

## North East Joint Transport Committee

Tuesday 22nd January, 2019 at 2.00 pm

Meeting to be held in a Committee Room, Town Hall, Westoe Road, South Shields, NE33 2RL

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## AGENDA

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	Page No
1. <b>Apologies for Absence</b>	
2. <b>Declarations of Interest</b>	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
3. <b>Minutes of the Previous Meeting held on 18 December 2018</b>	1 - 4
4. <b>Proper Officer for Transport</b>	5 - 18
5. <b>Regional Transport Update</b>	19 - 28
6. <b>Williams Rail Review</b>	29 - 60
7. <b>Transport Budget and Levies 2019/20</b>	61 - 104
8. <b>Transport Capital Programme 2019/20</b>	105 - 126
9. <b>Transforming Cities Fund Bid for the North East</b>	127 - 134
10. <b>HS2 Consultation Response</b>	135 - 146
11. <b>Date and Time of Next Meeting</b>	
Tuesday 19 March 2019 at 2.00pm	

Contact Officer: Janet Howard Tel: 0191 211 5048 E-mail: [janet.howard@newcastle.gov.uk](mailto:janet.howard@newcastle.gov.uk)  
**To All Members**

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## **North East Joint Transport Committee**

### **DRAFT MINUTES TO BE APPROVED**

18 December 2018

(2.00 - 2.15 pm)

Meeting held Committee Room, Civic Centre, Newcastle upon Tyne

#### **Present:**

Councillor: M Gannon (Chair)

Councillors: N Forbes, C Marshall and G Miller

#### **11 APOLOGIES FOR ABSENCE**

Apologies were received from Mayor Redfearn, Cllr P Jackson and Cllr I Malcolm

#### **12 DECLARATIONS OF INTEREST**

None

#### **13 MINUTES OF THE PREVIOUS MEETING HELD ON 20 NOVEMBER 2018**

The minutes of the meeting held on 20 November 2018 were agreed as a correct record and signed by the Chair subject to the following amendment:

Minute 2 refers –

Should read 'Councillor Carl Johnson (North Tyneside Council) replaces Councillor Bruce Pickard'

#### **14 JOINT TRANSPORT COMMITTEE STANDING ORDERS AND DELEGATIONS**

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

Consideration was given to the report the purpose of which was to confirm that the North of Tyne Combined Authority (NTCA) and the North East Combined Authority (NECA) have both approved the Standing Orders. Subsequently, additional

functions have been delegated by the Combined Authorities to the Joint Transport Committee.

**RESOLVED** that –

- i. It be noted that the Joint Transport Committee's Standing Orders have been endorsed by the NTCA and NECA.
- ii. Further functions (as detailed in the Appendix to the paper) have been delegated to the Joint Transport Committee.
- iii. The Monitoring Officer will update the Standing Orders to record these additional delegations.

15 **APPOINTMENT TO TRANSPORT FOR THE NORTH'S RAIL NORTH COMMITTEE**

Submitted: Report of the Managing Director (Transport Operations) (previously circulated and a copy attached to the Official Minutes)

The report sought nominations for the appointment of a single member and Substitute Member to represent both the North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) on the Transport for the North, Rail North Committee.

**RESOLVED** that –

- i. Councillor Carl Marshall was appointed as Member to represent the regional group comprising NECA and NTCA on the Transport for the North, Rail North Committee.
- ii. Councillor Nick Forbes was appointed as Substitute Member to represent the regional group comprising NECA and NTCA on the Transport for the North, Rail North Committee.
- iii. It be noted that Transport for the North have stipulated that the Member and Substitute Member appointed to the Rail North Committee should be from amongst the current Members and Substitute Members representing both NECA and NTCA on the TfN Board

16 **APPOINTMENT OF THE CHAIR AND VICE CHAIR FOR THE JOINT TRANSPORT COMMITTEE, TYNE AND WEAR SUB COMMITTEE AND APPOINTMENT PROCESS OF THE INDEPENDENT CHAIR(S) AND VICE CHAIR(S) FOR THE AUDIT COMMITTEE AND THE OVERVIEW AND SCRUTINY COMMITTEE.**

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

The purpose of the report was to seek agreement to the appointment of the Chair and Vice Chair for the Tyne and Wear Sub Committee for the Municipal Year 2018/19.

**RESOLVED** that –

- i. Councillor Gladys Hobson was appointed as the Chair of the Tyne and Wear Sub Committee for the 2018/2019 municipal year and Councillor Carl Johnson was appointed as the Vice Chair of the Tyne and Wear Sub Committee for the 2018/2019 municipal year.
- ii. The Joint Transport Committee approved the commencement of the appointment process for the Independent Chair and Vice Chair of the:
  - Joint Transport Committee, Overview and Scrutiny Committee.
  - Joint Transport Committee, Audit Committee.
- iii. The Joint Transport Committee approved the payment of remuneration to the Chairs and Vice-Chairs as detailed in the paper.

## 17 **TRANSFORMING CITIES FUND TRANCHE 1 UPDATE**

Submitted: Report of the Managing Director (Transport Operations) (previously circulated and a copy attached to the Official Minutes).

Members considered the report the purpose of which was to provide the Joint Transport Committee with an update on Tranche 1 of the Transforming Cities Fund.

The region is intending to submit a proposal requesting up to £10m from the Transforming Cities Fund for ‘quick win’ schemes that are able to start, and ideally complete delivery this financial year. All seven local authorities and Nexus have been invited to put forward potential schemes for inclusion in the application.

**RESOLVED** that –

- i. The report be noted.
- ii. The Joint Transport Committee be enabled to enact the delegated authority for the Head of Paid Service at NECA with the agreement from the Head of Paid Service at the North of Tyne Combined Authority to approve submission of an application to Transforming Cities Fund Tranche 1 (2018/19).

## 18 **REGIONAL TRANSPORT UPDATE**

Submitted: Report of the Managing Director (Transport Operations) (previously submitted and a copy attached to the Official Minutes).

The purpose of the report was to update the Joint Transport Committee on recent developments in transport affecting the LA7 area.

The report suggested that the Joint Transport Committee may wish to consider the need to develop a new Transport Plan for the LA7 area: progressing the Metro and Local Rail Strategy to expand local rail coverage; championing investment to upgrade the East Coast mainline and its related north-south rail corridors so as to be ready for the arrival of HS2 in 2033; and ensuring the region is maximising its opportunities to bid for external funding for transport.

**RESOLVED** - that the Joint Transport Committee noted the report.

19 **OFFICE OF LOW EMISSION'S ULTRA LOW EMISSION TAXI  
INFRASTRUCTURE SCHEME**

Submitted: Report of the Managing Director (Transport Operations (previously circulated and a copy attached to the Official Minutes).

The purpose of the report was to update members on the current position in relation to the Office for Low Emission (OLEV) Taxi scheme. It was noted that the deadline for submission of bids has been extended to 18 December due to changes in the region's governance arrangements and to give an opportunity to present the bid to all seven local authorities.

**RESOLVED** that the Joint Transport Committee -

Endorsed the position and noted that a delegated decision will be considered and signed by NECA's Head of Paid Service in consultation with NECA's Head of Monitoring and Chief Finance Officer.

20 **DATE AND TIME OF NEXT MEETING**

22 January 2019 at 2.00pm



## North East Joint Transport Committee

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**Date:** 22 January 2019

**Subject:** Proper Officer for Transport

**Report of:** Lead Chief Executive for Transport

### Executive Summary

The purpose of this report is to seek approval for the creation of a new role of Managing Director, Transport North East. This role will incorporate the statutory functions of the Proper Officer for Transport and the Director General of Nexus. A proposed Job Description and a Person Specification for this role are shown at **Appendix A**.

The Managing Director, Transport North East will lead the Regional Transport Team responsible for transport strategy and policy across the seven Local Authority (LA7) areas and will lead Nexus. The post will be accountable to the North East Joint Transport Committee for the development and delivery of a transport vision and plan for the area.

