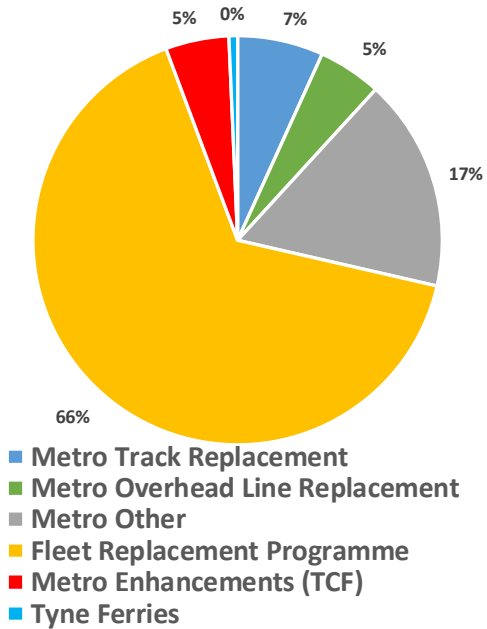
2.27 Capital expenditure to the end of May 2019 was £0.116m. Forecast expenditure to the year end is £0.384m.

Nexus Capital Programme

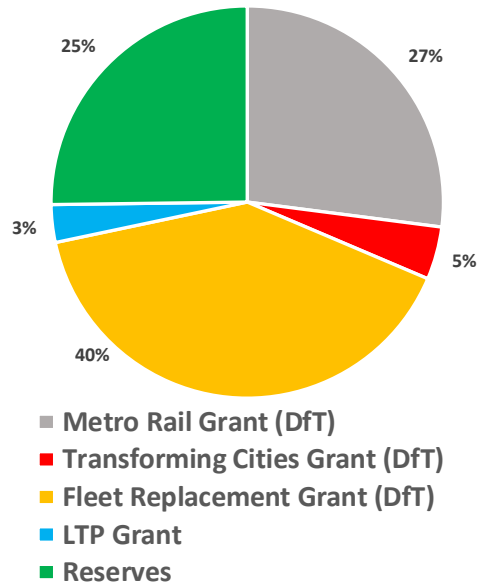
2.28 The Joint Transport Committee approved Nexus' Capital Programme for 2020/21 to 2022/23 in January 2020. The Nexus' approved capital programme for 2020/21 provides for gross expenditure of £73.962m. The programme is sub-divided into the following sections, with details shown in the pie charts below:

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

Split of Capital Programme Expenditure (%)

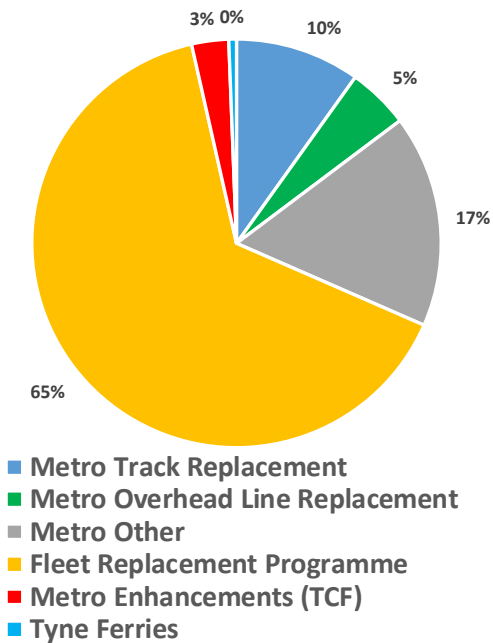


Split of Capital Programme Funding (%)

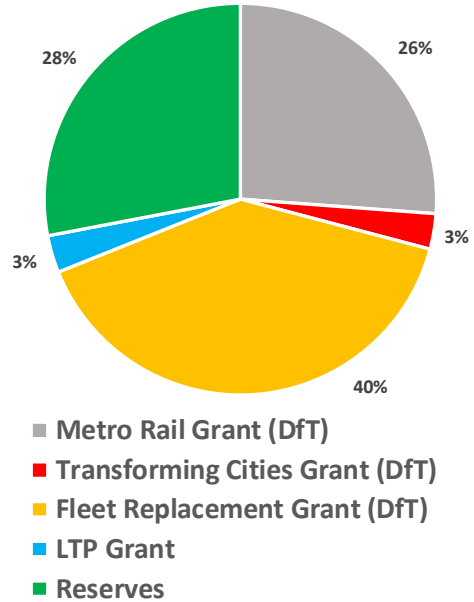


2.29 By comparison the revised 2020/21 programme forecast outturn as at period 2 stands at £74.884m, shown in the pie charts below:

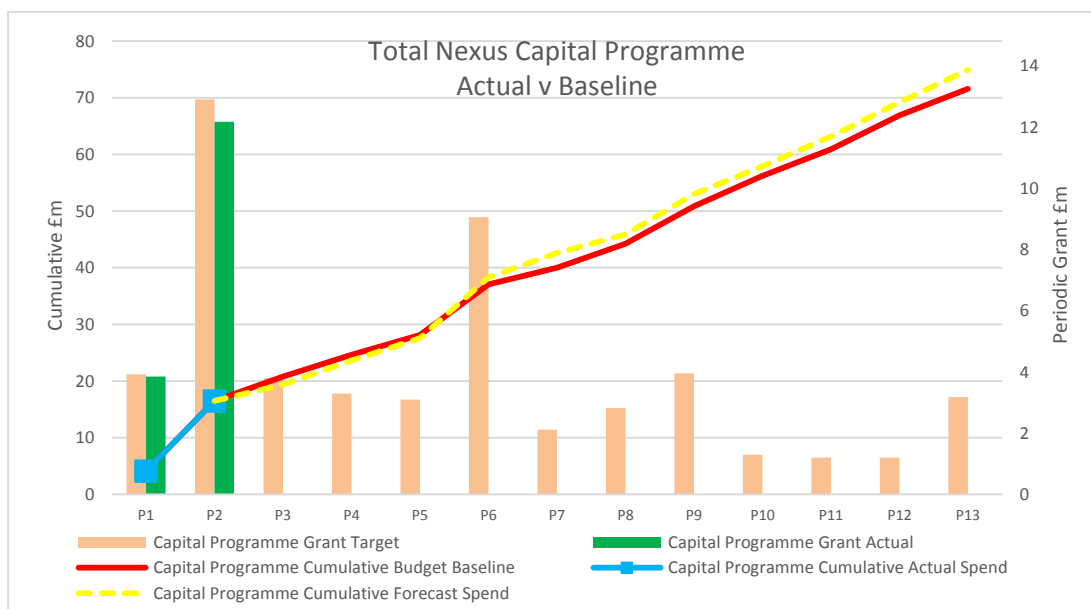
Split of Capital Programme Expenditure (%)



Split of Capital Programme Funding (%)



2.30 At the end of May the total programme spend was £16.488m, against a profiled budgeted spend of £16.488m.



2.31 The 2020/21 forecast outturn is currently estimated at £74.883m against the original budget of £73.962m. However, following the reallocation of funding in response to the impact of COVID-19, the revised funding available for the capital programme is £71.562m. The variance is detailed below and relates to MARP over programming.

Table 10: Nexus Capital programme 2020/21 – Forecast of outturn

	2020/21 Budget	2020/21 Forecast	Variance (Forecast vs Budget)	Actual Expenditure to 31 May
	£m	£m	£m	£m
Metro Asset Renewal Programme	19.604	22.925	3.321	3.428
Fleet Replacement Programme	48.604	48.604	0.000	12.655
Other Capital Projects	1.652	1.652	0.000	0.095
Metro Flow	1.702	1.702	0.000	0.310
Total	71.562	74.883	3.321	16.488

2.32 The Capital Programme is funded by:

Table 11 Nexus Capital programme 2020/21 - Funding

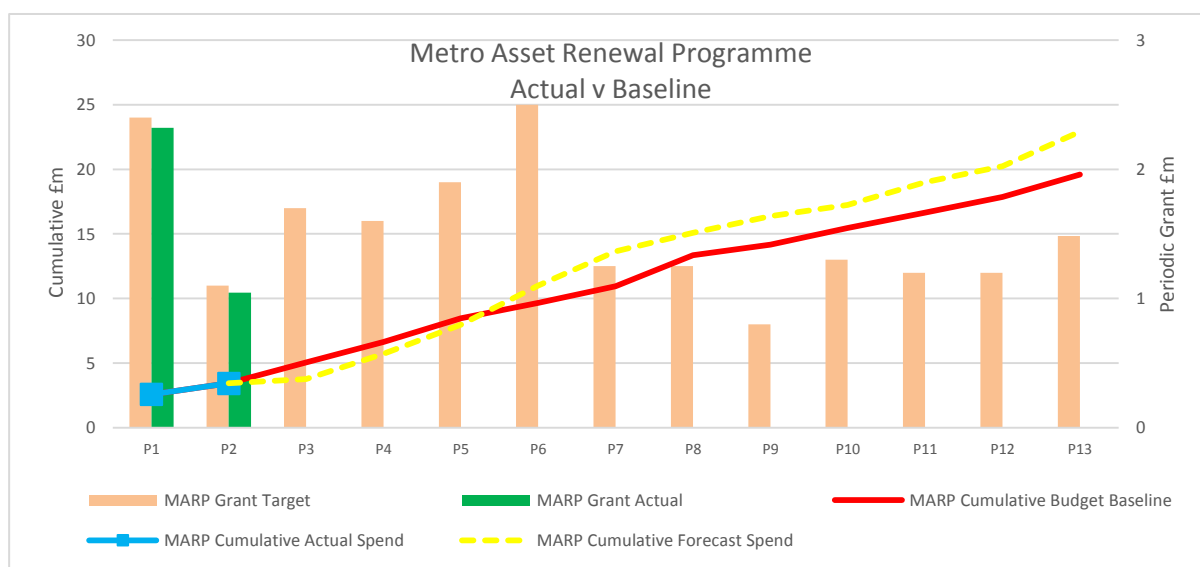
	2020/21 Budget	2020/21 Forecast	Variance (Forecast of Outturn vs Budget)
	£m	£m	£m
Metro Rail Grant (DfT)	19.604	19.604	0.000
Fleet Replacement Grant (DfT)	29.800	29.800	0.000

Transforming Cities Grant (DfT)	2.190	2.190	0.000
LTP Grant	2.299	2.299	0.000
Fleet Reserves	16.582	16.582	0.000
NESTI	0.030	0.030	0.000
Nexus Reserves	1.057	1.057	0.000
Over Programming	0.000	3.321	3.321
Total	71.562	74.883	3.321

Metro Asset Renewal Programme

2.33 At the end of May £16.021m of capital grant has been recovered from the Department for Transport (DfT). This includes both the MARP and the FRP. The actual amount claimed in total was 95% of forecast and therefore is within DfT tolerance levels of +/- 5%.

2.34 Cumulative actual spend on the MARP at the end of May was £3.428m, which was in line with the profiled expected budget spending.



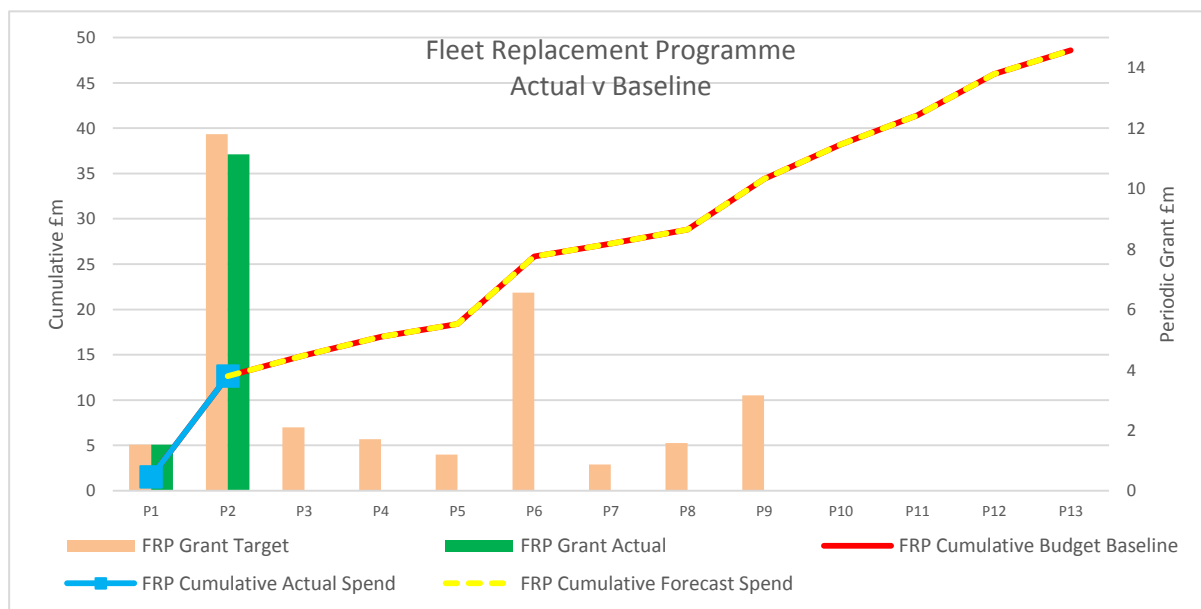
2.35 The forecast outturn for the MARP 2020/21 is £22.925m against a revised baseline budget of £19.604m. The £3.321m increase relates to the re-profiling of spend from 2019/20 and includes over-programming in the programme of £3.321m, which is 14%. This is as a result of the inclusion of digital asset renewals, which were previously expected to be funded from reserves and the potential removal of the local contribution towards the MARP, which following DfT approval allows that funding to be used in a more flexible manner in order to assist Nexus' other budget pressures arising from the COVID-19 emergency.

2.36 The MARP programme is forecasted to claim £1.100m from DfT in May. 95% of DfT grant was claimed and the total 2020/21 available MRG capital grant of £19.604m is forecast to be recovered.