The creation of this combined role will require the strengthening of capacity within both Nexus and the Regional Transport Team and a review and strengthening of governance arrangements, in light of the fact that these roles have distinct responsibilities but will be discharged by a single post-holder.

### Recommendations

The Joint Transport Committee is recommended to:

- i. Agree that the North East Combined Authority (NECA), as accountable body and host Combined Authority, should create the post of Managing Director, Transport North East, and that this post should incorporate the responsibilities of the Proper Officer for Transport and Director General of Nexus;
- ii. Agree the role description and person specification for the Managing Director, Transport North East Transport as set out in **Appendix A**;
- iii. Agree that the functions of the Proper Officer for Transport and the Director General of Nexus be merged into the single new role, Managing Director, Transport North East, and as a consequence, the NECA role, Managing Director Transport Operations, will be deleted;

- iv. Note that the deletion of the Managing Director Transport Operations post will be handled in accordance with the relevant NECA policy and that the post-holder will be assimilated to the new post of Managing Director, Transport North East;
- v. That the Managing Director, Transport North East be appointed Proper Officer for Transport with immediate effect;

## 1. Background Information

- 1.1 The Order<sup>1</sup> that established the North East Joint Transport Committee (JTC) also requires it to appoint a Proper Officer for Transport, being the principal officer to assist the JTC in the exercise of the transport functions exercisable by it.
- 1.2 Through inherited arrangements the JTC currently exercises its transport functions as follows:
- The Regional Transport Team currently advises the JTC and the seven Local Authorities (through the Combined Authorities) in respect of regional transport policy and strategy, and leads some regional delivery projects;
  - Nexus (the Passenger Transport Executive for Tyne and Wear) is responsible for delivery and co-ordination of passenger transport in Tyne and Wear;
  - Durham and Northumberland Local Authorities have a delegation from the JTC to deliver and co-ordinate transport in their own local authority areas;
  - Regional Transport Team staff are employed by Newcastle City Council and seconded to NECA and a decision has been made that these staff will transfer to NECA, as the host Combined Authority and accountable body for the JTC and its functions; and
  - On behalf of the two Combined Authorities and the JTC (and its Tyne and Wear Sub-Committee), Newcastle City Council manages the Tyne Tunnels contract operated by TT2 Ltd, and is directly delivering refurbishment works on the Tyne Pedestrian and Cycling Tunnels.
- 1.3 The role of Managing Director, Transport Operations (which incorporates the statutory role of Director General of Nexus) was created in 2015 to oversee a convergence of transport operational arrangements envisaged at the time across the LA7 area. The obligation in the New Order to appoint a Proper Officer for Transport and the existence of two separate Combined Authorities covering the LA7 area and collaborating on transport creates the opportunity to review this role, other aspects of organisational capacity and the governance arrangements that support these activities.
- 1.4 The seven local authorities previously agreed, in a deed of co-operation, that the Regional Transport Team, whose members are currently employed by Newcastle City Council, should transfer to the employment of NECA once it was formally appointed as the accountable body for the JTC. The commitment is that this transfer will take place on or before 1<sup>st</sup> April 2019, with the most suitable and practical date for accounting purposes being 1<sup>st</sup> April 2019.
- 1.5 Since mid-2016 the Managing Director, Transport Operations has informally been overseeing the activities of the Regional Transport Team in addition to carrying out his formal duties leading Nexus.

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<sup>1</sup> The Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018

- 1.6 The Transport Act requires that Nexus has a Director General and not less than two, nor more than eight, other members (also known as Directors of Nexus). In the past there was an 'upper tier' of Nexus decision-making known as the Executive Board, comprising both Executive and Non-Executive Directors, but this arrangement was modified in 2014.
- 1.7 The recent creation of the JTC and its requirement to create the role of Proper Officer for Transport provides an opportunity to review current arrangements and provide a new strengthened approach to transport oversight and governance. This is applicable to Nexus, the Regional Transport Team, and other transport functions including the Tyne Tunnels.
- 1.8 The Managing Director, Transport Operations is already an employee of NECA.

## 2. Proposals

### Managing Director, Transport North East

- 2.1 It is proposed that a single new role of Managing Director, Transport North East be created. This role will be designed to incorporate the functions of both the Proper Officer for Transport and the Director General of Nexus.
- 2.2 If approved, the new role, Managing Director, Transport North East will be an employee of NECA and, in line with all other employees subject to NECA policies and procedures and paid through NECA payroll. The post and its appointment process will accordingly be overseen by NECA in accordance with the accountable body responsibilities, but the appointment decision will be made by the JTC.
- 2.3 The role of Managing Director, Transport North East is proposed to commence as soon as possible.
- 2.4 The Managing Director's main duties will be to ensure the development and delivery of an excellent transport system for the North East on behalf of the JTC, its two constituent Combined Authorities, and the seven Local Authorities in the North East.
- 2.5 The role of Managing Director is proposed to include the functions of the Director General of Nexus, the Tyne and Wear Passenger Transport Executive, which is a statutory role set out by the Transport Act 1968. The agreement of the JTC Tyne and Wear Sub-Committee (in its capacity discharging the responsibilities formerly falling the Tyne and Wear Integrate Transport Authority under the legislation) that the post will serve as the Director General of Nexus is also required.
- 2.6 A proposed Job Description and a Person Specification for the role are shown at **Appendix A**. In addition to the JTC, the Managing Director will report to and take strategic direction from the Lead Chief Executive for Transport on behalf of the Chief Executive Group, thereby fulfilling the commitment made within the Deed of Co-operation (para. 5.12) regarding the Proper Officer's engagement with the Chief executives of the seven local authorities.
- 2.7 The creation of the new post deletes the role of Managing Director, Transport

Operations. There is sufficient evidence to justify the assimilation from the current Managing Director, Transport Operations' post into the new role of Managing Director, Transport North East. It is proposed that the salary level and other terms and conditions remain initially unchanged, subject to review of the post and its conditions in the longer term. Given that the new role spans two organisations consideration will need to be given to formally documenting the delineation of the two roles and associated responsibilities and liabilities.

- 2.8 The existing delegations to Durham and Northumberland County Councils from the JTC to deliver and co-ordinate transport in their own Council areas are unaffected by this proposal.

### **Nexus Board**

- 2.9 The Managing Director, Transport North East in its capacity as Director General of Nexus must be a member of the Nexus Board. The appointment of the Director General is a matter for TWSC (in its capacity discharging the responsibilities formerly falling the Tyne and Wear Integrated Transport Authority under the legislation) and they will be asked to approve the arrangements.
- 2.10 The appointment of other Board members is a matter for TWSC in consultation with the Director General, and will be considered as part of the wider proposed governance review.

### **Oversight of transport policy and strategy**

- 2.11 It is further expected that once in post the Managing Director, Transport North East will consult with the LA7 Chief Executives and other key stakeholders regarding a new approach to oversight arrangements for the development of transport policy and strategy.

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

- 3.1 The role of the Proper Officer for Transport is designated in accordance with the Order and the responsibilities agreed in the Deed of Cooperation. The role of Director General of Nexus is required by the Transport Act 1968 (as amended).
- 3.2 The recent creation of the JTC and its requirement to create the role of Proper Officer for Transport provides an opportunity to review current arrangements and provide a new approach to transport governance.

## **4. Alternative Options Available**

- 4.1 The JTC could adopt the proposals set out in this report to merge the functions of the Proper Officer for Transport and the Director General of Nexus into a single new role entitled Managing Director, Transport North East. This is the recommended option as it will strengthen governance and use resources most effectively.
- 4.2 Alternatively, the JTC could decide not to adopt these proposals. This is not recommended.

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

- 5.1 If the recommendations are approved by the JTC, NECA, acting through its Head of Paid Service, will be requested to create the new role of Managing Director, Transport North East and to complete all preparatory steps leading to appointment, and to simultaneously delete the existing role of NECA Managing Director, Transport Operations post.
- 5.2 Once in post the Managing Director, Transport North East will also bring forward a proposal on the development of the LA7 transport policy and strategy.

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

- 6.1 The creation of, and appointment to, the role of Managing Director will provide support and advice to the JTC in the discharge of the functions and objectives.

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

- 7.1 It is assumed that the new post would be at the current salary level of the Director General Nexus. To this would be added employer's national insurance costs. Once the postholders' salary and pension is administered as part of the NECA pension fund there would be no employer's superannuation costs for the foreseeable future (likely to be at least 4 years). Assuming that half of the time of the postholder is spent on Nexus activity and half on activity for the JTC the cost to each element of the post would be £70,435 plus employees travelling/other expenses and support costs.
- 7.2 In terms of the costs for the JTC it is proposed that an initial budget of £80k be created. Looking ahead to the activity in 2019/20 it is proposed that the £80k be funded by a £40k contribution from within the Regional Transport Team budget; £5k be funded from within the Tyne Tunnels budget and £35,000 be funded from within the proposed transport levies for 2019/20.
- 7.3 The contribution from within the proposed Transport Levies for 2019/20 would be an equal contribution per local authority area, with £5k each funded from within the Durham and Northumberland Transport Levies and £25k funded from within the Tyne and Wear Transport Levies that were included in the draft budget report circulated to local authorities in December.
- 7.4 The NECA post of Managing Director Transport Operations is currently funded by a contribution of £29k from the Regional Transport Team Budget. The increased contribution of £40k for the new post from the 2019/20 Regional Transport Team budget would be funded from savings in employer's superannuation costs once staff are transferred to NECA in 2019/20.
- 7.5 Any short term costs in the last couple of months in 2018/19 could be met from within the Regional Transport Team budget. The costs in 2019/20 can be met from within the JTC revenue budget, which is a separate report on this agenda.
- 7.6 There would be a saving in the Nexus budget of costs including employer's superannuation, estimated at £63k in a full year. This saving would help contribute

towards funding the additional capacity that may need to be created in Nexus, which will be the subject of a report to a future Joint Transport Committee.

## **8. Legal Implications**

- 8.1 The assimilation of the post triggered by the deletion of the Managing Director, Transport Operations post from the structure will be in accordance with the NECA Redundancy Policy. Formal resolutions of the NECA Leadership Board may be required to give effect to aspects of the above decisions but it is noted that as host Combined Authority and accountable body, NECA is obliged to implement decisions of the North East Joint Transport Committee unless it would be illegal, improper or imprudent to do so in accordance with the Deed of Co-operation signed between the seven local authorities and NECA. At this stage it is noted that no additional delegations are given to the Managing Director, Transport North East, but they would automatically hold the same delegations as those of a Service Director within NECA. The matter of further delegation to the Proper Officer can be considered if necessary at a future meeting of the JTC. As highlighted in the paper, the review and strengthening of governance and formalising the legal relationships, roles and responsibilities by legal agreements will be the subject of a future paper.

## **9. Key Risks**

- 9.1 If this proposal is not agreed, there is a risk of delay and uncertainty when major procurement and transformational projects are being discussed locally and nationally.

## **10. Equality and Diversity**

- 10.1 There are no implications for Equality and Diversity arising from this report.

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

- 11.1 The proposals comply with the principles of decision-making. The proposals would enable the JTC to properly discharge its functions, therefore assisting in the delivery of its objectives.

## **12. Appendices**

- 12.1 Appendix A – Managing Director, Transport North East Proposed Job Description and Person Specification

## **13. Background Papers**

- 13.1 The Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018.
- 13.2 The Deed of Cooperation relating to the Transport Committee and the North East LEP – 4<sup>th</sup> July 2018.
- 13.3 Joint Transport Committee Standing Orders
- 13.4 Transport Act 1968 (as amended)

**14. Contact Officers**

14.1 Sheena Ramsey, Lead Chief Executive for Transport, tel: 0191 433 3000

**15. Sign off**

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

**16. Glossary**

JTC	North East Joint Transport Committee
NECA	North East Combined Authority
Nexus	Tyne and Wear Passenger Transport Executive
NTCA	North of Tyne Mayoral Combined Authority
The Order	The Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018

## Appendix A

### JOB DESCRIPTION

#### Post Title: Managing Director, Transport North East

(Incorporating the roles of Proper Officer for Transport and Director General of Nexus)

**Employer:** North East Combined Authority (NECA)  
**Appointed by:** North East Joint Transport Committee (JTC)  
**Reports to:** Lead Chief Executive for Transport  
**Designation:** Local Authority Chief Officer  
**Pay Scale:** [£XXX – £XXX To be evaluated]

#### Main Duties:

To ensure the development and delivery of an excellent transport system for the North East on behalf of the North East Joint Transport Committee, its two constituent Combined Authorities, and the seven Local Authorities in the North East (LA7) by:

- Leading the Regional Transport Team which advises the JTC on transport policy and strategy; and
- Leading Nexus, the Passenger Transport Executive for Tyne and Wear which owns and manages the Tyne and Wear Metro and coordinates passenger transport services across Tyne and Wear.

#### Key Tasks:

- 1) Work with the JTC to develop a Vision for Transport that describes the critical relationship between transport and the area's strategic objectives for economic prosperity, quality of place, public health and well-being.
- 2) Agree with the JTC and keep under review a Transport Plan for the North East that sets out policies, priorities and activities to develop the region's transport so as to realise the JTC's vision. Ensure that all relevant partners, including Local Authorities, the North East Local Enterprise Partnership (NELEP) and transport operators input into in the Transport Plan and share its objectives.
- 3) Act as principal transport adviser to the JTC and ensure that the JTC's members, along with the LA7 Chief Executives and the NELEP are regularly updated in a timely manner regarding the political, financial, statutory and regulatory environments affecting transport along with any other relevant issues, and that they are provided with opportunities to influence them wherever possible.

- 4) Act as a senior advocate for the LA7 area, ensuring that the North East has a powerful voice that is heard on a national platform in respect of transport matters. Contribute to the development of wider economic and social policy in the region, and help to build the case for investment and development.
- 5) Oversee the development, appraisal, prioritisation and implementation of major infrastructure and technology programmes and projects, along with innovative approaches to transport that respond to society's changing needs, in order to deliver the best possible transport for the region.
- 6) Shape, develop, implement and maintain the necessary staffing structures, partnerships, contracts, influencing networks and any other relationships that may be required to secure excellent transport for the North East.
- 7) Identify and secure the necessary financial resources to maintain and improve transport: via the JTC and Combined Authority budget processes; through bidding for local, national and international funding opportunities; by making the case for additional and devolved funding streams from government; by maximising income from fares, tolls and other end-user charges; and by securing third party and partnership funding wherever practicable.
- 8) Develop an approach to external communications that informs key stakeholders and the general public of the performance and development of transport for the North East.
- 9) Work with the Chair and Vice Chairs of the JTC, its Committees and sub-committees to recommend the business to be considered at each meeting. Work with LA7 Chief Executives and the NECA's statutory officers to ensure that reports to the JTC are of the highest quality and are produced in a timely fashion.
- 10) Provide inspiring leadership, fostering a dynamic, open, positive and inclusive culture and effective organisational structures that assist the JTC in achieving its vision.
- 11) Oversee the development of Nexus' annual revenue budget, capital programme and corporate plan so that they align with the JTC's Vision and Transport Plan and demonstrate effective use of resources.
- 12) Lead and manage, through the Nexus Board, the operational and executive activities of Nexus so as to provide high quality, safe, efficient and timely transport services within Tyne and Wear, with a high degree of customer focus and integration of services. Ensure that effective monitoring, project planning and risk management processes are in place.

- 13) Report on a regular basis on Nexus's activities and performance to the JTC's Tyne and Wear Sub-Committee, which provides political oversight of Nexus on behalf of the North East Combined Authority.
- 14) Durham and Northumberland County Councils operate under delegated arrangements for transport delivery. The post-holder will build effective relationships between the two Counties and Nexus so that transport networks and systems across the region are as seamless, integrated, efficient and effective as possible.