Metro Fleet Replacement Programme

2.37

Cumulative actual spend at the end of May for the Metro Fleet Replacement Programme was £12.655m which was in line with the profiled expected budget levels.



2.38 Forecast outturn for 2020/21 in respect of the Fleet Replacement Programme is £48.604m against a revised baseline budget of £48.604m.

2.39 The project is forecasted to claim £11.802m from DfT in May. £11.130m, 94% of DfT grant was claimed and the total 2020/21 available DfT Fleet Capital Grant of £29.800m is forecast to be recovered.

Other Capital Projects (OCP)

2.40 These include Transforming Cities projects at Callerton Parkway and in respect of Digital Car Parks. The cumulative actual spend on Other Capital Projects to the end of May was £0.096m – in line with the expected profiled budget targets. Forecast outturn for 2020/21 is £1.652m against a revised budget of £1.652m.

Metro Flow (MFL)

2.41 Cumulative actual spend at the end of May was £0.310m, in line with the profiled budget expectations, with the forecast outturn for 2020/21 being £1.702m, against a revised baseline budget of £1.702m.

The project is expected to be 100% TCF capital grant funded in 2020/21 and the funding terms are currently being finalised with DfT.

Tyne Tunnels Capital Programme

2.42 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 in 2019/20. Since this is not the case, a detailed estimate is being prepared of ongoing capital and revenue costs to fully complete the works required and hand over the tunnels to TT2, and details will be provided to a future meeting of the committee.

- 2.43 A range of options are being considered including engaging alternative lift specialist contractors in case the current contractors are prevented from attending site beyond September 2020. Whilst engaging an alternative contractor is likely to be more expensive than waiting for the original contract to complete the works, all options are being considered to enable the lift to be put into operation for tunnel users. An indicative budget sum of £0.5m has been factored into the 2020/21 revised budget at this stage and all costs of the works will be funded from the Tyne Tunnels reserves which are held for this purpose

Local Transport Plan

- 2.44 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. Q1 payments have been made to constituent authorities following receipt of the first quarter grant in April, and expenditure to the end of May 2020 is £1.937m.

Table 12: LTP Integrated Transport Block allocation

	2020/21 Gross Allocation	Topslice for TSU and UTMC	2020/21 Net Allocation	Actual Expenditure to 31 May
	£m	£m	£m	£m
Durham	2.789	(0.063)	2.727	0.635
Gateshead	1.329	(0.130)	1.199	0.202
Newcastle	1.650	(0.161)	1.489	0.252
Northumber- land	1.088	(0.063)	0.958	0.142
North Tyneside	1.695	(0.130)	1.633	0.361
South Tyneside	0.843	(0.112)	0.730	0.098
Sunderland	1.606	(0.155)	1.451	0.246
Nexus/Public Transport Allocation	2.950	(0.063)	2.887	0
Total	13.949	(0.876)	13.073	1.937

Overall Capital Programme Financing

2.50 Forecast capital expenditure for the year will be financed as follows:

Table 13: Capital Programme Financing 2020/21

	Original Budget 2020/21	Revised Budget 2020/21	Variance – Original to Revised Budget
	£m	£m	£m
Government Grants	63.897	90.041	26.144
Earmarked Reserves	17.669	18.409	0.740
Total Funding	81.566	108.450	26.884

3. Reasons for the Proposals

2.1 This report is for information, to enable the JTC to fulfil its role of monitoring transport budgets on behalf of the two combined authorities.

4. Alternative Options Available

4.1 This report is for information with no decision required.

5. Next Steps and Timetable for Implementation

5.1 The revenue budget for 2020/21 will be monitored and reported to the JTC at regular intervals during the year.

6. Potential Impact on Objectives

6.1 There are no potential impacts arising from this report which is for information.

7. Financial and Other Resources Implications

7.1 The financial summary is set out in the main body of the report. There are no financial or other resource implications from this report which is for information.

8. Legal Implications

8.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an Authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified. There are no legal implications arising from this report, which is for information.

9. Key Risks

9.1 Risks associated with the delivery of transport services by the key delivery bodies

are factored into the risk management processes of those organisations. The JTC holds reserves to mitigate against financial risks associated with its transport functions, and the level of these are considered to be adequate at the year end.

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 capital programme budget for 2019/20 and 2020/21 was subject to consultation with key stakeholders including constituent authorities.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report which is for information.

14. Appendices

14.1 None

15. Background Papers

15.1 Joint Transport Committee Capital Programme 2019/20 – report to 22 January 2019 meeting.

Joint Transport Committee Capital Programme 2020/21 – report to 21 January 2020 meeting.

16. Contact Officers

16.1 Eleanor Goodman, Finance Manager, eleanor.goodman@northeastca.gov.uk, 0191 277 7518

17. Sign off

- 17.1
- The Proper Officer for Transport:
 - Head of Paid Service:
 - Monitoring Officer:

Chief Finance Officer:

18. Glossary

18.1 DfT – Department for Transport

ENCTS – English National Concessionary Travel Scheme

JTC – Joint Transport Committee

NECA – North East Combined Authority
NEMOL – North East Metro Operations Limited
TCF – Transforming Cities Fund
TT2 – Tyne Tunnels 2 Limited

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North East Joint Transport Committee

Date: 14 July 2020

Subject: Revenue Budget 2019/20 Outturn and Forecast of Revenue Outturn
2020/21 – Period to 31 May 2020

Report of: Chief Finance Officer

Executive Summary

This report provides the North East Joint Transport Committee with:

- a. information on the outturn position in relation to the 2019/20 Transport Revenue Budget; and
- b. the forecast of outturn for the 2020/21 Transport Revenue Budget, as at the period ending 31 May 2020.

The report covers all areas of the revenue budget including the Transport Levies and grants to Durham, Northumberland and Nexus, and the Tyne Tunnels revenue account.

Regular updates on the Transport Revenue Budget have been provided to the Committee for consideration during the last year and this report sets out the final outturn position at the 2019/20 yearend. The report identifies that expenditure was within the revised budget agreed by the Committee.

Where grants are paid to other organisations for the delivery of transport services (i.e. Durham, Northumberland and Nexus), the grant is fixed for the year, but the report includes details of how the grant was applied by each organisation to the provision of public transport services.

Underspends against the budgets for the three main organisations delivering transport services on behalf of the Joint Transport Committee are retained within the reserves of these organisations and will be considered in the setting of the transport budgets for future years.

There were underspends against the transport grant for Durham and Northumberland as a result of lower than forecast expenditure on concessionary fares reimbursement. Nexus also had an improved position against the previously forecast deficit position, which has been achieved through capitalisation of £3.675m of costs, meaning that the adjusted 2019/20 revenue outturn shows a deficit of £0.283m before exceptional items and taxation. This represents a £0.417m improvement against the 2019/20 budgeted deficit of £0.700m. This decision was taken to maintain revenue reserves to provide additional resilience to

meet operational challenges arising from the COVID-19 outbreak which has had a severe impact on commercial income in the current year.

Total transport reserves (held on behalf of the Joint Transport Committee to manage risk and to fund specific activity in future years) have decreased from £37.997m to £37.547m in year. Most of these reserves are earmarked for specific purposes, such as to meet the local contribution required for the Metro Asset Renewal programme and the new Metro Fleet and to meet costs associated with the Tyne Tunnels.

For 2020/21, the COVID-19 pandemic has had a significant and continuing impact on transport activity, with decreases in income on Metro and the Tyne Tunnels in particular, being experienced.

As reported to the JTC at its last meeting, Durham County Council, Northumberland County Council and Nexus continue to make payments in relation to the English National Concessionary Travel Scheme (ENCTS) and tendered bus services to bus operators at pre-COVID levels, in line with the request from central government.

Durham County Council are currently showing a breakeven position until they have more information on how the COVID-19 pandemic will affect transport services.

Northumberland County Council are forecasting a small overspend due to increased Concessionary Travel reimbursement as a result of increased ticket prices.

For Nexus, commercial income was down 93% against the budget to the end of May. Grant funding from government to support Metro and secured bus services has however been agreed with DfT, which currently covers the period to 4 August 2020. The impact of COVID-19 is profound and Nexus is currently recasting its budget for 2020/21, as it prepares to update its medium-term forecast.

The forecast for the Transport Strategy Unit for an increase in expenditure compared with the original budget as activity which was delayed at the end of 2019/20 will now take place in 2020/21.

Traffic at the Tyne Tunnels reduced significantly in the period from mid-March onwards. However, the structure of the project agreement means that the net position on the JTC Tyne Tunnels budget is forecast to be in line with the budget due to reduced toll income being offset by reduced contract payments to TT2 Ltd.

Recommendations

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

1. Background Information

- 1.1 At its meeting held on 20 November 2018, the North East Joint Transport Committee (JTC) received a report setting out the updated forecast outturn for the Transport Budget for 2019/20, which had been agreed by the North East Combined Authority in January 2019. The outturn forecasts were further updated as part of the 2020/21 budget setting report in January 2020. This report sets out the year-end outturn position against the 2019/20 budget.
- 1.2 The JTC meeting held on 21 January 2020 agreed a Transport net revenue budget for 2020/21 of £82.800m. This report presents an update against the original budget with the forecast prepared based on the position at 31 May 2020.

2. Proposals

Transport Revenue Budget 2019/20 Summary

- 2.1 The table below summarises the outturn position against the net Transport Revenue budget (i.e. the net cost to the North East Combined Authority after external income) for 2019/20. The levies and grants to Durham, Northumberland and Nexus are fixed for the year, but details of how the grant was applied by each organisation for the provision of public transport services is set out in more detail in the following sections.

Table 1: Transport Revenue Budget 2019/20 Summary

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Transport Levy	(82.766)	(82.766)	(82.766)	0
Grant to Durham	15.552	15.552	15.552	0
Grant to Northumberland	6.094	6.094	6.094	0
Grant to Nexus	55.667	55.667	55.667	0
Contribution to Metro Fleet Replacement Reserve	3.333	3.333	3.333	0
Retained levy budget	2.120	2.101	1.993	(0.108)
Tyne Tunnels Revenue account	0	0	0	0
Contribution (to)/from NECA Reserves	0	(0.019)	(0.127)	(0.108)

- 2.2 As the transport levies and revenue grants are mainly fixed for the year, there is no change in the levies received or grants paid, and minimal change in the retained levy budget itself.

Any surplus or deficit against the budgets for the three main organisations

delivering transport services on behalf of the JTC (i.e. Durham County Council, Northumberland County Council and Nexus), is retained or managed within the reserves of these organisations. Further details are set out in the sections below.

Durham

2.3 The outturn for 2019/20 shows an underspend of £0.329m, with details shown in the table below. This underspend at the year-end will be retained by Durham County Council. The main reasons for this variance to budget are explained below:

- i. Concessionary Fares – £0.159m under budget – This relates mainly to a lower number of concessionary fares journey than expected taken in the year.
- ii. Subsidised Services - £0.174m under budget – This relates mainly to savings made following changes to the procurement of bus services.
- iii. Bus Stations - £0.027m over budget – This was due to minor variances relating to higher than expected maintenance work and payments to contractors.
- iv. Bus Shelters - £0.012m under budget – This was due to minor variances relating to repairs and maintenance.
- v. Passenger Transport Information - £0.011m under budget – minor variances and efficiencies across a few budget heads.

Table 2: Durham County Council Transport Grant

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Concessionary Fares	12.048	12.048	11.889	(0.159)
Subsidised Services	2.584	2.584	2.410	(0.174)
Bus Stations	0.144	0.144	0.171	0.027
Bus Shelters	0.019	0.019	0.007	(0.012)
Passenger Transport Information	0.089	0.089	0.078	(0.011)
Staffing	0.668	0.668	0.668	0
Share of JTC Transport Costs	0.010	0.010	0.010	0
Net Expenditure	15.562	15.562	15.233	(0.329)

Northumberland

2.4 The outturn position for 2019/20 shows an underspend of £0.235m for Concessionary Fares and Subsidised Bus Services. The main areas of expenditure operated by Northumberland County Council are as follows:

- i. Concessionary Fares – Although claims from operators were received monthly all adjustments to reimbursement rates were made quarterly to

ensure that operators were reimbursed with a correct overall rate. The outturn position showed that Concessionary Fares underspent by £0.114m. This was due to a reduction in patronage numbers and the increase in the fare increases and the age-related qualifying criteria.

- ii. Subsidised Bus Services – The Council supports a range of socially necessary bus services, mainly in the rural North and West areas of the County but also some in the more urban South East. The outturn position showed that the Council underspent by £0.113m at the end of the financial year. There were no new routes added to the network during the year with the underspend being attributable to the retendering exercise that have taken place.

Table 3: Northumberland County Council Transport Grant

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Concessionary Fares	4.690	4.690	4.576	(0.114)
Subsidised Services	1.230	1.230	1.117	(0.113)
Bus Stations	0.024	0.024	0.041	0.017
Passenger Transport Information	0.025	0.025	0	(0.025)
Staffing	0.125	0.125	0.125	0
Share of NECA Transport Costs	0.010	0.010	0.010	0
Net Expenditure	6.104	6.104	5.869	(0.235)

Nexus

- 2.5 In the last report to the JTC on 21 January 2020 the forecast outturn deficit for the year ended 31 March 2020 was reported as £4.400m before taxation. Over the final four periods that position has improved by £0.442m to an outturn deficit of £3.958m.

However, given the COVID-19 pandemic and its impact on the revenue budget, an option to capitalise certain costs in order to protect revenue reserves and provide additional resilience to help cope with the operational challenges that lie ahead was exercised.

Accordingly, £3.675m of costs including internal costs and consultancy support will now be met from capital budgets meaning that the adjusted 2019/20 revenue outturn will show a deficit of £0.283m before exceptional items and taxation. This represents a £0.417m improvement against the 2019/20 budgeted deficit of £0.700m.

- 2.6 The variances against budget for the year are shown in the table overleaf split by service area and are shown after the allocation of indirect costs:

Table 4: Nexus Transport Grant

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
English National Concessionary Travel Scheme (ENCTS)	34.529	35.402	35.242	(0.160)
Discretionary Concessionary Travel (CT)	3.720	2.835	2.714	(0.121)
Metro	1.453	1.443	5.839	4.396
Ferry	1.008	1.004	1.198	0.194
Local Rail	0.189	0.190	0.147	(0.043)
Bus Services	11.731	11.737	10.863	(0.874)
Bus Infrastructure	2.531	2.528	2.456	(0.072)
Public Transport Information	1.206	1.228	1.166	(0.062)
Total Requirement	56.367	56.367	59.625	3.258
JTC Grant (Levy)	(55.667)	(55.667)	(55.667)	0
Deficit before capital adjustments	0.700	0.700	3.958	3.258
Capitalisation Adjustments	0	0	(3.675)	(3.675)
Deficit for the year	0.700	0.700	0.283	(0.417)
Transfer to Fleet Transition Reserve	0	(1.560)	(1.560)	0
Change in Usable Reserves	0.700	(0.860)	(1.277)	(0.417)

2.7 An explanation of the variances across each service areas is detailed below.

- i. **Statutory and Discretionary Concessionary Travel (CT)**
The underspend across both statutory and discretionary elements of the CT budget is a net saving of £0.281m which is as a result of additional income relating to scholars passes and clawback provision in CT agreements.
- ii. **Metro**
The variances in relation to Metro can be summarised as:
Grant Funding
 - Additional Metro Rail Grant of £1.026m was received from DfT in support of an estimated 80% of lost revenue during the COVID-19

pandemic, covering the period 17 March to 31 March 2020.

- Additional grant of £0.465m which had previously been treated as capital grant has been reclassified as revenue.

Metro Fare Revenue

Metro fare revenue outturn was £43.514m, which is a shortfall of £3.328m (7.1%) against the original budget of £46.842m. Whilst over the year there has been low business and consumer confidence, fuelling lower retail footfall and less need to travel, the following had a significant impact on revenue generation:

- COVID-19 caused a significant drop in passengers travelling, with revenue in week beginning the 16th March and 23rd March down by 60% and 95% respectively on forecast levels. This equates to a £1,282m shortfall in fare revenue to the end of March 2020.
- The impact of industrial action by train crew, which included an overtime and rest day working ban throughout December along with full strike action on 20th, & 21st December by RMT train crew members.

Metro Services - North East Metro Operations Limited (NEMOL)

At the end of the year Metro Services were £1.778m worse than budget. The cost variations for the financial year can be summarised as:

- Employees £1.129m – additional costs have been recognised in respect of additional overtime, some of which was at enhanced overtime rates paid to provide cover for a lack of available resource within the traincrew. In addition, the impact of the revised traincrew agreement has also been included.
- Emergency overhead line repairs £0.160m – This was in respect of an overhead line failure incident that took place in the early part of the year.
- Cleaning £0.135m – this pressure has arisen following from the award of a new contract and the impact of the living wage.
- Station, depot maintenance and security £0.198m – this overspend arose mainly on traincare maintenance following vandalism, with high levels of graffiti and window damage to trains and additional glazing costs at Northumberland Park station in the year.
- Utility costs £0.076m - Utility bills came in higher than budget.
- Other pressures - £0.080m of other costs arose across a wide range of areas.

Other

Additional cost pressures of £0.781m mainly relating to Transforming Cities which have subsequently been capitalised as part of the £3.675m capital adjustments shown in the table above.

iii. Ferry

Repairs to the Ferry Landings of £0.155m were completed during the year, which also resulted in unbudgeted replacement bus costs and lower fare revenue levels contributing to an overspend of £0.194m.

iv. Local Rail

Local rail was broadly in line with budget, with minor savings due to a

reduction in indirect costs.

v. Bus Services

There have been several savings throughout bus services, which total £0.874m. The main variations in year were due to:

- Savings of £0.760m were made on contract renewals of secured services, offset by a reduction in fare revenue of £0.331m;
- Taxi card had a lower take up during the year resulting in a saving of £0.113m; and
- Other cost savings in consultancy and a lower allocation of indirect costs than budget.

vi. Bus Information

Bus information was broadly in line with budget, with minor savings due to a reduction in indirect costs.

Retained Levy Budget

2.12 This budget relates primarily to activity inherited from the former Tyne and Wear Integrated Transport authority (TWITA) as well as some costs such as external audit and the cost of servicing the JTC, which relate to the whole JTC area. Most of the budget relates to financing charges on historic supported borrowing debt. Additionally, there is budget provision to pay for support services, other supplies and services, and a repayment to the Tyne Tunnels account for the use of reserves in 2013/14 to pay off the Tyne and Wear Pension deficit. Expenditure for the year was well within budget with savings against Support Services, Administration and Governance and Financing Charges.

Table 5: Retained Levy Budget

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Support Services/Staffing	0.210	0.210	0.158	(0.052)
Administration and Governance	0.114	0.095	0.076	(0.019)
Financing Charges	1.785	1.785	1.748	(0.037)
Transforming Cities Fund (TCF) bid support	0.011	0.011	0.011	0
Transfer to Earmarked TCF reserve	0	0	0	0
Total Expenditure	2.120	2.101	1.993	(0.108)
Contribution from Levies	(2.120)	(2.120)	(2.120)	0

Contribution (to)/from Reserves	0	(0.019)	(0.127)	(0.108)
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- 2.13 Support Services/Staffing and Administration and Governance was £0.071m under budget. Costs of Service Level Agreements and other support services were charged to budgets in line with activity during the year. There was an underspend of £0.052m against the revised budget for support services due to reduced activity on this area during the year – principally in relation to financial support where more activity was incurred on Tyne Tunnels and NECA corporate activity so the allocation of charges reflect this.
- 2.14 Financing Charges was £0.037m underspent due to the repayment of Equal Instalment of Principal loans during the year resulting in lower overall borrowing levels.

Tyne Tunnels Revenue Account

- 2.15 The Tyne Tunnels are operated as a ringfenced trading account, so all costs associated with the tunnels are fully met from toll income and Tyne Tunnels reserves, with no call on the levy or other local authority funding.
- 2.16 The outturn position was an improvement compared with the revised budget agreed by the JTC in January 2020 with a net surplus at the end of the year of £0.515m which has been transferred to reserves to help meet costs which may arise in the current and future years. Details are set out in the table below with variances explained in the following sections.

Table 6: Tyne Tunnels Revenue Account

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
	£m	£m	£m	£m
Tolls Income	(28.090)	(28.160)	(28.481)	(0.321)
TT2 Contract Payment	21.197	21.233	21.123	(0.110)
Employees	0	0.05	0.05	0
Historic Pension Costs	0.052	0.052	0.050	(0.002)
Support Services	0.095	0.145	0.142	(0.003)
Supplies and Services	0.045	0.035	0.037	0.002
Financing Charges	6.966	7.058	6.828	(0.230)
Interest/Miscellaneous Income	(0.050)	(0.128)	(0.168)	(0.040)
Repayment from former TWITA reserves	(0.240)	(0.240)	(0.240)	0
NTC revenue costs	0	0	0.124	0.124
TPCT revenue costs	0	0	0.065	0.065
(Surplus)/Deficit on Tyne Tunnels account	(0.025)	0	(0.515)	(0.515)

2.17 Tolls Income

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 the impact of the COVID-19 lockdown took effect, however traffic levels for the year overall were ahead of forecast.

2.18 TT2 Contract Payment

The Tunnels are operated under a concessionaire agreement by TT2 Limited. Payments to the concessionaire are calculated with reference to traffic volumes. The payment for March 2020 was around £0.5m less than expected, due to the impact of the COVID-19 lockdown on traffic using the tunnels, although this reduction was partially offset by higher than forecast payments during the previous months as traffic levels had been higher than budgeted.

2.19 Financing Charges were £0.230m below budget as a result of the repayment of Equal Instalment of Principal (EIP) loans during the year meaning that interest payments were lower than forecast.

2.20 Interest/Miscellaneous Income

Additional interest income of £0.040m compared to the revised budget was received due to slightly higher than anticipated rates on short term investments.

Transport Strategy Unit

2.21 Outturn expenditure for the Transport Strategy Unit was well below the previously forecast figure of £1.328m due to delays in completing the work on the Transport Plan (which is now due to take place during this financial year), lower than budgeted requirement for external support for business case assessment and slightly lower than forecast costs on TCF bid support. Costs associated with the move of the team to Gateshead Civic Centre, for example equipment requirements and IT set up support were also deferred as the COVID-19 lockdown meant that this move has not yet taken place. The forecast for 2020/21 will be updated to reflect the fact that this activity will now take place during the current financial year.

Details are set out in the table below.

2.22 **Table 7: Transport Strategy Unit Outturn 2019/20**

	2019/20 Original Budget	2019/20 Revised Budget	2019/20 Final Outturn	Variance (Outturn vs Revised Budget)
Gross Expenditure	£m	£m	£m	£m
Employee costs - Managing Director Transport North East and TSU	0.658	0.615	0.629	0.014
Transport Plan and Strategy Work	0.050	0.070	0.015	(0.055)
TSU Research and Development	0.180	0.183	0.068	(0.115)
TSU Travel and Miscellaneous	0.006	0.015	0.009	(0.006)
TSU IT / Equipment / Accommodation	0	0.020	0	(0.020)
TCF Bid Support and Tranche 1 Support	0.433	0.425	0.392	(0.033)
Total Expenditure	1.327	1.328	1.113	(0.215)
Gross Income				
LTP funding - TSU	(0.500)	(0.500)	(0.500)	0
LGF funding - TSU	(0.100)	(0.100)	(0.063)	0.037
LGF funding - TCF	(0.100)	(0.100)	(0.100)	0
LTP/Levy funding - TCF	(0.233)	(0.233)	(0.155)	0.078
Retained Transport Levy	(0.032)	(0.048)	(0.048)	0
External funding for specific posts	(0.139)	(0.178)	(0.178)	0
Total Income	(1.104)	(1.159)	(1.044)	0.115
Use of Reserves				
Regional Transport Team reserves	(0.123)	(0.002)	0	0.002
Go Smarter legacy funds	(0.100)	(0.130)	(0.032)	0.098
Earmarked reserves - TCF	0	(0.037)	(0.037)	0

Reserves

2.23 In its role as accountable body for the JTC, NECA holds reserves in relation to Transport. The majority of these are earmarked to meet specified expenditure which will take place in future years, such as the TCF support, Metro Reinvigoration

and Metro Fleet Renewal reserves.

- 2.24 The Tyne Tunnels reserve is held to manage risk associated with the ownership of these significant assets and is required under the Tyne Tunnels Order to be used only for Tyne Tunnels activity until such time as it can be demonstrated that the debt will be fully paid off.

Table 8: Revenue Reserves Outturn 2019/20

	1 April 2019	31 March 2020	Movement in Year	MEMO – Previously Forecast Position at 31 March 2020
	£m	£m	£m	£m
Tyne Tunnels Reserve	21.150	17.163	(3.987)	16.763
Tyne and Wear Transport Reserve	0.630	0.757	0.127	0.650
Transforming Cities Fund support	0.037	0	(0.037)	0
Metro Reinvigoration Reserve	9.167	9.243	0.076	9.233
Metro Fleet Renewal Reserve	6.694	10.097	3.403	1.487
Go Smarter Legacy (within Grants Unapplied)	0.194	0.162	(0.032)	0.064
Transport Strategy Unit (within Grants Unapplied)	0.125	0.125	0	0.123
Total	37.997	37.547	(0.450)	28.320

- 2.25 The Tyne Tunnels reserves reduced by £3.987m in the year due to the use of reserves to fund capital expenditure on the cycling and pedestrian tunnels and the repayment of funding swaps with Local Growth Fund and North East Smart Ticketing Initiative grants from previous years.

The Tyne and Wear Transport Reserve increased by £0.127m through underspends on the retained levy budget as described in section 2.12 above.

The earmarked reserve for Transforming Cities Fund bid support was applied to fund expenditure during 2019/20 on the successful Tranche 2 bid and has now been fully utilised.

Transport Strategy Unit balances including the Go Smarter legacy funds were not fully drawn down as a result of underspends on the TSU budget as described in section 2.22 and are available to meet expenditure on the Transport Plan in 2020/21.

The Metro Reinvigoration Reserve is held on behalf of Nexus to help meet the local contribution required to match fund DfT contribution to the Metro Asset Renewal Programme. The reserve increased by £0.076m during the year through the accrual of interest on the balances held.

The Metro Fleet Renewal Reserve increased by £3.403m through the contribution from the Tyne and Wear levy described in section 2.1 above and the accrual of

interest. The forecast at March 2020 had been that a proportion of this reserve would be drawn down to meet capital expenditure on the Fleet Renewal project – however slippage on this project due to delays in letting the final contracts with Stadler mean that the draw down wasn't required for 2019/20. Details of the Metro Fleet Renewal project are included in the capital programme report.

3. Forecast of Revenue Outturn 2020/21 – Period to 31 May 2020

Transport Revenue Budget

- 3.1 The table below summarises the forecast outturn position against the net Transport Revenue budget for 2020/21. The levies and grants to Durham, Northumberland and Nexus are fixed for the year, but details of how the grant will be applied by each organisation to the provision of public transport services is set out in more detail in the following sections.

Table 9: Transport Revenue Forecast of Outturn 2020/21 to 31 May 2020

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Transport Levy	(82.800)	(13.800)	(82.800)	0
Grant to Durham	15.456	2.576	15.456	0
Grant to Northumberland	6.224	1.037	6.224	0
Grant to Nexus	59.000	9.833	59.000	0
Retained levy budget	2.120	0.290	2.120	0
Tyne Tunnels Revenue account	(0.002)	(0.248)	(0.005)	(0.003)
Contribution (to)/from NECA Reserves	(0.002)	(0.312)	(0.005)	(0.003)

Durham

- 3.2 The budget for public transport activity in Durham for 2020/21 is £15.466 million compared to £15.562m for 2019/20. The 2020/21 forecast based on the position to the end of May is in line with the current budget.

Any projected underspend at the year-end will be retained by Durham County Council.