### **Regulatory and compliance matters**

This is a politically restricted post.

In respect of developing and implementing regional transport strategy and policy the role will discharge its responsibilities through the functions of the Proper Officer for Transport. When doing so the post-holder will act within delegations given to it by the JTC under the JTC's Standing Orders, and will also comply with the financial rules and procedures of NECA (as accountable body to the JTC), NECA's Code of Conduct for officers and NECA's Officer/Member protocols. These can be found in the NECA Constitution.

The role includes the functions of the Director General of Nexus, the Tyne and Wear Passenger Transport Executive, which is a statutory role set out by the Transport Act 1968 (as amended). When directing Nexus the post-holder will comply with Nexus' Standing Orders and Financial Regulations.

As an operator of railway, ferry and other transport services Nexus operates in a highly regulated safety environment, in addition to various other duties in law. The post-holder will be responsible for ensuring that Nexus always puts safety first and is compliant with all aspects of the regulatory and statutory environments in which it operates.

The post-holder is required to report at least annually to the JTC on the use of delegations to both the Proper Officer for Transport and Nexus, including:

- The linkages with the North East Transport Plan, agreed from time to time by the Joint Transport Committee.
- The linkages with the North East Strategic Economic Plan, agreed from time to time by the North East LEP Board.
- Key projects delivered in accordance with the delegation.
- Key outcomes from those projects.

## PERSON SPECIFICATION

### Post Title: Managing Director, Transport North East

(Incorporating the roles of Proper Officer for Transport and Director General of Nexus)

<b>Education</b>	
<i>Essential</i>	<i>Desirable</i>
<ul style="list-style-type: none"> <li>• Degree level qualification</li> </ul>	<ul style="list-style-type: none"> <li>• Chartered membership of a relevant professional institution; and/or</li> <li>• Masters level qualification in relevant area</li> </ul>
<b>Knowledge</b>	
<i>Essential</i>	<i>Desirable</i>
<ul style="list-style-type: none"> <li>• In-depth knowledge of transport industry structure, workings and current issues</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge of structures, processes and functions of local and central government</li> <li>• Working knowledge of contractual and commercial structures of rail operations</li> </ul>
<b>Experience</b>	
<i>Essential</i>	<i>Desirable</i>
<ul style="list-style-type: none"> <li>• Minimum 5 years demonstrable experience of general management within transport or local government including at least one of:               <ul style="list-style-type: none"> <li>○ Leading a team of in excess of 500 people</li> <li>○ Management of P&amp;L budgets representing c£200m turnover or above</li> <li>○ Managing revenue streams from Central and/or Local government sources and also from direct customers</li> </ul> </li> <li>• Evidence of successful procurement and management of large-scale contracts</li> <li>• Experience of delivering regulated safety critical activities</li> <li>• Successful experience of strategy development and implementation linking transport to economic growth</li> <li>• Development and maintenance of</li> </ul>	<ul style="list-style-type: none"> <li>• 10 years or more demonstrable experience of general management within transport or local government including <u>all</u> of:               <ul style="list-style-type: none"> <li>○ Leading a team of in excess of 500 people;</li> <li>○ Management of P&amp;L budgets representing c£200m turnover or above; and</li> <li>○ Managing revenue streams from Central and/or Local government sources and also from direct customers</li> </ul> </li> <li>• Public facing communication with local and national Media</li> <li>• Successful leadership of large-scale funding bids</li> <li>• Understanding of the regulatory environments affecting the public and private sectors, in particular as affects transport</li> </ul>

<p>relationships with local or national politicians</p> <ul style="list-style-type: none"> <li>• Has played a key and active role in significant large-scale projects of business/commercial change, infrastructure development or complex technology introduction</li> </ul>	
<b>Management and Behavioural Competencies</b>	
<i>Essential</i>	<i>Desirable</i>
<p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Demonstrable ability to engage staff under their control</li> <li>• Proven track record of success in leading and developing high performing teams focused on delivering significant results</li> </ul> <p><b>Communication</b></p> <ul style="list-style-type: none"> <li>• Demonstrable ability to effectively communicate to a wide variety of audiences</li> <li>• Demonstrable ability to clearly communicate an organisation's vision</li> <li>• Demonstrable ability to influence thinking of key stakeholders</li> </ul> <p><b>Change Management</b></p> <ul style="list-style-type: none"> <li>• Demonstrable ability to drive change in behaviour</li> <li>• Evidence of organisational development to achieve objectives</li> </ul> <p><b>Budgetary/Financial Control</b></p> <ul style="list-style-type: none"> <li>• Demonstrable ability to ensure effective governance of prescribed budgets</li> <li>• Evidence of successful strategic resource management</li> </ul>	<p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Demonstrable ability to improve the engagement of staff under their control</li> </ul> <p><b>Communication</b></p> <ul style="list-style-type: none"> <li>• Successful organisational ambassador, influencing at senior level to deliver organisational objectives</li> <li>• Experience of working successfully in a political environment or equivalent transferable experience</li> <li>• Effective use of networks to influence across sectors and organisations</li> </ul>

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## North East Joint Transport Committee

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**Date:** 22 January 2019

**Subject:** Regional Transport Update

**Report of:** Managing Director (Transport Operations)

### Executive Summary

The purpose of this report is to update the Joint Transport Committee (JTC) on recent developments in transport affecting the LA7 area.

Transport for the North's (TfN) Strategic Transport Plan (STP) is on track to be considered at TfN's board in February. This is a vital step for the North in canvassing its aspirations for a transformed economy across the North and what must be achieved on transport in order to unlock the North's potential.

The Government has responded to the Major Road Network (MRN) consultation from earlier in 2018. A number of the region's concerns have been addressed, including the vital recognition of the need for good access to the region's ports. However, work must commence on building the region's evidence base in order to secure future funding, as well as ensuring support is in place for the Strategic Road Network (SRN) too.

The submission of the Strategic Outline Business Case (SOBC) for Northern Powerhouse Rail (NPR) will be considered at TfN's Partnership Board in February, following a delay from December to allow for further improvements.

Officer engagement continues with the National Infrastructure Commission (NIC) regarding the response to the National Infrastructure Assessment (NIA) to ensure maximum influence can be applied to inform policy and benefit the region.

Separate transport issues concerning High Speed Rail, the Williams Rail Review and the region's Transforming Cities bid are provided elsewhere on the agenda.

### Recommendations

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

## 1. Background

### 1.1 Transport for the North (TfN)

TfN is nearing completion of its STP with a launch date of February 2019. The plan was most recently endorsed for final development at TfN's Partnership Board on the 6th December 2018. The latest plan has improved wording around the relationship with local transport and spatial planning, improved the strategic narrative and included evidence from the strategic development corridor work which define the interventions required to transform connectivity across the North.

The plan will be taken to TfN's Board on 7<sup>th</sup> February 2019 for approval. In advance of this, an update will be given to the North of Tyne and North East Combined Authority Leadership Boards on 5<sup>th</sup> February 2019 to allow discussion before representatives from the region attend TfN Board to consider approving the plan.

The plan will be accompanied by an Investment Programme, which provides the platform from which to secure funding from Government for interventions and schemes to be integrated into the delivery plans of bodies such as Network Rail and Highways England.

### 1.2 Major Road Network (MRN)

Following the previous JTC update, the Government have now released a response to the consultation into the creation of a MRN, as well as investment guidance. A tier down from the SRN, these routes provide strategic connectivity across the region, often providing a resilience function for the SRN.

The proposal for a MRN in the North East is shown in the map provided in Appendix 1.

In early 2018, the region responded to the consultation on the creation of an MRN, highlighting the need for greater network scope. In addition, our response highlighted the key role of the network to be focussed on unlocking economic growth and for the LEP to have a stronger role in evidence gathering and maintaining the evidence base. The response also highlighted;

- The need for the MRN to interact carefully with locally managed roads and the Strategic Road Network;
- Eligibility criteria for schemes needs to be broadened to properly reflect the multi-modal nature of the MRN;
- Minimum funding to be reduced to £10m to enable the funding of maintenance schemes and;
- The demands of creating and maintaining a robust evidence base, to deliver the evidence and to maintain the future MRN.