- 3.3 The following table provides a detailed breakdown of expenditure in Durham:

Table 10: Durham Transport Forecast of Outturn 2020/21 to 31 May 2020

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Concessionary Fares	11.932	0.993	11.932	0
Subsidised Services	2.556	(0.347)	2.556	0
Bus Stations	0.177	0.482	0.177	0
Bus Shelters	0.019	0.095	0.019	0
Passenger Transport Information	0.088	0.005	0.088	0
Staffing	0.684	0.114	0.684	0
Share of JTC Transport Costs	0.010	0	0.010	0
Net Expenditure	15.466	0.352	15.466	0

3.4 Following the COVID-19 outbreak most of the supported services within County Durham continue to operate, albeit for the most part at a reduced frequency. The Council has continued to pay operators at full contracted prices.

3.5 Durham County Council continues to 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 under this scheme has been significantly reduced due to the COVID-19 outbreak. The Council is continuing 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.

Northumberland

3.6 The budget for public transport activity in Northumberland for 2020/21 is £6.224 million compared to £6.094 million for 2019/20. The main reason for the increase is due to increasing ticket prices and therefore increased reimbursement levels to operators for concessionary travel. The initial forecast based on the position to 31 May is summarised in the table below:

Table 11: Northumberland Transport Forecast of Outturn 2020/21

	2020/21 Original Budget	Spend to Date (May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Concessionary Fares	4.811	0.037	4.811	0
Subsidised Services	1.230	(0.215)	1.230	0
Bus Stations	0.025	0.006	0.025	0
Passenger Transport Information	0.025	0	0.025	0
Staffing	0.133	0.022	0.133	0
Share of NECA Transport Costs	0.010	0	0.010	0
Total Grant	6.234	(0.150)	6.234	0

3.7 Following the COVID-19 outbreak most of the 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 with these services currently suspended until the resolution of the COVID-19 crisis or such point when it is deemed fit to resume. 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.

3.8 Northumberland County Council also makes payments to operators under the Government's English National Concessionary Travel Scheme (ENCTS) which entitles pass holders to free off-peak travel after 9.30 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. The Council is continuing 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.

Nexus

3.9 The current financial year has been dominated by the COVID-19 pandemic, with significant and unprecedented losses of fare and commercial revenues.

3.10 External income generated to the end of Period 2 was £0.541m, which is £7.083m down on the budget (93% lower). This is shown in the table below:

Table 12: Nexus income to the end of May 2020

External Income	2020/21 Annual Budget	2020/21 Year to date Budget	2020/21 Year to Date Actual	Variance (Actual vs Year to Date Budget)	Variance (Actual vs Year to Date Budget)
	£m	£m	£m	£m	%
Metro Fare Revenue	47.173	6.850	0.369	(6.481)	-95%
Metro Commercial revenue	1.665	0.242	0.075	(0.167)	-69%
Secured Services fare revenue	2.157	0.313	0.012	(0.301)	-96%
Other (including Ferry)	1.677	0.219	0.085	(0.134)	-61%
Total	52.672	7.624	0.541	(7.083)	-93%

- 3.11 Emergency funding provided by Government through the Coronavirus Bus Services Support Grant (CBSSG) amounted to £8.600m for Metro and £0.494m for secured buses for the period 17 March 2020 to 9 June 2020.
- 3.12 Furthermore, on 23 May 2020 the Government confirmed an additional £7.600m of financial support for Metro, meaning that Government has now committed £16.200m of funding to support Metro and sustain services to 4 August 2020 during the Coronavirus crisis. Of this funding, £1.026m was accounted for in the 2019/20 financial year.
- 3.13 Additional costs incurred in dealing with the pandemic include additional cleaning, PPE, IT equipment and licences and additional signage, total £0.378m. These have been offset by cost savings which mostly relate to traction energy, providing a net saving at the end of May of £0.018m. However, traction energy savings are short term and will cease by early July. It is estimated that that ongoing commitments of between £0.100m and £0.150m per month will need to be accommodated.
- 3.14 As previously highlighted, the estimated losses that Nexus is facing are unprecedented. The estimated range of losses, based on experience to date, the need for social distancing measures on public transport and government advice which is to avoid using public transport unless there is no alternative, is between £30m and £40m in 2020/21. The ability to accommodate such losses depends entirely on ongoing Government support.
- 3.15 In terms of support for buses, when the Secretary of State for Transport announced further support through CBSSG, Government also confirmed that it will continue to pay its regular subsidy to bus operators (called BSOG) at pre-pandemic levels. Government also expects that local authorities will continue to pay Concessionary Travel reimbursement to operators at budgeted levels, and for contracted home-to-school services and secured service contracts that are not operating.
- 3.16 It is unclear at the time of writing whether the Government will continue to pay the

local authority version of emergency bus funding, to compensate where secured service contracts have continued to operate during the pandemic, but where the fare income collected by the transport authority (Nexus) has reduced severely.

- 3.17 The payment of Concessionary Travel reimbursement to operators at budgeted levels remains problematic. The rules of Concessionary Travel require bus operators to be “no better, and no worse off” from transporting passengers with a concessionary pass. Given that very few pass-holders are travelling during the pandemic this is manifestly not the case. It is our position, therefore, that this payment amounts to significant new cost to local government and that we cannot demonstrate that it achieves value for money.

Medium Term Financial Forecast

- 3.18 When the JTC approved Nexus 2020/21 budget at its January 2020 meeting, it also considered the medium-term financial forecast, which assuming expenditure commitments remained in line with those being delivered in the current year and with no further growth or reduction in either Metro Rail Grant or the Tyne and Wear transport levy, showed the following:

Table 13: Nexus revenue savings required 2020/21 to 2022/23

	2020/21	2021/22	2022/23
	£m	£m	£m
(Surplus)/Deficit before use of reserves	0	3.700	6.500
Planned use of reserves	0	(3.700)	(3.300)
Estimated Savings Required	0	0	3.200

- 3.19 The financial position before the COVID-19 emergency was challenging. The impact of COVID-19 is adds further uncertainty and challenge to the financial position of Nexus and the Nexus budget is being recast for 2020/21 as part of preparing the update of its medium-term financial forecast.

Retained Levy

- 3.20 This budget relates primarily to activity inherited from the former Tyne and Wear Integrated Transport Authority (TWITA) as well as some costs such as external audit and the cost of servicing the JTC which relate to the whole JTC area. Most of the budget relates to capital financing debt changes on historic supported borrowing. Additionally, there is budget provision to pay for support services, other supplies and services, and a repayment to the Tyne Tunnels account for the use of reserves in 2013/14 to pay off the Tyne and Wear Pension Fund deficit
- 3.21 Expenditure for the year is currently forecast to be in line with the budget of £2.120m with no significant variances.

Table 14: Retained Levy Revenue Forecast 2020/21 to 31 May 2020

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Support Services/Staffing	0.215	0	0.215	0
Administration and Governance	0.173	0.004	0.173	0
Financing Charges	1.732	0.289	1.732	0
Total Expenditure	2.120	0.293	2.120	0
Contribution from Levies	(2.120)	(0.353)	(2.120)	0
Contribution (to)/from Reserves	0	(0.060)	0	0

Tyne Tunnels Revenue Account

- 3.22 The Tyne Tunnels are jointly owned by the North East Combined Authority (NECA) and the North of Tyne Combined Authority (NTCA). They comprise two vehicle tunnels and the pedestrian and cyclist tunnels. The Tyne Tunnels receive no government or local funding and costs are met from the tolls charged to users of the vehicle tunnels.
- 3.23 TT2 and Transport North East constantly review the traffic flows through the Tyne Tunnels. Normal levels of traffic are approx. 55,000 vehicles per day. As a result of COVID-19 lockdown measures, traffic levels dropped drastically during March and April 2020 to approx. 17,000 vehicles per day which is 30% of normal levels. This is the lowest level of traffic seen during the life of the TT2 contract.
- 3.24 During May and June traffic has been gradually increasing and by mid-June was up to 60% of normal levels. However, this is still significantly below expected traffic levels. Latest forecasts suggest that traffic may not return to expected levels for many months, as many businesses have yet to re-open, many employees are working from home and there are fewer vehicle journeys taking place around the region.
- 3.25 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 retain the full budgeted income for the year which will enable all costs to be met.
- 3.26 The forecast outturn position for the JTC is in line with the budget as reduced toll income is offset by reduced payments to TT2 under the contract. An increase is forecast in the support services budget as there is likely to be a need for additional engineering advice in relation to the vehicle tunnels and professional advice in relation to the Tyne Pass project during the year.

Table 15: Tyne Tunnels Budget 2020/21

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Budget vs Forecast)
	£m	£m	£m	£m
Tolls Income	(28.441)	(1.928)	(21.495)	6.946
TT2 Contract	21.653	0.561	14.707	(6.946)
Employees	0.062	0.010	0.062	0
Pensions	0.053	0.008	0.050	(0.003)
Support Services	0.100	0.005	0.150	0.050
Supplies & Services	0.045	0	0.045	0
Financing Charges	6.816	1.136	6.816	0
Interest /Other Income	(0.050)	0	(0.050)	0
Repayment from TWITA for temporary use of reserves	(0.240)	(0.040)	(0.240)	0
(Surplus) /Deficit on Tyne Tunnels revenue account	(0.002)	(0.248)	(0.005)	(0.003)

The North East Transport Strategy Unit

3.27 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.

The original 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 has therefore been updated according.

In addition to the significant current activity of developing the Transport Plan and related delivery programmes, some other major upcoming policy developments could potentially include the development of a new bus strategy, the expansion of the Metro and local rail network, developing a model for rail devolution, and

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

- 3.28 Forecast expenditure for the Transport Strategy Unit in 2020/21 is estimated to be £1.303m compared with the original budget of £0.927m, primarily as a result of the inclusion of TCF Tranche 2 programme management that were not factored into the original budget as we were awaiting the outcome of the bid.

Expenditure on the Transport Plan particularly around public consultation and launch events has been delayed due to the COVID-19 pandemic and will now take place during the financial year. Funding from 2019/20 which was not used has been carried forward to the current year.

The forecast for expenditure on IT and accommodation has been increased to carry forward unused funding from 2019/20 as a result of the move of the TSU team to Gateshead Civic Centre being delayed due to lockdown.

There is a forecast reduction in the forecast for LGF funding to support programme management of Transport schemes which reflects the stage of the programme, where most Transport schemes are now complete or nearing completion as it is in its final year.

- 3.29 Details are set out in the table below.

Table 16: TSU Revenue Forecast of Outturn 2020/21 to 31 May 2020

	2020/21 Original Budget	Spend to Date (to 31 May 2020)	2020/21 Forecast to Year end	Variance (Forecast vs Budget)
	£m	£m	£m	£m
Gross Expenditure				
Employee costs - Managing Director Transport North East and TSU	0.721	0.094	0.662	(0.059)
TCF Tranche 2 Programme Management	0	0	0.368	0.368
Transport Plan and Strategy Work	0.050	0	0.105	0.055
TSU Research and Development	0.120	0	0.120	0
TSU Travel and Miscellaneous	0.016	0	0.008	(0.008)
TSU IT / Equipment / Accommodation	0.010	0	0.030	0.020
TSU Contingency	0.010	0	0.010	0
Total Expenditure	0.927	0.094	1.303	0.376
Gross Income				
LTP funding - TSU	(0.500)	(0.094)	(0.500)	0
LGF funding - TSU	(0.095)	0	(0.040)	0.055
Retained Transport Levy	(0.129)	0	(0.129)	0
External funding for specific posts	(0.148)	0	(0.160)	(0.012)
TCF Tranche 2	0	0	(0.366)	(0.366)
Total Income	(0.872)	0	(1.195)	(0.323)
Use of Reserves				
Regional Transport Team reserves	(0.005)	0	(0.003)	0.002
Go Smarter legacy funds – Transport Plan	(0.050)	0	(0.105)	(0.055)

4. Reasons for the Proposals

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

5. Alternative Options Available

5.1 This report is for information with no decision required.

6. Next Steps and Timetable for Implementation

6.1 The outturn position has been factored into the Statement of Accounts for 2019/20 and performance against the revenue budget for 2020/21 will be closely monitored and update reports presented to the JTC at regular intervals during the coming year.

7. Potential Impact on Objectives

7.1 There are no potential impacts arising from this report which is for information.

8. Financial and Other Resources Implications

8.1 The financial summary is set out in the main body of the report. There are no financial or other resource implications from this report which is for information.

9. Legal Implications

9.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an Authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified. There are no legal implications arising from this report, which is for information.

10. Key Risks

10.1 Risks associated with the delivery of transport services by the key delivery bodies are factored into the risk management processes of those organisations. The impact of the COVID-19 pandemic is having a significant and continuing impact on transport budgets and the financial consequences will continue to be carefully assessed and monitored. The JTC holds reserves to mitigate against financial risks associated with its transport functions, and the level of these are considered to be adequate at the year end.

11. Equality and Diversity

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

12. Crime and Disorder

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

13. Consultation/Engagement

13.1 The revenue budget for 2019/20 and for 2020/21 was subject to consultation with key stakeholders including constituent authorities as part of the budget setting process. Budget holders were consulted on the forecasts included in the report.

14. Other Impact of the Proposals

14.1 There are no other impacts arising from this report which is for information.

15. Appendices

15.1 None

16. Background Papers

16.1 Joint Transport Committee Budget 2019/20 – report to 22 January 2019 meeting.
Joint Transport Committee Budget 2020/21 – report to 21 January 2020 meeting.

17. Contact Officers

17.1 Eleanor Goodman, Finance Manager, eleanor.goodman@northeastca.gov.uk,
0191 277 7518

18. Sign off

- 18.1
- The Proper Officer for Transport:
 - Head of Paid Service:
 - Monitoring Officer:

Chief Finance Officer:

19. Glossary

19.1 DfT – Department for Transport
ENCTS – English National Concessionary Travel Scheme
JTC – Joint Transport Committee
NECA – North East Combined Authority
NEMOL – North East Metro Operations Limited
TCF – Transforming Cities Fund
TT2 – Tyne Tunnels 2 Limited

North East Joint Transport Committee

Date: 14 July 2020

Subject: Moving Bus Partnership forward in North East England

Report of: Managing Director Transport North East

Executive Summary

This report describes the next steps following a report received by the Joint Transport Committee on 9th June 2020.

It considers the development of funding conditions that may be applied to local emergency bus funding payments; discusses the creation of an engagement forum between elected members and local bus operators; and provides an update on discussions with the government in relation to the future reform of funding models for bus services.

Recommendations

The Joint Transport Committee is recommended to:

- Note the proposed application of conditions to local emergency bus funding payments as set out in paragraphs 2.1-2.2;
- Agree to the proposed creation of an engagement forum between elected members and local bus operators as set out in paragraphs 2.3-2.6; and
- Note discussions with the government in relation to the future reform of funding models for bus services as set out in paragraphs 2.7-2.9.

1. Background Information

1.1 The JTC approved a report at its meeting on 9th June 2020 in relation to bus funding.

The report noted the financial assistance provided to the local bus market to sustain it during the crisis brought about by the Covid-19 pandemic, and that work was being carried out into conditions that could potentially be placed on payments from local government. This report provides an update on the conditions that have been developed.

1.2 During the discussion the committee made it clear that it wishes to see increased levels of engagement between elected members and bus operators. This report proposes a way for that to be achieved.

1.3 Finally, this report updates on progress towards the proposals from the 9th June report that:

1. the JTC and its constituent authorities continue to make the case for financial support to the bus sector from central government for as long as the effects of Covid-19 continue to have a negative impact.
2. work be carried out into future models of bus service funding and provision, jointly with relevant partners, to ensure that the development of the local bus network post-Covid-19 meets the long-term aims of the JTC.

2. Proposals

Funding conditions

2.1 JTC members were clear that they wish for better transparency in relation to the continuation of local emergency payments to bus operators. To achieve this, the Urban Transport Group has developed a set of conditions that is common with other combined authority areas in the UK – these are shown as Appendix A to this paper along with suggested variations, which could be applied by our region.

2.2 Given that much of the bus network in our region provides connectivity across administrative boundaries, it is desirable that similar conditions are applied by the three delivery bodies (Nexus, Northumberland County Council and Durham County Council) potentially applying these conditions to payments applicable from 4 August subject to approval through their own governance processes.

Engagement between elected members and bus operators

2.3 Members have expressed a clear desire to rapidly develop a forum for direct engagement with local bus operators. The bus operators' local grouping is known as NEBus.

- 2.4 Members have suggested that an early output for the forum should be a joint position on the need for more funding for bus services from central government, with both sides using the output to assist with lobbying.
- 2.5 Detailed Terms of Reference will be developed for the engagement forum in conjunction with NEBus, for members to review at the first available opportunity. However, in the meantime an initial meeting between JTC members and the bus operators will be arranged, with the aim of it taking place before the end of July. Moving forward the JTC may wish to consider establishing a sub-group or working group to continue the engagement on a regular basis.
- 2.6 Some of the areas that are likely to be covered by this engagement are:
- a. The aligning of objectives between the JTC and bus operators;
 - b. Reviewing the bus network;
 - c. Improvements in integrated ticketing;
 - d. Shared responses to changes in demand, changes to government social distancing guidelines, and changes to central and local government funding

Some or all of these may lead to specific proposals being developed for consideration by the JTC and/or its delivery bodies.

Future bus funding

- 2.7 The Chair of this Committee recently signed a joint letter to Baroness Vere, transport minister, along with political colleagues from other combined authorities in the UK, once again urging the government to consider reforming the model of bus funding in the UK outside London. The letter can be found in Appendix B.
- 2.8 Whilst a formal response to the letter is awaited, based on previous correspondence we understand that the government is prepared to review models for bus funding in the medium term as part of a new national bus strategy. We continue to engage with the Department for Transport directly and via the Urban Transport Group in relation to this work.
- 2.9 In the meantime we continue to make the case for continued government financial support for bus services through the government's temporary "COVID-19 Bus Services Support Grant", and through local emergency payments as previously discussed.

3. Reasons for the Proposals

- 3.1 The proposals put forward in this paper principally consider how our region can work more closely with bus operators and develop a more engaging relationship between bus operators and this committee as part of moves towards an effective bus partnership for the region.
- 3.2 The proposals also draw attention to funding conditions, which would ensure that value is received from bus operators in return to the payments made by

delivery authorities to bus operators.

4. Alternative Options Available

4.1 Option 1:

The JTC may choose to adopt the recommendations in this report

Option 2:

The JTC may wish to identify an alternative form of engagement with the bus operators

Option 1 is recommended.

5. Next Steps and Timetable for Implementation

- 5.1 Dialogue between the North East Bus Coordination Group and NEBus representatives has commenced and JTC will be updated on developments when it is appropriate. With regard to conditions on payments to bus operators, local delivery authorities should have arrangements in place for payments applicable from 4th August this year.

6. Potential Impact on Objectives

- 6.1 The notion of bus partnership is complementary to the vision, objectives and principals agreed by JTC and which apply to the development of the region's transport plan.

7. Financial and Other Resources Implications

- 7.1 There are no direct financial implications for the JTC arising from this report.
- 7.2 The report does however refer to financial implications for Nexus, Northumberland County Council and Durham County Council in relation to payments to bus operators, and these will be managed through the appropriate governance processes of each body.

8. Legal Implications

- 8.1 The relevant powers under the Transport Act 1985 relating to the financial support from local authorities to bus operators referred to in this report have been delegated by the JTC to the county councils for their respective areas. Nexus, the Passenger Transport Executive holds similar powers under the Transport Act 1968. There are therefore no direct legal implications for the JTC arising from this report.

9. Key Risks

- 9.1 With regard to the conditions listed in the Annex to this report, there is a risk that the bus industry and Government may oppose the recommendations of this report or decide not to fully cooperate. This will be mitigated through effective partnership building with the bus operators and the governance of local delivery agencies.

10. Equality and Diversity

- 10.1 A good bus service network, accessible to all, increases the public transport options available to people across the North East allowing access to employment, health care, leisure and other essential destinations.

11. Crime and Disorder

- 11.1 At this stage there are no specific crime and disorder issues identified with this proposal.

12. Consultation/Engagement

- 12.1 The content of this report has been the subject of consultation with Durham County Council, Nexus and Northumberland County Councils, the three bodies in the region that have powers to deliver bus services. Consultations have also been conducted with the seven local authorities via the Transport Strategy Board

13. Other Impact of the Proposals

- 13.1 None

14. Appendices

- 14.2 Appendix A: proposed funding conditions
Appendix B: letter to Baroness Vere

15. Background Papers

- 15.1 Report to JTC 9th June 2020: "Support for the bus network during the Covid-19 pandemic"

16. Contact Officers

- 16.1 Philip Meikle, Transport Strategy Director
philip.meikle@transportnortheast.gov.uk

17. Sign off

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

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Funding for bus services in the recovery period and beyond

Version two (15/06/20)

Background

Providing socially distanced bus networks during what may well be a long recovery phase will be key to supporting the Government's wider plans for a phased release from lockdown.

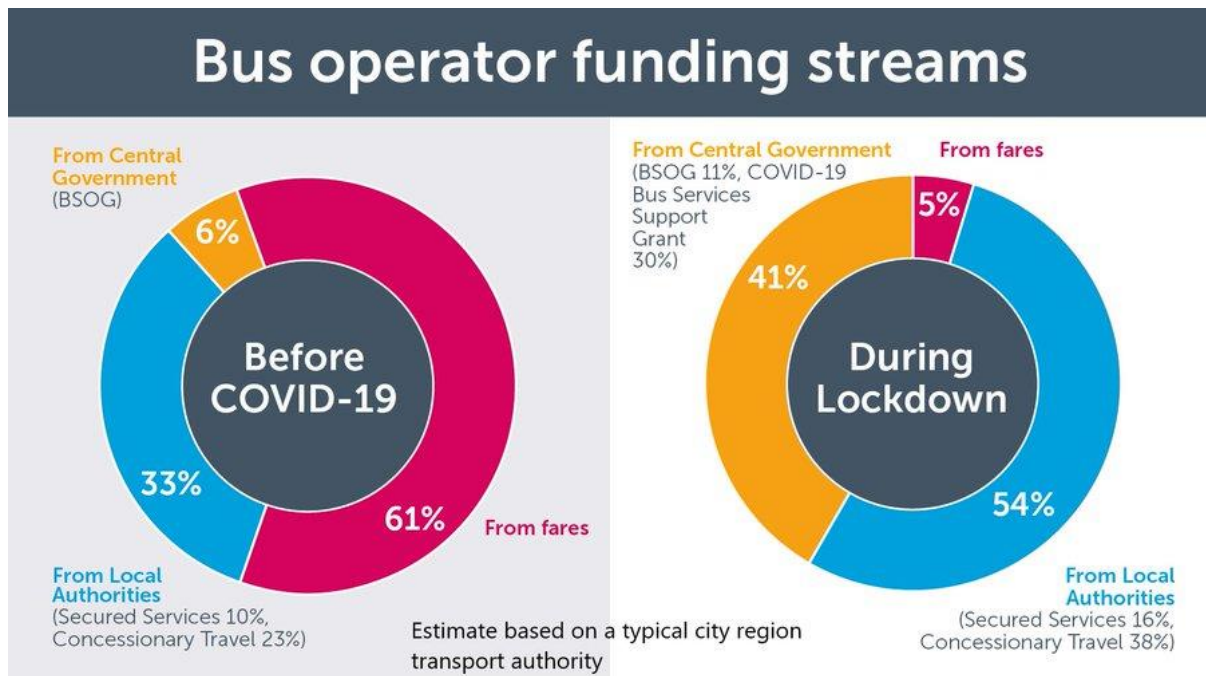
Furthermore, after the pandemic is over we won't be able to 'build back better' and accelerate carbon reductions from urban transport, without networks of green, affordable and simple to use bus services.

We need a format for funding bus services during this period that will support bus services in the most cost effective and efficient way possible whilst also allowing for a transition to a brighter future for the bus once the COVID-19 pandemic is over.

So far, the Government is proposing to continue with the same mechanism for funding support for the industry as it did during lockdown. Whilst this provides the short-term stimulus to start things moving, it does not provide the robust overarching framework required to ensure that each city region is able to carefully navigate its bus network back to full recovery over the coming months. This framework would allow each city region to consider how best to support all its bus operators, regardless of size, status and balance sheet as part of wider integrated urban transport networks through this challenging period.

How bus services are funded now

At present the bus industry is being heavily supported by the public purse, because farebox revenues that allow commercial bus services to make a return on costs have been decimated.



The way in which funding is currently being provided is complex and has gone through a number of iterations by national government.

It is predicated on national and local government continuing to maintain subsidy streams at the same levels they were before the COVID-19 crisis (even though the services those subsidies are meant to support are not being provided); supplemented by additional funding for those services that are being provided; and further bolstered by wider Government schemes designed to support businesses (such as furloughing).

This has been done through:

- On 26th March the Government announced that it was planning to continue to pay BSOG at pre-COVID-19 levels and requested that local government continued to reimburse the English National Concessionary Travel Scheme (ENCTS), BSOG (where devolved) and to pay for supported services at pre-COVID-19 levels.
- On 6th April the Government launched the first round of the Coronavirus Bus Service Support Grant (CBSSG) which provided an additional payment for those services which bus operators were continuing to provide (at a rate of £1 per bus kilometre) until 9th June.
- On 20th May, a second round of the Coronavirus Bus Service Support Grant was announced, extending for a further twelve weeks.
- Government is also providing support to operators who have furloughed staff, through the Coronavirus Job Retention Scheme.

Value for money is meant to be secured through a reconciliation process which will allow the DfT to audit operators and retrospectively claw back any overpayment of CBSSG (as in payments made were more than was actually required to cover the additional costs of providing bus services due to COVID-19). There will be no equivalent claw back mechanism for local transport authorities on the payments they have made.

The Government has set a number of conditions including that operators must take all reasonable steps to respond and comply promptly with reasonable requests from LTAs to amend the services operated and the routes used by those services, hours of operation, vehicles used or levels of provision; and to supply data on service usage and operations during the period of CBSSG Restart funding receipt – including to ensure a joined-up cross-modal service offer and to support wider COVID-19 response efforts.

The need for change

This complex and convoluted format for funding bus services is problematic in a number of ways.

1. It provides **inadequate protection to passengers** from any fare rises, service reductions and low quality standards that any operator may seek to introduce. This is because leverage over operators (which is the funding flows to the industry) is split between national and local government and the conditions that can be set for operators by transport authorities are necessarily broad brush.
2. It leaves transport authorities for urban areas (the size of small countries) **unable to coordinate and plan public transport networks** as a whole given that buses, light rail and heavy rail networks are all being funded in different ways (and with varying degrees of transport authority influence) at the very time when capacity across those networks as a whole could be significantly overstretched due to social distancing

3. It leaves **transport authorities unable to deliver effectively on the responsibilities** as set out by the Department for Transport in their letter of 27th May to all Local Transport Authorities, as major operators look to central Government to negotiate all of their arrangements and then inform Local Transport Authorities afterwards on what this means they will provide.
4. The **current arrangements are not legally robust** in that national government is asking local government to reimburse bus companies for concessionary journeys that are not being made and for supported services that are not running. We do not believe that the current legal underpinning that the Government claims allows for these arrangements to continue provides sufficient legal comfort for local authorities to do so.
5. The current arrangements are **not sustainable in terms of the likelihood of all local authorities continuing to make payments for services that are not being provided**. Especially given they are also under-funded for wider COVID-19 impacts on their finances; when the legal basis for doing so is not robust; and when the payments are being made to commercial companies over whom their influence is limited.
6. The current arrangements are **predicated on a complex and untested system of overpayments, audits and clawbacks from commercial operators**. This system is likely to find itself further stretched due to the very different circumstances which apply in the recovery phase (less stable in terms of service levels and patronage demand in different areas and at different times) when compared to the lockdown phase (more stable in terms of consistently lower levels of service and demand in each area). This in turn means that correctly allocating payments to operators on a month by month basis will be much more challenging, risking operators taking a cautious approach to the levels of provision they provide and/or leakage of public funding due to the difficulty of determining valid costs.
7. They are **based on relatively short term time periods** with cliff edges where there is no guarantee of whether further funding will be available or at what level. Again, this risks cautious approaches from operators in relation to levels of service provision. This short term and fragmented approach to bus funding also uses up significant 'bandwidth' at transport authorities in anticipating and responding to the incremental emergence of further details and revisions of Government funding arrangements for the sector.