Following the consultation, noticeable changes have included the inclusion of access to the region's Ports, to Sunderland (including Northern Spire), connections to Consett, Blyth and Washington. The consultation response also addressed the following;

- Network scope has been partially increased but not to the extent we initially desired, the regional team has developed this in collaboration with local highway authorities and TfN;
- The revised network includes improved links to the region's economic assets, a noticeable change in access to the region's ports, with supporting economic growth and rebalancing a central policy objective;
- Supporting the Strategic road network is one of the five policy objectives for the MRN and the changes we have made to the network seem to address some aspects of SRN resilience;
- The minimum funding criteria remains at £20m, although the DfT has agreed that some schemes can be considered on merit if they are under £20m. The majority of schemes are expected to be between £20 and £50m;
- It is not expected that maintenance schemes will be funded through this fund. However, the region will continue to press for increased funding for maintenance through other sources such as the Pothole Action fund and Highways Maintenance Fund;
- Subnational transport bodies (STBs), like TfN, will be responsible for the creation of a regional evidence base, working with local partners. It is planned that the Regional Transport Team will coordinate LA7 input into the development of a regional evidence base and a list of schemes and;
- Local Enterprise Partnerships will be engaged through TfN and the other STB's in this process.

Inclusion into the MRN opens up funding opportunities for strategic investments. The region will now start work on the regional evidence base, working with TfN and local partners to secure funding for some of the identified highway projects. Regular updates will be given to this committee.

### 1.3 Northern Powerhouse Rail

It was reported to the last JTC that the SOBC for NPR would be considered at TfN's Partnership Board on 6<sup>th</sup> December 2018. Following discussions with TfN's membership, a decision was taken to delay submission to TfN Board scheduled for 7<sup>th</sup> February 2019 and subsequently to BICC on 4<sup>th</sup> March 2019. This decision was taken to allow further fine tuning of the SOBC and will not affect the overall timescales for NPR delivery.

### 1.4 National Infrastructure Assessment

As reported to the last JTC, the region has been actively working with the NIC on progressing thinking around the region's response to the published NIA.

A roundtable with the chair of the commission Sir John Armitt, the Chief Executive, Philip Graham and commissioner Bridget Rosewell OBE has taken place and the region will now develop a policy statement building on the previous briefing note. This will be approved by the LEP Board and will place the region in the best possible position to influence Government policy. Officer engagement is continuing including on the development of a Urban Infrastructure study and a Freight study. Regular updates will be given to the JTC and to the LEP Board.

The region is seeking to work with the NIC in the development of their Urban Infrastructure studies, to look at the effects of recommendations of the NIA on the form and function of the region's three cities. The Chair of the JTC has received a letter from the Chair of the NIC, Sir John Armitt, which is appended to this report. The letter detailed a partnership programme for 5 cities that was launched on the 15th December, including Basildon, Derby, Exeter, Liverpool City Region and West Yorkshire. Whilst this stage does not include North East cities, it is an opportunity for the region to learn from practice elsewhere as we develop our own plans and strategies.

## **2. Proposals**

2.1 This report is for information purposes only. Therefore, no proposals are contained in this 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 Officers will continue to work with the NIC on developing the region's response to the NIA.

## **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 regions opportunities and potential.

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

7.1 The report includes information on funding and financial opportunities. There are no specific financial implications arising from this report.

7.2 There are no Human Resource or ICT implications.

## **8. Legal Implications**

8.1 There are no specific legal implications arising from this report.

## **9. Key Risks**

9.1 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 Appendix 1 - Major Route Network map for the North East

Appendix 2 – Letter from Sir John Armit, Chairman of the National Infrastructure Commission.

**15. Background Papers**

15.1 Not applicable.

**16. Contact Officers**

16.1 Toby Hughes, Managing Director (Transport Operations)  
[toby.hughes@nexus.org.uk](mailto:toby.hughes@nexus.org.uk) Tel: 0191 203 3246

Stephen Bellamy, Business Development Officer (Policy)  
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**17. Sign off**

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

**18. Glossary**

BICC – the DfT’s Department Board Investment and Commercial Committee which considers financial matters for the DfT

DfT – Department for Transport, which plan’s and invests in transport infrastructure

LA7 – refers to the area covered by NECA and NOTCA combined authorities

MRN – the Major Road Network, a specific new funding stream aimed at economically and regionally important roads in England

NIA – the National Infrastructure Assessment outlines recommendations for investment in infrastructure.

NIC – the National Infrastructure Commission provides the government with impartial, expert advice on major long-term infrastructure challenges.

NPR – refers to Northern Powerhouse Rail, a project that seeks funding to deliver a new rail line connecting major urban centres in the North

SRN – the Strategic Road Network is made up of the nation's motorways and major A-roads

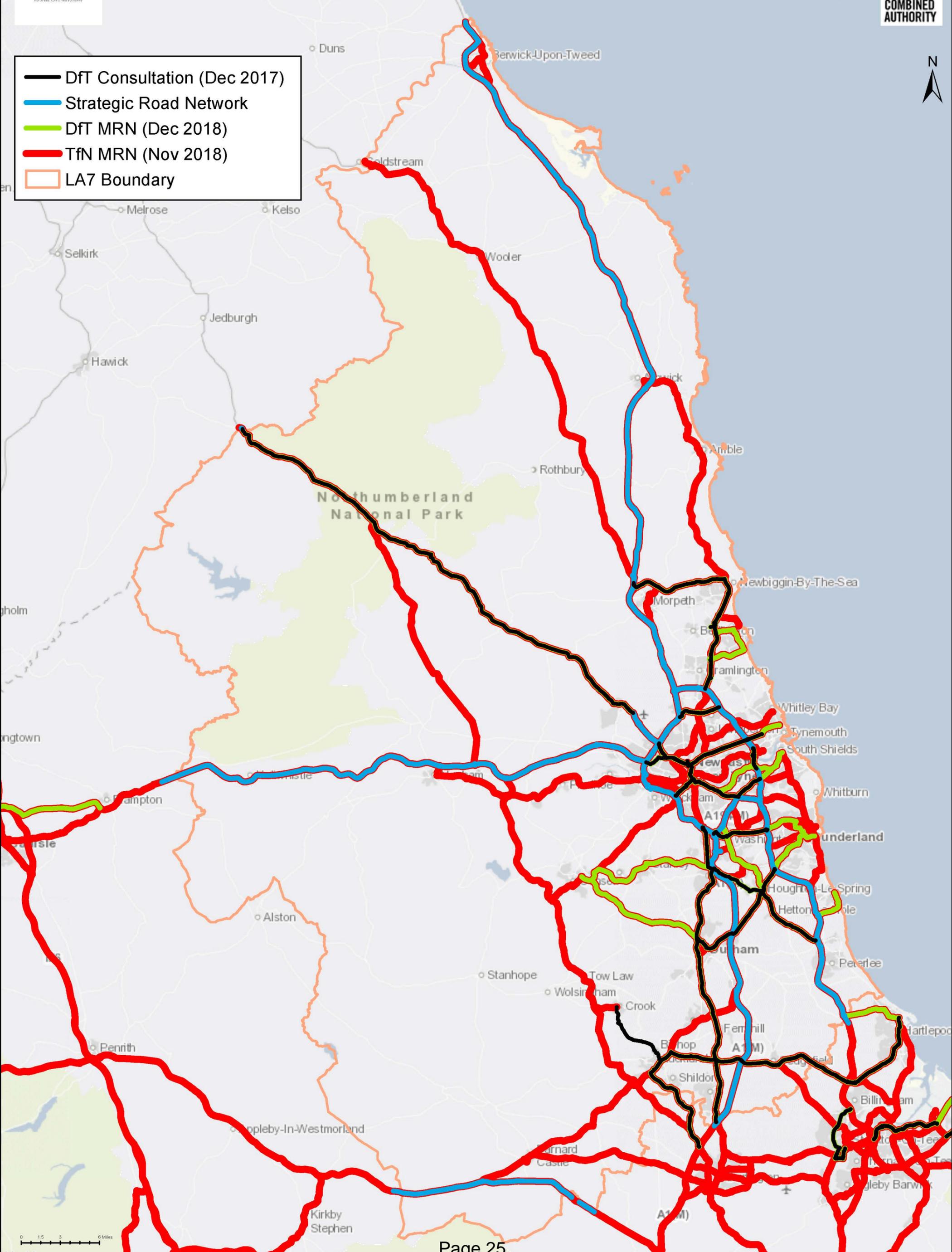
STP – refers to the Strategic Transport Plan that is currently under development by Transport for the North