As bus networks return to closer to their normal extent the Government's approach to bus funding also bring with it the risks of:

- Either incumbents or new entrants registering new services on the busiest corridors which could lead to new '**bus wars**' between operators;
- Operators withdrawing to a **much smaller core commercial network** which would mean either marginal services not being provided or local authorities having to find funding to maintain these services;
- **Continuing fares increases and fragmentation** of the public transport offer as a whole.

A new format for bus funding for the recovery phase

A new funding arrangement should route all the public subsidy for bus via city region transport authorities who would then use that funding to buy the networks of services from

private operators that best meet the needs of the places they serve. This would also put all payments to operators on a sound contractual footing.

As demand for bus services returns, the scale and nature of bus services required to meet that demand is also radically changed:

- Social distancing is significantly reducing the capacity of buses. Many more buses will be needed to serve even reduced patronage levels.
- The nature of urban bus services may need to be recast with a mix of short and long journeys on many services¹.
- Revenue from fares will remain low.
- Social distancing at boarding points will become a growing issue, meaning there could be a greater need to marshal passengers waiting to board their buses at bus stations and interchanges in order to maintain social distancing.
- Hygiene and cleaning standards will need to be enhanced and maintained.
- There may be a need to invest in technologies that will better support the management of available capacity. This could include ways of ensuring essential workers (such as NHS and social care staff) can still access bus services at a time when available capacity could soon be taken up by non-essential trips.
- Given that staffing levels may be lower (due to staff exiting the industry) and staff absence levels higher (due to self-isolating) there may be a need to recruit additional staff.

A rational commercial response for a bus operator that faces the same, or higher costs, to operate each bus, but has less passenger capacity on that bus, is to maximise income and manage demand by increasing fares. This would also increase average fares foregone for carriage of ENCTS passholders, leading to greater reimbursement rates per ENCTS journey.

In summary, we are faced with a situation where:

- Demand for buses will return but will still fall well short of demand prior to the COVID-19 pandemic;
- The supply of buses needs to be as high as possible, to satisfy these growing demands with a much reduced on-board capacity; and
- Fares may well increase significantly if left unchecked.

These three factors mean that bus operators will find it impossible to achieve a commercial return on their services, and bus passengers may get poor outcomes of fares increases and heavily constrained capacity not being deployed in a way which best meets local needs.

We have undertaken some initial analysis based on pre-COVID-19 information on bus industry costs and revenues, which suggests that the metropolitan bus networks in England will need top-up funding from Government of at least £80m per month initially, falling gradually to no less than £36m per month within 12 months (assuming social distancing

¹ In normal times, long bus services travel from suburban outskirts to city centres via inner city areas, picking up and setting down many passengers along the way with peak period buses reaching seated and standing capacity as city centre destinations are approached. This operating model will not work during Phase 3, because buses will likely quickly reach their much-reduced capacity in the suburbs, resulting in no space for people wanting to catch the bus in inner city areas. As well as a transport issue, in many settings this will be a social equity issue. To mitigate this, bus services will need to be differently configured with a mixture of short and long journeys along the route, short journeys serving only the areas closer to city centres to satisfy that demand.

persists during that time period). We are willing to work with Government to develop a fuller understanding of the funding required to deliver this model across English authorities. The combination of these social, financial and equity factors all require that the public sector must intervene and provide financial support to deliver a bus network during the recovery phase.

It has already been accepted by Government that local transport authorities are best placed to determine suitable bus networks during this pandemic². In this context, it makes sense for Government to passport funding for bus services to local transport authorities so that the policy and financial decisions are made based on local needs.

Given this we need a new funding format for buses which is fit for the purpose of recovery whilst also allowing for a long run transition to a brighter future for the bus in the post-COVID-19 world.

These new funding arrangements should route all the public subsidy for bus via city region transport authorities who would then use that funding to buy the networks of services from private operators that best deliver on the needs of the places they serve and on the condition that fares are simple and affordable.

In many ways this would replicate on a local basis the Emergency Measures Agreements (EMAs) that the Government is using to maintain rail services. This system for rail services was introduced on the same day as the lockdown began.

UTG's proposition is therefore that city region local transport authorities in England (and potentially all local transport authorities in England) are provided with access to a long-term grant that allows them specify and flex a bus network during the recovery phase, and deliver that network through secured bus service contracts with operators.

Local transport authorities would work with bus operators to define a suitable network that meets demand in a highly constrained social distancing environment. The provision of short journeys will be built into this work. Networks will be reviewed regularly based on information about passenger numbers and peak loadings and adjusted as necessary.

Local transport authorities will use the powers available to them to enter into contractual arrangements with operators to deliver agreed bus services. An open book approach to operating costs and revenues will be required to ensure good value for public money is achieved.

This approach will incur legitimate additional costs associated with managing these contracts, processing data and auditing operators' returns. Local transport authorities will require reimbursement for these additional costs.

Where operators currently compete in the busiest transport corridors, the local transport authority may need to decide which operator(s) should deliver a suitable service and which services are extraneous. In these circumstances an initial emergency tendering exercise will establish the operation from day one, to be replaced quickly by a formal tendered competition amongst operators, based on the lowest minimum cost price of operation.

Local transport authorities should consider whether the diversion of some bus services to integrate with local rail, Metro and light rail services might give better value for public money

² The conditions associated with CBSSG require that local transport authorities approve the scale and nature of bus networks operated before the Grant will be paid to operators.

and provide better outcomes for passengers. This will be an issue for particular consideration where bus services directly compete with fixed rail systems.

Local transport authorities will work with operators to agree the fares to be charged for all bus journeys. In many cases the commercial fares previously charged on a route will be adopted. In some cases it may provide better and more integrated outcomes for passengers if amended bus fares are considered, including the option of much simpler fares or the introduction of good value day fares that apply to all public transport journeys irrespective of operator and mode.

This funding model could be used to achieve other policy outcomes – for instance simpler integrated fares or enhanced service levels in the vicinity of key journey generators (such as NHS facilities and other key worker destinations). Using funds in this way could be a key driver to ensure that bus services emerge stronger and offer a better service to passengers following the pandemic and subsequent recovery phase.

There will be a gap between the cost of letting and managing the contracts, and the amount of funding that local transport authorities can provide from existing budgets. This gap will need to be bridged by a Government grant to LTAs, payable at a set rate initially then reconciled subsequently to actual shortfalls using an open book approach.

This grant should be available to all local transport authorities until the bus network has returned to a “new normal” and transition back to normal operations (or a new permanent operating model) can happen. Below, we offer a definition of when this “new normal” can be defined. We recognise that this is an open-ended commitment, but this simply reflects the fact that the duration of the recovery phase for COVID-19 is similarly open-ended at this stage.

For this proposition to operate effectively and flexibly, Government will need to relax the current limitations on de minimis contract awards (currently limited to 25% of net LTA spend). UTG has already raised these issues with DfT.

At the same time measures need to be put in place to ensure LTAs can prevent or suspend the normal competitive market activity which could significantly disrupt or undermine wider Government and LTA objectives if new entrants, or existing operators, decided to move in to cherry pick the most profitable corridors. This can be done by secondary legislation which would in effect give transport authorities a power of veto over new services which will undermine the value for money and integration of the network as a whole. Or alternatively extending the registration period for new services to six months.

This new format for bus funding:

- would mean that transport authorities can hold down, and simplify fares, and protect key services through contract specification on a route by route basis.
- would mean transport authorities can better plan public transport networks for city regions as an integrated whole by allowing them to plan bus and light rail networks together (combined with whatever influence they already have over heavy rail networks).
- would be legally robust as all available funding is contractually and explicitly tied to clear outcomes.
- offers good value for money as all the funding is directed to specific contracted outcomes by transport authorities on the ground rather than by civil servants whose understanding of local contexts and circumstances is necessarily limited.
- Simplify the audit processing.

It is important to note that although we believe this funding format will make the best use of available public funding for bus services it will still require an adequate quantum of funding from national government.

Maintaining these bus services will help Local Authorities maintain the commitment towards sustainable travel measures that could easily be threatened by the potential growth in use of the car as a response to COVID-19 measures. Put simply, devolving the funding and the powers to oversee and manage an effective return to the pre-COVID-19 network is in the best interests of the DfT, Local Transport Authorities, and the bus operators who are going to be wholly reliant on public subsidy for at least as long as social distancing measures remain in place.

Towards a brighter future for the bus

Even before the COVID-19 crisis the bus was facing an uncertain future given year on year overall patronage decline, service reductions, above inflation fares increases and a fragmented offer for passengers.

The COVID19 crisis has made that future more uncertain at the very time when we need the bus more than ever to support the green and inclusive economies that we want for our city regions. As locally accountable and strategic transport authorities for the areas we serve we believe that we have an essential role to play in ensuring the provision of high quality bus services. Services which will be an absolute necessity to the wider recovery plans of our city regions.

The restart and recovery phase should therefore be a period where the existing legislation on the powers that transport authorities have on buses are reviewed so that when the COVID-19 pandemic subsides we are in a position to rapidly move forward on the basis of local determination of the best format for the future of local bus services in line with local aspirations and circumstances.

Such a review should examine how best the existing legal and regulatory framework can be reformed so that local transport authorities can:

- continue to work within the existing framework (but with more binding arrangements for cooperation and coordination between the local transport authority and incumbent bus operators);
- franchise networks of services to the private sector (the London model);
- provide services direct (such as via municipal or not-for-profit companies).

The recovery phase should also be when there is a long term review of what level of revenue support will be needed in order to sustain and expand bus networks and patronage, using greener vehicles and with the simpler and more affordable fares that will attract more passengers in the longer term.

We believe our proposed funding format for the recovery phase would establish a much better platform for such a transition than continuing with the current emergency funding arrangements.

Questions and answers on the Bus Service Recovery Grant proposition

How much would Government allocate to each local authority in this proposal?

An initial allocation nationally should be based on the total cost of operating the pre-COVID-19 network, and a percentage of the pre-lockdown operator revenues (we propose 20% to allow for stringent application of social distancing guidelines). Both of these statistics are available in the DfT's Bus Statistics dataset. This initial allocation should be assessed separately for metropolitan authorities and non-metropolitan authorities, as disaggregated in the statistics, in order that the different relationships between costs and ridership in urban and non-urban areas are captured.

The national allocation for metropolitan and non-metropolitan authorities should then be allocated to each local authority based on the number of bus passengers boarding buses in each local authority, again these data are available from the DfT Bus Statistics.

There will be differences and nuances between different local authority areas that this approach may not capture. However, the simple reconciliation process we propose will capture, correct and reimburse local authorities for these differences.

Our members would also prioritise staff time and resources to assist DfT in this process.

The funding system for the lockdown period has kept bus networks running so why change it for the recovery phase?

The current Government grant for bus services, paid directly to bus operators, has the advantage of being in place and agreed across Government departments.

CBSSG is a blunt one-size-fits-all grant to bus operators of £1 per kilometre. It was only a tenable solution for the lockdown period because the bus network was stable. The size of the network is defined by the terms of CBSSG and is subject to little variation.

With stability of supply and demand, a fixed rebate per kilometre operated worked well. But neither of these circumstances apply after lockdown.

Networks are being bought back on stream quickly, and in some cases re-cast to allow inner city passengers to board services that start in the suburbs, and they may need to flex regularly as different segments of travel demand come back on stream. The return of these segments will vary from city to city.

Patronage may also fluctuate wildly, as different segments of the market return from lockdown, as schools open and close, if a second wave of infections hits certain cities, as economic recovery takes hold in different places at different rates.

Every city's bus recovery will be different. And those recoveries will oscillate considerably week by week for many months to come.

In that context, a one-size-fits-all CBSSG rebate would lead to significant under-payment or over-payment in different cities, at different times. A single payment level will be 'just right' practically nowhere.

Each operator in each local authority area may need a separate and regular reconciliation process to be conducted. This seems like an impractical and insurmountable task that cannot be performed to a reasonable standard, which could lead to accusations of misusing public money. Our proposal eliminates that complication and workload as reconciliation of our proposal is done at a local authority level covering all operators.

CBSSG is reliant on local authorities continuing to pay concessionary travel reimbursements at pre-COVID-19 levels, despite the market for ENCTS passholders being severely reduced. **There is an insubstantial legal basis for local authorities continuing these payments, and some will come under pressure to deploy this funding to other post-lockdown priorities.**

Local authorities also require a reconciliation process to be conducted to ensure this public money is being used appropriately to maintain bus operations and no more. The complex interplay between the CBSSG reconciliation and ENCTS reconciliation has not yet been resolved by DfT – continuing with CBSSG would compound this complex arrangement. **Our proposal eliminates this complication, there will be a single reconciliation for the Bus Service Recovery Grant that automatically takes account of the funding LAs have in their CT budgets.**

Would UTG's recovery phase proposition work in rural areas and unitary authorities?

The contracting model that we are proposing, albeit on a larger scale than today, is familiar to every LTA in England. They will need to work with operators to deliver the bus network planning required, but that is what happens already in order to comply with the new 28+42 day bus registration requirements.

There are a small number of local authorities who have no secured bus services and therefore maybe do not carry the resources to manage a process like this. This is an issue that already affects such local authorities in respect of their duty to agree networks to be delivered by CBSSG, so this is not a burden unique to our proposition. However, neighbouring and nearby larger local authorities can lend assistance in the few places where this issue arises, or external resources can be bought in to assist.

Even if a uniform approach was not taken in the application of the policy to all local transport authorities it would still be entirely justified to apply the policy to the largest urban areas given that:

- there are already two different systems in operation for buses more widely (regulated London and deregulation elsewhere)
- the Government already takes a differential approach to wider governance – with broadly speaking, one model which is used for city regions (Mayoral CAs) and another model elsewhere (either single or two tier local authorities)
- the population of the Metropolitan areas is around 12 million and 900 million bus journeys a year are made in the Metropolitan areas (a significant proportion of bus patronage outside London)

The alternative is a lowest common denominator approach where the system of funding for bus services for conurbations with populations in the millions, who invest substantially in bus services, and where bus trips per head are high is, in effect determined by what system will

work for small rural councils who may invest little in supporting bus services and where the bus has a tiny market share and a very low number of trips per head.

This would clearly be a nonsensical approach which is entirely inconsistent with wider Government policy on devolution (which is not based on a one-size-fits-all approach) and would work against the Government's wider objectives for promoting bus use.

If the objection is the administration of setting up and running two different systems then this is also a weak objection as the current system is excessively costly and cumbersome and will require significant administration to ensure value for money is to be achieved through audits and clawbacks. Our proposed reform will simplify the administration of bus funding for the DfT even if it was not applied everywhere as it would be applied to the most complex bus markets which will be the most difficult to administer under the DfT's current system.

What about cross boundary services?

Cross boundary services can be dealt with by neighbouring LTAs agreeing a specification for the relevant service, then agreeing which LTA will lead the contracting of that service. There are models in the Bus Services Act that can be deployed to facilitate this.

How would the UTG proposal support a transition to the new normal beyond the initial recovery stage?

We think this new normal should be defined as when: (i) all social distancing guidelines have been withdrawn; and (ii) bus ridership will have not varied by more than 5% for three consecutive months, taking account of normal seasonal variations. That bus network will need to have every available bus out on the road, so that social distancing can be observed by all bus passengers.

After these conditions have been met, bus operations in many places will return to the previous commercial operations model. But this will be in the context of a suppressed level of bus demand, and a bus industry that is financially weakened. The commercially rational response of operators will be to reduce the number of buses operated, shrink the bus network and maybe increase fares to protect their financial position. We could be faced with a situation that will be wholly counter-intuitive to passengers, where the social distancing restrictions are lifted, bus use is freed up and is far less constrained - and the network shrinks and fares go up as a result. This is not a palatable outcome and means some form of further funding will still be needed during the new normal.

It is not as if the bus market prior to the COVID-19 pandemic was in excellent shape. This was already recognised by Government with the Prime Minister stating we needed to 'overhaul bus services' with new models of delivery and extra funding as part of the £5bn cycling, walking and public transport pot. Whilst we definitely need a short-term plan for lifting the lockdown, we ought to also consider and agree what we want the 'new' normal to be for bus passengers. We strongly believe our recovery plan provides a natural progression towards this – not perpetuating a status quo that was not working.

Local transport authorities will therefore need to consider during the recovery stage what format for bus service provision would best meet their long term objectives once the recovery stage is over - be that direct or not for profit operation, franchising or some form of continuing collaboration with operators within a deregulated market. During the recovery phase the Government too should review the existing regulatory and legislative framework

with a view to streamlining the process whereby local transport authorities can pursue whichever option they believe is most appropriate for their circumstances and aspirations.

Local transport authorities and local highway authorities should continue to work together to ensure road space can be reallocated to buses, enabling them to operate more quickly and more reliably.

Local transport authorities and bus operators should carefully plan a marketing campaign for buses that will attract people back onto the bus once the social distancing restrictions are lifted. This is a considerable challenge, reversing a message of “only use the bus if you absolutely have to” and changing it to “use the bus for more or even all of your day to day journeys”. This will require a considerable and collaborative marketing effort.

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Baroness Vere of Norbiton
Parliamentary Under Secretary of State
Department for Transport
Great Minster House
33 Horseferry Road
LONDON
SW1P RDR

2nd July 2020

Dear Baroness Vere

FUNDING FOR URBAN TRANSPORT DURING THE RECOVERY PHASE

Thank you for your letter of 5th June in response to our letter of 6th May on bus funding during the COVID-19 pandemic.

Despite the easing of the lockdown, bus revenues and patronage are unlikely to return to their pre-COVID-19 levels and therefore there will be a requirement for continuing public support. We are pleased that you share our view that the current arrangements are overly complex and that you have considered, and will further consider, our proposals for the medium term.

We take the 'medium term' to mean the end of the current CBSSG funding period (which elapses in early August).

If so, then preparatory work on our reform option needs to be undertaken with urgency and in collaborative dialogue with the transport authorities for our areas. Otherwise, the option of reform will fail by default due to the lack of preparatory work.

Our transport authorities stand ready to provide whatever reasonable support is required in order to facilitate this dialogue and detailed work. We also attach a second and updated iteration of the original reform proposition, which we attached to our earlier letter of 6th May. This updated version (which has already been shared with your officials) seeks to address some of the concerns expressed by your officials hitherto.

This includes addressing the concern you express about the need for any bus funding support scheme in England outside London to be universally applied on the grounds of ease of administration.

We do not think that a one-size-fits-all approach to bus funding is justified given that there are already separate arrangements for London and that wider governance arrangements for the Metropolitan areas are already different from those elsewhere. Furthermore, such an approach, in effect, means that the way in which bus funding is administered in large city regions (whose ambitions for their bus services are considerable, where transport authority investment in bus is high and where there are relatively high numbers of bus trips per head of population) is determined by what works for small rural authorities (whose ambitions for bus services may be

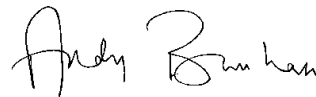
limited, investment levels commensurately modest and where bus trips per head are vanishingly small).

As a sign of our continuing commitment to supporting bus services, and as part of our collaborative approach to the wider COVID-19 crisis, we are prepared to continue to seek to underwrite a significant proportion of bus operator costs (as we do now) for the time being, on the understanding that the DfT is undertaking a credible assessment of our proposals in a way that makes their implementation in August feasible. However, I am sure you can understand that it in the absence of such a process it is not possible for us to continue indefinitely to pay for services which are not being provided and for concessionary trips which are not being made. This is especially the case given the wider pressures on local authority finances as a result of the COVID-19 crisis.

We look forward to working with you on this reform process and to an early reply setting out how and when the preparatory work will take place in order to meet the timeline for implementation when the current arrangements elapse in August.



Councillor Judith Blake
Leader, Leeds City Council



Andy Burnham
Mayor of Greater Manchester



Councillor Martin Gannon
Chair of the North East Joint Transport
Committee



Dan Jarvis
Mayor of Sheffield City Region



Steve Rotherham
Mayor of Liverpool City Region



Andy Street
Mayor of the West Midlands

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North East Joint Transport Committee

Date: 14 July 2020

Subject: Rail Update

Report of: Managing Director, Transport North East

Executive Summary

Despite the Covid19 pandemic, work is still progressing in the rail sector on local schemes development and delivery and on regional and national projects, including future planning.

This report provides a summary of the current rail work programme covering services to, from and within the North East including:

- Durham Coast (Northern Connect);
- East Coast Mainline;
- Northern Powerhouse Rail;
- The Northumberland Line;
- Stations at Horden, Newcastle, Sunderland and Washington; and
- The Boldon and Tile Shed Level Crossing scheme.

There is a continuous need for all the region's stakeholders to be active and vocal in making the case to government for major investment in rail to assist with economic recovery as a key part of the government's levelling up agenda.

Recommendations

The North East Joint Transport Committee is recommended to

- i. note the contents of this report and support the ongoing work to secure the funding needed to both to develop and deliver vital rail schemes for the North East.

1. Background Information

Current North East Train service provision.

- 1.1 Recently there have been several timetable changes affecting the North East. Initially train operators worked with government to agree a reduction in services and introduced, in late March, “emergency key worker timetables” to help tackle the spread of Covid 19. Services in the North East were in most cases hourly and between 50% (Northern & TPE) and 60% (Cross Country & LNER) of pre Covid 19 levels. Grand Central suspended services in early April.
- 1.2 In the early stages, some services were replaced by buses. During mid-May the service provision was increased to between 65% and 75% to enable all lines to be covered and offer early and later services nationally. Extra carriages have been used on certain trains to allow better social distancing. Face Coverings also became mandatory for use on Public Transport.
- 1.3 On the 6th July Northern made further changes to the timetable focussing on strengthening commuter travel into Newcastle. LNER are also reintroducing the Sunderland service, which was curtailed as part the key worker timetable changes. Further timetable uplifts are planned to return to pre Covid 19 levels.
- 1.4 Away from Covid 19 impacts, on the 26th June, the Department for Transport confirmed a new Direct Award to LNER to operate intercity rail services on the East Coast for another three years with the option to extend for a further two.
- 1.5 Northern continues to develop the second train per hour proposal on the Durham Coast, previously badged as Northern Connect. Timetable planning work is underway to phase the new service in from December 2020 with the full service planned for May 2021, subject to sufficient train driver resources being available.

East Coast Main Line

- 1.6 On the 12 June 2020, the North East JTC submitted its response to the National Infrastructure Commission’s (NIC), Rail Needs Assessment call for evidence. NIC will use submissions to assist the government in drawing up an ‘Integrated Rail Plan’ (IRP) for the North and Midlands, identifying the most effective sequencing of relevant investments and how to integrate HS2, NPR and other rail investments. Our region's main submission was based on the following core points:
 - That vital investment that is needed to the East Coast Main Line (ECML) between York and Newcastle to improve reliability and resilience in the short term, and to ensure that the North East can fully benefit from the introduction of high-speed rail in the medium to long term;
 - That we believe the economic benefits of HS2 and Northern Powerhouse Rail (NPR) can be significantly improved if these services run on to Scotland via the ECML North of Newcastle, and;
 - We also believe that there is scope for the IRP to encompass the prospect of

an expanded, locally devolved Metro and Local rail network in the North East to maximise the benefits of enhanced regional connectivity.

- 1.7 Meetings were secured with both the HS2 Minister and the NIC Chair attended by Cllr Gannon and Mayor Driscoll to further emphasise the points made in our response.
- 1.8 A key piece of evidence discussed in the meeting with the NIC chair was the recently published Network Rail study into the future of the East Coast Main Line, from south of York (where HS2 is proposed to join the ECML) to Newcastle, which is available on the Network Rail website at: <https://cdn.networkrail.co.uk/wp-content/uploads/2016/12/Church-Fenton-to-Newcastle-Strategic-Advice-2020.pdf> . Network Rail's Eastern Route and the DfT are now considering how to progress the next level of development work; when that plan emerges, a further update will be provided to this Committee.

Northern Powerhouse Rail (NPR)

- 1.9 Transport for the North (TfN) are progressing work on the development of the case for NPR. The main areas of work being progressed at the moment are capacity analysis, option sifting, phasing and the preparation of the Strategic Outline Case document with the aim to conclude work by the autumn for final approval by March 2021.
- 1.10 The capacity analysis work is looking at the potential for using the various north - south lines (ECML, Durham Coast and Leamside) to accommodate an uplift in passenger services (from the current 6 trains per hour to 9 trains per hour, north of Northallerton) whilst retaining the important rail freight capacity. The resulting work confirms, what is already well known, that there is insufficient capacity to increase train frequencies without significant intervention on one or more of these corridors.
- 1.11 From the capacity analysis work, eighteen potential intervention packages have been derived, which will be sifted down to three or four during September for more detailed development.
- 1.12 Another area being progressed is the consideration of phasing of the whole NPR network, as different corridors require different solutions which can be delivered under different timeframes. The Leeds to the North East corridor does not involve brand new lines and is likely to be a combination of line reinstatements plus significant upgrades to the existing railway; and hopefully is a candidate for early works in the programme. The phasing options will again form part of the SOC to be approved in March 2021.
- 1.13 The culmination of this work will be a submission of a Strategic Outline Case to the Government for approval. Our region remains engaged in the process and updates will be offered to this committee prior to the work coming before the TfN Board during the autumn / winter.

Northumberland line

- 1.14 Northumberland County Council is leading the development of a scheme to reopen the Northumberland line. DfT has now accepted the Outline Business Case (OBC) for the Northumberland Line and the scheme has been allocated development and delivery funding from the Rail Network Enhancement Pipeline, subject to Final Business Case submission in first quarter 2021. Confirmation is awaited from the Treasury of a further £5m government contribution towards the design phase of the scheme. The DfT has recently indicated that they may wish to see the project delivered as one phase with a 1/2 hourly timetable from the start, rather than two phases with service ramping up over time. The current programme suggests the full scheme can be completed and operational around May 2024.
- 1.15 The OBC contemplates two operating scenarios. The first would see services operate as part of the Northern rail franchise; and the second would be a locally developed alternative, integrated into our local transport network. These options are being developed in parallel, with rolling stock and design impact assessments of the different options currently being undertaken.
- 1.16 DfT plan to take a decision as to whether they favour operation within the Northern Franchise, or a locally developed alternative in October of this year; and as a key stakeholder Nexus continue to engage with the project. A JTC report considering the operational options for the Northumberland Line is planned for September.

Horden Station

- 1.17 Horden Station opened on the 29th June after many years of hard work and significant investment by Durham County Council.

Newcastle Central Station

- 1.18 The works in the West Dock of the station received Listed Building Consent on the 19th June which enabled the project to progress along another step. Tender documentation has been let for the Enabling Works package which comprises:
- the reorganisation of the west dock to relocate services within the area and create a new public concourse. This will include forming two new public entrances/exits; one off Neville Street, in the location currently occupied by the Enterprise car rental unit, and a new entrance in the west wall of the station onto Central Parkway.
 - The station taxi rank will also be relocated to the current short stay car park, meaning that Orchard Street can be closed to vehicular traffic

The works are due to commence on site in October with completion during April 2021.