SOBC – refers to a Strategic Outline Business Case, which provides necessary information that explains the case for investment in something

TfN – refers to the sub national transport body, Transport for the North



- DfT Consultation (Dec 2017)
- Strategic Road Network
- DfT MRN (Dec 2018)
- TfN MRN (Nov 2018)
- LA7 Boundary



Note: Only the SRN within the North East Local Enterprise Partnership Area is shown. Proposed MRN sections wholly outside the NELEP area are excluded.

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Finlaison House, 15-17 Furnival Street, London, EC4A 1AB

CLlr Martin Gannon  
Chair of the North East Joint Transport Committee  
North East Joint Transport Committee  
Gateshead Civic Centre  
Regent Street  
Gateshead  
NE8 1HH



14 December 2018

**For the attention of the Chair of the North East Joint Transport Committee**

Dear Martin,

In August you will have received a letter from me, asking how the Commission can assist cities as they develop joined up infrastructure strategies – with the aim of supporting our recommendations that government should invest an extra £43 billion in urban transport over the next twenty years and provide stable, devolved budgets for city leaders.

Following the enthusiastic responses received by the Commission, we are delighted to announce our new ‘Next steps for cities’ programme – which we hope your city will be keen to get involved with.

The responses that we received from a wide range of places told us that cities want to be able to learn from each other on what approaches to infrastructure planning have worked well, and to see exemplar infrastructure strategies demonstrating good practice. So we will now take forward two streams of work designed to help make this happen.

First, we will be launching a series of knowledge sharing events, covering the most important infrastructure questions and allowing cities to learn and share experiences with other cities, to help address the common challenges faced. The events will allow cities with experience in different areas to share their expertise as well as including wider perspectives from academia, international cities, and centres of excellence on cities such as the What Works Centre for Local Economic Growth and the Centre for Cities.

The events will take place over the next twelve months, in cities across England from the North East down to the South West. Areas to be covered will include planning effectively for housing and transport together, efficient use of road space, urban freight and how to harness technology and data for better urban transport. After the events the

Commission will publish the experience that was shared, providing a new resource for cities to draw on as their infrastructure strategies develop and evolve.

Secondly, we will be working closely with five cities as detailed case studies. The aim of these case studies is for the Commission to understand the process of developing an infrastructure strategy better through first-hand experience, and to help the case study cities to learn from the experience of other cities that have already developed joined up strategies.

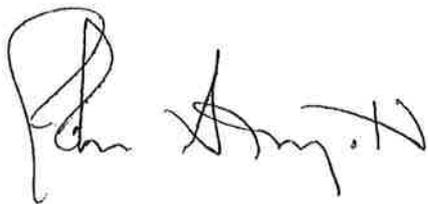
The five cities that the Commission will work with are: West Yorkshire, Liverpool City Region, Derby, Basildon and Exeter. We have chosen these cities because they are all about to embark on the development of ambitious infrastructure strategies and have demonstrated a high degree of commitment to working with the Commission. The cities have been chosen to represent different situations and challenges, ensuring that the lessons learned will be relevant across the country. The cities cover different governance structures, vary in size and are spread across the country.

The full details of this work are to be set out in a launch document that we are publishing, available at [www.nic.org.uk](http://www.nic.org.uk).

We hope that this work will bring a diverse range of cities together to share knowledge and experience, and ultimately help city leaders to have the tools they need to develop plans for transport and housing that work for people and businesses in their area.

It would be very valuable to have participation from your city in this work – please ask your officials to get in touch with Greg McClymont and Tom Bousfield on the Commission's staff ([greg.mcclymont@nic.gov.uk](mailto:greg.mcclymont@nic.gov.uk) and [thomas.bousfield@nic.gov.uk](mailto:thomas.bousfield@nic.gov.uk)).

Yours sincerely,

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

Sir John Armit  
Chairman

## North East Joint Transport Committee

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**Date:** 22 January 2019

**Subject:** Williams Rail Review

**Report of:** Managing Director (Transport Operations)

### **Executive Summary**

The purpose of this report is to inform the Joint Transport Committee of the response to the call for evidence to support the review of the UK rail industry chaired by Keith Williams. This was submitted by the Chair, to meet the deadline of the 18<sup>th</sup> January 2018. This is the initial call for evidence and there will be further opportunities to input through the review process as any policy discussion papers are expected to be subject to wider consultation.

### **Recommendations**

The North East Joint Transport Committee is recommended to note the report and the response to the call for evidence.

## **1. Background Information**

- 1.1 According to the Rail Review website (see 15.1 below), “the government’s vision is for the UK to have a world-class railway, working as part of the wider transport network and delivering new opportunities across the nation. The Rail Review has been established to recommend the most appropriate organisational and commercial frameworks to deliver the government’s vision. It should be comprehensive in its scope and bold in its thinking, challenging received wisdom and looking to innovate.” The review is led by independent chair Keith Williams.
- 1.2 A call for evidence was launched to support the review. Given the importance of rail to the North East economy, it was important to submit a response by the 18<sup>th</sup> January deadline.
- 1.3 Although responses were invited by 18<sup>th</sup> January 2019, further opportunities will be available to contribute to the review up to the end of May. It appeared likely that anyone submitting an early response may be contacted with questions about their evidence. This will afford an opportunity to be more involved in the review and make further points, so a letter and supporting appendix were accordingly submitted by the Chair of the JTC after discussions with each Council. An invite was also extended to the Mr Williams to visit the North East and see for himself how the Metro operates.

## **2. Proposals**

- 2.1 The response submitted on behalf of the Joint Transport Committee is attached as Appendix 1.

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

- 3.1 The solutions set out in Appendix 1 were suggested because they would:
- Deliver better outcomes for existing and future passengers
  - Influence local rail to be better tailored to enable local economic growth
  - Deliver a more locally accountable rail network
  - Allow a better integrated public transport system, incorporating local rail, Metro and local bus services

## **4. Alternative Options Available**

- 4.1 Not applicable to this report.

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

- 5.1 The response to the call for evidence was submitted on 18<sup>th</sup> January as requested by the review team, and feedback from them, including hopefully an opportunity to participate further in the review, is awaited. This Committee will be kept informed of developments.

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

- 6.1 Greater influence over local rail services in the region will assist the Joint Transport Committee in delivering its objective to maximise the regions opportunities and potential.

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

- 7.1 There are no specific financial implications arising from this report.

- 7.2 There are no Human Resource or ICT implications.

## **8. Legal Implications**

- 8.1 There are no specific legal implications arising from this report

## **9. Key Risks**

- 9.1 Risk of not responding to, and continuing to be involved in, this Review 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 The response to the Williams Rail Review discussed in this report was subject to consultation with each Council in the Joint Transport Committee area.

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

- 13.1 No specific impacts.

## **14. Appendices**

- 14.1 Appendix 1: Joint Transport Committee response to the Williams Rail Review consisting of covering letter and detailed response as an appendix.