- 1.19 The next 'Wider Vision' phase of improvements still require funding to be secured before further design work can be undertaken. Network Rail are currently in

discussions with planners on a new station multi-storey car park on Forth Goods Yard, replacing the current long stay car park in the eastern concourse, which will become the new short stay and staff parking area. Network Rail are also progressing well with a study to extend the bay platforms which requires the removal of the branch line on the viaduct to the west.

Sunderland Station

- 1.20 Following the regions award of TCF funds, the redevelopment of the southern concourse at Sunderland station is progressing, however Network Rail have indicated the cost of delivery may be higher than previously envisaged and discussions are ongoing on how this can be best resolved. Consideration is now being given to subsequent phases of redeveloping the station to create a 21st Century gateway to the City. A recent study undertaken by WSP concluded that the platform capacity is insufficient to accommodate additional services beyond those currently committed. This is also the conclusion of the Network Rail CMSP work described in para1.7. Whilst reopening the disused western platform is feasible, further work is required to examine the best options to achieve this.
- 1.21 The Riverside Sunderland development and relocation of Council services to the new City Hall has highlighted to need to improve the northern concourse, possibly as part of redeveloping the areas above and around the station.

Washington Station

- 1.22 Sunderland City Council is commissioning a consultancy study to advise on the best site for a railway station to serve Washington on a reopened Leamside Line. Development pressures in the area mean that a site should be identified and sufficient land protected in the Allocations and Designations Plan to allow a station that reflects to size and status of the town of Washington.

Boldon and Tile Shed Level Crossing scheme

- 1.23 South Tyneside Council continues to work with its appointed consultants (AECOM) and Network Rail in developing an alternative bridge option to planned renewal of the full barrier operation at each of the level crossings.
- 1.24 A specialist ground investigation team is being commissioned, ecology surveys have been completed and discussions with Natural England and Network Rail's Asset Protection Team (ASPRO) are informing the bridge option.
- 1.25 South Tyneside has secured Transforming Cities Fund (subject to the submission of a final business case) to deliver the scheme, with the bridge option being considered as part of a strategic bus corridor bid. This will provide up to £7.65m to construct the bridge, with further match contributions from South Tyneside and Network Rail, providing a total budget of £13.65m.
- 1.26 Subject to all of the necessary approvals, the Council envisages that the scheme

could be constructed from late 2022 and be completed in 2024. Some high level risks still remain, in terms of the determination of the preferred option, land take requirements and attaining planning permission however all partners remain confident of a successful delivery.

2. Proposals

- 2.1 It is proposed that Members note and support the progress being made locally, regionally and nationally to develop solutions to enable future improved rail connectivity and services to act as a stimulus for economic recovery.

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. Thus, investment in the variety of projects 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 funding to design and then deliver these essential improvements required 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 The wide variety of schemes set out in this report each have their own programmes for development and delivery. There is currently lots of activity with some schemes opening, some in the final stages of development and some still yet to make the case for funding. If all the plans come to fruition, we will see much improved rail services to, from and within the North East in the next 10 to 15 years.

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.

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 The impacts of the current pandemic are not yet fully understood. There may be significant changes to travel patterns and the economy may take some time to recover. Thus, with reduced passenger numbers it may become more difficult to make the traditional business case for investment. However, there may also be opportunities if there is an infrastructure stimulus to recovery. Constraints on 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 the various projects described in this report.

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 None

15. Background Papers

- 15.1 None.

16. Contact Officers

- 16.1 Tobyn Hughes, Managing Director, Transport North East.
tobyn.hughes@nexus.org.uk

17. Sign off

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

18. Glossary

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

TPE – Transpennine Express

LNER – London and North Eastern Railway

HS2 - High Speed 2

NPR – Northern Powerhouse Rail

ECML – East Coast Main Line

IRP – Integrated Rail Plan

NIC – National Infrastructure Commission

DfT – Department for Transport

OBC – Outline Business Case

TfN – Transport for the North

SOC – Strategic Outline Case

TCF – Transforming Cities Fund

North East Joint Transport Committee

Date: 14 July 2020

Subject: Transport North East, Regional Transport Update

Report of: Managing Director, Transport North East

Executive Summary

The region has submitted a bid for a share of the government's Emergency Active Travel Fund to support and grow cycling and walking during and after the Covid-19 pandemic.

From Monday 15 June 2020, the government made face coverings compulsory on all modes of public transport, in the interests of public health.

Stadler has officially commissioned VolkerFitzpatrick to build Metro's new fleet depot at Gosforth in Newcastle.

The region has inputted into an Economic Recovery Plan (ERP) led by Transport for the North (TfN) in response to the profound impacts of Covid-19. The plan aims to identify opportunities for fast-tracking the development and delivery of transport improvements. 31 projects in the North East were submitted to TfN.

The North East Covid-19 Economic Response Group has published a summary report which states that the completion of our regional Transport Plan and setting down our transport infrastructure priorities of the future is an essential part of our regional recovery from Covid-19.

Progress is being made on the delivery of 10 rapid electric vehicle chargers across the region for the use of the taxi and private hire trade.

Progress is being made on the development of a new 'Transport North East' website which will host the North East Transport Plan.

Information on rail is provided in a separate report.

Recommendations

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

1.	Background Information
1.1	<p><u>Emergency Active Travel fund</u></p> <p>On 9th May, the Government announced a first Tranche of an Emergency Active Travel Fund to support and grow cycling and walking in England (outside London) during and after the coronavirus pandemic.</p> <p>The closing date for bids was Friday 5th June, and the Joint Transport Committee have requested a total of £2.967 million.</p> <p>The JTC’s bid reflects the Vision expressed in the forthcoming Transport Plan of “Moving to a green, healthy, dynamic and thriving North East”. In keeping with the fund objectives, the bid aims firstly to support the installation of temporary projects for the Covid-19 pandemic, and secondly to build on the dramatic uplift in walking and cycling in our region during this crisis.</p> <p>We want to preserve these healthy travel habits and support our economic recovery in a clean and sustainable way. The programme set out in the bid will swiftly deliver broadly 50km of “pop up” active travel infrastructure in 70 different schemes across our region.</p> <p>Tranche Two funding, also for England outside London, will comprise £180m and will pay for longer-term solutions that are already set out in Local Authority Cycling and Walking Investment Plans (LCWIPs). It is understood that the guidance for this fund will be announced in July and that our region’s share is likely to be in the region of £10.4m.</p>
1.2	<p><u>Compulsory face coverings on Public Transport</u></p> <p>From Monday 15 June, the government made face coverings compulsory on all modes of public transport, in the interests of public health.</p> <p>Journey Assistance Cards have been made available for people who are exempt from wearing a face covering because of a disability or health condition. The card can be shown to staff when travelling on public transport in the region.</p>
1.3	<p><u>Tyne and Wear Metro</u></p> <p>Nexus estimated that around 95% of passengers on the Metro were following the new face covering rules on day one of its introduction on Monday 15 June.</p> <p>Stadler has officially commissioned VolkerFitzpatrick to build Metro’s new fleet depot at Gosforth in Newcastle. The £70m facility, designed by Newcastle-based Ryder Architecture, will accommodate the new state-of-the-art trains for the Tyne and Wear Metro, which are set to enter passenger service from 2023.</p> <p>Nexus has unveiled a special new train livery to mark the 40th anniversary of the Tyne and Wear Metro. The unique design has been applied to one of the original prototype Metrocars, featuring new versions of each of Metro’s distinctive liveries since the system opened 40 years ago in August 1980.</p>
1.4	<p><u>TfN Economic Recovery Plan</u></p> <p>Transport for the North (TfN) considers it an appropriate time to put forward an urgent and compelling case for accelerated delivery of transport infrastructure and other investment. As a result, they are preparing an Economic Recovery Plan</p>

(ERP) demonstrating how such investments will provide an immediate economic boost and lay the foundations for the long-term advancement of a sustainable economy, including levelling up of economic disparity across the UK. The ERP will be presented to Government.

The region has submitted 31 projects (following discussion with members) for inclusion in this plan, encompassing public transport, rail, highway, ticketing and strategic maintenance schemes. TfN are now finalising the ERP with a view to presenting the plan to TfN Board on the 29th July 2020. Officers will update TfN members on the content of this plan through the TfN Board briefing note before the 29th July.

1.5 North East Covid-19 Economic Response Group

The North East LEP has been leading a 'Covid-19 Economic Response Group', made up of the North East and North of Tyne Combined Authorities, the CBI on behalf of business, North East Joint Transport Committee Transport and regional universities.

The group are working on a phased approach to our recovery that is underpinned by identifying opportunities for our businesses to take advantage of.

A summary report published in June 2020 references the completion of our regional Transport Plan and that setting down our transport infrastructure priorities of the future is an essential part of our regional recovery.

1.6 North East Transport Plan

At the June 2020 Joint Transport Committee, members confirmed that the Transport Plan's vision, objectives and principles remained unchanged from those which had been presented to JTC in November 2019.

Vision	'Moving to a green, healthy, dynamic and thriving North East.'
Objectives	<ul style="list-style-type: none"> • Carbon-neutral transport; • Overcome inequality and grow our economy; • Healthier North East; • Appealing sustainable transport choices; and • Safe, secure network.
Principles	<ul style="list-style-type: none"> • One, total network; • Look to the future; • A great experience; • North East pride and passion; and • Sound evidence and commitment to deliver for the region.

Transport Strategy Board has asked for an accelerated pipeline of ambitious interventions which will aid economic recovery and an accompanying document which will be used to make the case to government for additional funding. The document and accompanying pipeline of interventions will be produced within a month and will not replace the North East Transport Plan, which is a statutory requirement.

An update on the development of the intervention pipeline and accompanying

document will be brought to JTC at a future date for consideration.

1.7

Go Ultra Low NE programme and Taxi and Private Hire Electric Vehicle Chargers

In 2019 the region was successful in securing a circa £500,000 grant from the Office of Low Emission Vehicles (OLEV) to deliver 10 rapid electric vehicle chargers across the region for the use of the taxi and private hire trade.

Earlier this year Swarco UK Limited were procured to deliver the chargers which will be owned by the seven individual local authorities. Changes to a number of sites are proposed based on detailed design and electrical investigations. The latest list is included below and will be finalised in the coming weeks with an update presented to Joint Transport Committee at a future meeting.

Authority	Location	Number of Chargers
Durham	One Point Hub Chester Le Street	1
Gateshead	Back Walker Terrace, Gateshead	1
Newcastle	Clayton Street	1
Newcastle	Blandford Square	1
Northumberland	Keel Row Blyth	1
North Tyneside	Norfolk Street, North Shields*	1
North Tyneside	Coronation Street,	1

		Wallsend	
	South Tyneside	New George Street or Temple Park*	2
	Sunderland	Station Road, Houghton Le Spring	1
	<p>*Charger location subject to review</p> <p>The original programme was looking at the delivery of these chargers by 31st July 2020. However, owing to Covid-19 delivery restrictions and a change to sites in the programme, the delivery date has been revised to the 30th September 2020. The Transport Strategy Unit has agreed this modification with the Office of Low Emission Vehicles with no impact on the ability to drawn down on the grant.</p> <p>We are currently seeking a further extension from ERDF for the Go Ultra Low North East project until the end of 2020. As a direct result of COVID19, several construction projects have had to be paused due to the furlough of staff. Discussions with ERDF have confirmed that they are agreeable to this extension as other ERDF projects both regionally and nationally are also seeking extensions.</p>		
1.8	<p><u>Transport North East website development</u></p> <p>Progress is being made on the development of a 'Transport North East' website. In order to promote Transport North East and the work which we are involved in, it is vital that we have a website.</p> <p>The website will host all JTC committee papers and various work streams of which are currently located on a number of different websites. The TNE website will be continually developing to reflect the progress of the work which we are involved in and will be involved with in the future. It will also host the North East Transport Plan.</p>		
1.9	<p><u>LGF Local Sustainable Transport Fund (LSTF) Capital Programme</u></p> <p>The North East Local Enterprise Partnership has commissioned consultants AECOM to carry out an independent evaluation of the £7.52m LSTF Capital Programme delivered as part of the North East Local Growth Fund.</p> <p>Delivery of the LSTF capital programme began in 2015/16 and 13 of the 14 schemes are now complete. The programme covered four main areas: Urban Traffic Management and Control (UTMC), improving key transport gateways, strategic cycle schemes, and an extension to the Green Light to Work scooters scheme.</p> <p>As part of their review AECOM will explore whether project milestones were met, whether schemes were completed on budget and on time, and whether appropriate monitoring of the schemes has been carried out.</p> <p>It is anticipated that the review will complete September 2020.</p>		
2.	Proposals		
2.1	This report is for information. Therefore, Members are asked to note the contents of the report.		

3.	Reasons for the Proposals
3.1	This report is for information purposes only.
4.	Alternative Options Available
4.1	Not applicable to this report.
5.	Next Steps and Timetable for Implementation
5.1	A 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	The preparation of a Local Transport Plan (LTP) is a duty placed on combined authorities under the Transport Act 2000 (as amended), and NECA and NTCA must carry this out through the Joint Transport Committee.
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 either a regional or national level.
13.	Other Impact of the Proposals
13.1	No specific impacts.
14.	Appendices

14.1	None.
15.	Background Papers
15.1	Not applicable.
16.	Contact Officers
16.1	<p>Harry Nicol, Senior Specialist Transport Planner, Transport North East Strategy Unit harry.nicol@northeastca.gov.uk</p> <p>Tobyn Hughes, Managing Director, Transport North East Tobyn.hughes@nexus.org.uk</p>
17.	Sign off
	<ul style="list-style-type: none"> • Head of Paid Service: • Monitoring Officer: • Chief Finance Officer:
18	Glossary
18.1	<p>LA7 – refers to the area covered by North East and North of Tyne Combined Authorities</p> <p>NELEP – refers to the North East Local Enterprise Partnership, responsible for overseeing the Strategic Economic Plan (SEP) for the North East.</p> <p>Any other acronyms or technical terms used are explained in the body of the report.</p>

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By virtue of paragraph(s) 2, 3, 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

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