## **15. Background Papers**

- 15.1 Williams Review

<https://www.gov.uk/government/groups/rail-review>

and

<https://www.gov.uk/government/consultations/williams-rail-review>

**16. Contact Officers**

16.1 Tobyn Hughes, Managing Director (Transport Operations)  
[tobyn.hughes@nexus.org.uk](mailto:tobyn.hughes@nexus.org.uk) Tel: 0191 203 3246

**17. Sign off**

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

**18 Glossary**

Date: 18<sup>th</sup> January 2018

Dear Mr Williams,

## **Rail Review**

Thank you for the opportunity to participate in your root and branch review of the rail industry. I am responding on behalf of the seven Local Authorities in the North East: Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.

The railway is of huge importance to the people and businesses of North East England. It provides links to other economic centres in England and Scotland as well as providing local connectivity. Given the degree of physical and economic separation between the North East and other parts of the country, we cannot emphasize enough the need for the railway to contribute towards the achievement of our economic and social objectives, rather than to work against them as often seems to be the case.

Our view, in summary, is that the management of the UK's railways needs to be much more closely aligned to the people who use and rely upon them: passengers, businesses and communities. At present decision-making structures are complex, have conflicting objectives, and are opaque to customers and taxpayers.

A detailed response to your call for evidence is appended to this letter to further illustrate our key points which are set out below.

## ***Tyne and Wear Metro***

Our Metro system is the most intensively operated local rail system outside of London. Nexus, the body responsible for the operation of both track and train, is accountable directly to local people through a committee of elected members from local councils.

Metro's status as a locally managed asset has been key to its ability to attract investment. £381m is being spent to improve the reliability of the system's infrastructure. Over the next five years £362m will be invested in renewing the train fleet.

The management of the Metro system by Nexus, a body which is held locally accountable, enables decisions to be made about the system which are in the unequivocal interests of the region: a structure which allows the system to contribute positively to economy and life in the region.

## ***Our local 'heavy rail' network***

Our view is that the North East network plays second fiddle to the wider rail network. Infrequent services, slow journey times and old rolling stock are amongst the factors making it an asset which performs below potential, hindering economic growth.

Regrettably, our aspirations to address these factors are not supported by funded rail industry plans. This is depriving our local economy of the £8.50 of benefits each additional journey would bring.

An approach is required which will give us greater control over the specification of our local train services and which makes the operator of those services and the infrastructure which supports them accountable locally in a model similar to that of our metro system. A fledgling version of this exists through the North East Rail Management Unit, which offers us informal oversight of our geography of the Northern Franchise: we are therefore already positioned and willing to expand this role.

### ***Metro and local rail – benefits to the local economy***

An independent report recently commissioned by Nexus outlines the important contribution that both local rail and metro make to the local economy:

- Metro and Local Rail contribute up to £224m of Gross Value Added (GVA) to the North East economy each year;
- In a wider measure of GDP and welfare benefits, the overall contribution increases to up to £437m per annum, and;
- Each new journey generated on the Metro and Local Rail system, will be worth £8.50 to the local economy.

We intend to expand the coverage of the Metro system, working alongside the local rail network, to bring its benefits to more communities in the North East.

The report is available on request from Nexus.

### ***Connectivity with the national network***

It is also the case that national rail connectivity to and from our region, which is principally delivered by the East Coast Main Line (ECML) is inadequate:

- The ECML does not have the capacity, resilience or line speeds necessary to meet existing requirements
- It therefore needs very significant investment, including providing additional tracks between Northallerton and Newcastle, for it to be “HS2 ready” so that HS2 services can run along it as reliably and at the same speeds as they will do on the dedicated HS2 network

If this is not tackled head-on, the separation between the North East and the rest of the UK will only be exaggerated, with negative economic consequences as businesses locate away from the North East in favour of places with better connections.

We have recently called upon HS2 Ltd, the UK Government, Network Rail and Transport for the North to all work together to produce credible, timely and properly funded plans to upgrade the ECML so that the North East can fully benefit from the introduction of high-speed rail to the North.

We believe that a model should be developed for long distance services, in which transport authorities along the line of route can directly influence the specification of the railway in line with their economic growth plans. The train and infrastructure operator should be accountable to the local authorities within an appropriate governance framework.

Our view is that these approaches will allow local, regional and inter-city networks to be developed and managed in such a way that the railway puts the needs of communities and their economies at its heart.

Finally, we warmly extend an invitation to you to discuss these matters directly with members of our Joint Transport Committee and the North East Local Enterprise Partnership. We look forward to an opportunity to meet you in person.

Yours sincerely

Cllr Martin Gannon  
Chair of the North East Joint Transport Committee  
[on behalf of the 7 Local Authorities in the North East]

Andrew Hodgson  
Chair of the North East Local Enterprise Partnership

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## **Williams Rail Review:**

### **Appendix to the North East Joint Transport Committee response January 2018 – Supporting evidence**

#### 1) The North East economy

The North East is a fast-growing economy offering a diverse and flexible location for business and an attractive place to live and learn. It is home to almost two million people and our economy generates over £37 billion each year, contributing 2.6% of national output, and jobs for 865,000 people.

The North East Strategic Economic Plan (SEP)<sup>1</sup> shows there has been strong progress since 2014. Through the hard work and commitment of our people, businesses and economic partners, the North East has moved out of recession. Economic growth has returned to trend, delivering an average of 3% growth in Gross Value Added (GVA) per annum.

Key parts of the North East economy have done very well. We have seen business and employment growth in our manufacturing sectors, UK-leading performance in employment in digital and technology businesses, and good performance in business services and education, as well as improvement in other sectors. Internationally, we continue to be a net exporting region, with growing levels of inward investment and strong science and cultural links. However, a particular challenge relates to the delivery of higher regional productivity where there is a widening gap with national performance. Economic exclusion in some parts of the region remains persistent and some of the jobs being generated are low paid and insecure.

Our economy needs to continue to be future focused, agile and open to national and international investment. We need to retain and improve access to key trade and investment markets, to skilled labour and to research networks. There remains a

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<sup>1</sup> Available at <https://www.nelep.co.uk/wp-content/uploads/2017/08/north-east-sep-final-march-2017.pdf>

strong commitment amongst our business and policy communities to secure more influence over our future through devolution.

We have one of the fastest growing knowledge economies in the UK, the highest university provision per capita and a visitor economy worth £4bn. All of the above means the North East is therefore worth investing in.

Good transport links at regional, national and international level are crucial to delivering our ambitions for growth and addressing our challenges around exclusion. Those transport links need to be fast, reliable, resilient, accessible and affordable, and to have the capacity we need.

## 2) An introduction to the North East Metro and Local Rail Network

The North East is in a unique position, the area benefits from a high frequency Metro service (running on predominantly its own infrastructure) covering the urban core, coupled with a self-contained local rail service (shown in blue on the map below) covering the wider North East (including Tees Valley). There are no through 'local' services to other regions covered by the Northern Franchise eg York, Leeds or Manchester meaning that the North East local rail services effectively work in isolation to the rest of the Northern franchised services.

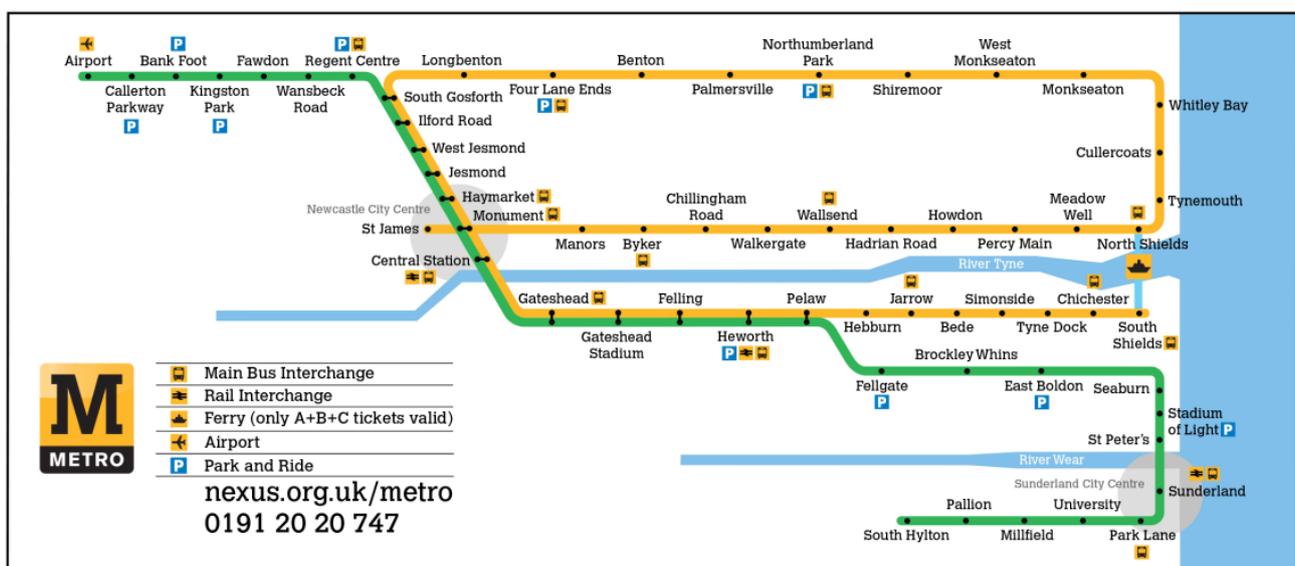


Figure 1 - Schematic map showing the Metro network

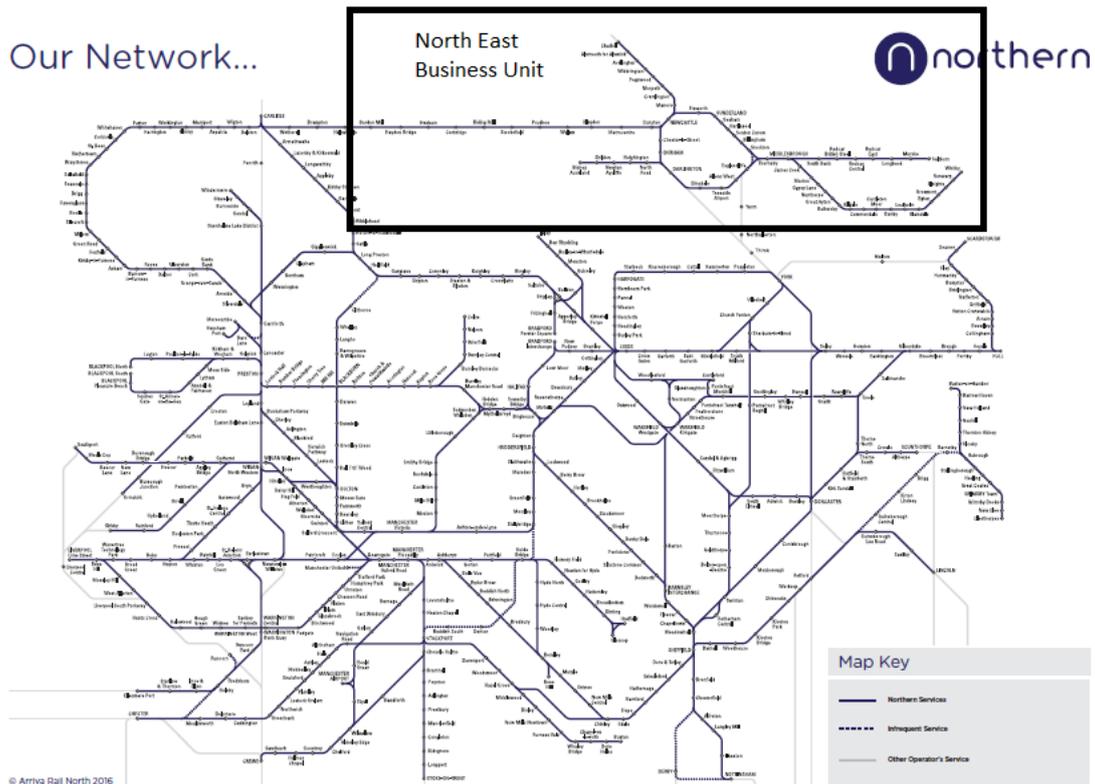


Figure 2 – Schematic Map showing the North East Local Rail Network

The Tyne and Wear Metro carries c.36m passenger trips per annum to and from 60 stations along 77.5km of track. The 90 Metroliners in the fleet allows Metro to run 450 trains each day with a 3 min peak frequency.

The local rail services comprise of:

- 1) Durham Coast - linking Newcastle, Sunderland, Hartlepool and Middlesbrough;
- 2) Tyne Valley – linking Newcastle, Gateshead Metro Centre, west Northumberland and Carlisle;
- 3) Bishop line – linking Bishop Auckland, East Durham and Darlington;
- 4) A local service utilising the ECML – linking Northumberland towns and villages to Newcastle, the main station being at Morpeth.

There are 30 local stations operated by Northern, with three city centre stations affording longer distance connections (Newcastle, Sunderland and Durham). The local stations carry c.5m passenger per annum around the North East.

### 3) The Metro system

#### a. Metro operations

The Metro system (both track and train) is managed and operated by Nexus. The operation and maintenance of the trains are managed through an arm's length company, North East Metro Operations Limited (NEMOL). The track and control systems are maintained and enhanced through the Nexus Rail division of Nexus. This enables close coordination across the business for the benefit of the local passengers.

The Urban Transport Group published a document 'Rail Devolution works' in July 2017 which included the following case studies which provide examples of the benefits of the Metro operations.

## CASE STUDY ONE: METRO VS NORTHERN – 25 TIMES AS MANY PASSENGERS ON METRO

A comparison between Metro and Northern rail commuter routes in the area illustrates how local control has continually driven improvements in service standards for passengers. The table below shows the difference between the Metro’s Newcastle-South Shields service and Northern Rail’s Newcastle-Prudhoe service. Both routes are a similar length and pass through similar suburban communities. Local investment to ensure the Metro is designed around local travel patterns with superior customer facilities has been rewarded. The Metro route carries 25 times as many passengers per year as the Northern route.

	<u>Metro</u> Newcastle-South Shields	<u>Northern</u> Newcastle-Prudhoe
Route	12 stations in total (five opened since 1984). All principal employment areas, housing areas and town centres are served	Five stations in total (one opened since 1984). Areas such as Gateshead town centre, Team Valley business park and Ryton have no stations
Frequency and hours of operation	4-5 trains per hour serving all stations from 05:42 until 23:56	1-2 trains per hour from 06:30 until 23:40. Some do not call at all stations. Up to 4 trains per hour close to Newcastle. Limited evening service – only four trains after 18:30
Patronage	16.2 million journeys per year (not including Newcastle Central station)	0.65 million journeys per year (not including Newcastle Central station)
Ticketing	Smartcard and paper tickets; multi-modal tickets;	Paper and mobile ticketing, through

	PAYG smart tickets with all-day price cap available	ticketing for Metro and PlusBus
Pricing	Simple zonal fares, below inflation fare rises. Max single fare: £3.30	Inconsistent pricing, fare rises at inflation. Max single fare: £5.30
Station facilities	All stations have consistent facilities including real time information screens, public address systems, Help Points and ticket machines. All stations are fully wheelchair accessible	Variable. Some stations have information screens, public address and ticket machines, others do not. Not all platforms are step free
Compensation for delays	Available if delayed 15 minutes or more	Available if delayed 30 minutes or more

NB: Since this table was produced Northern have now introduced compensation for delays of 15 minutes or more.

## CASE STUDY TWO: METRO AT THE HEART OF THE TYNE AND WEAR BUSINESS COMMUNITY

The Tyne and Wear Metro is a longstanding and active member of regional business organisations such as the North East Chamber of Commerce, North East Local Enterprise Partnership, city Business Improvement Districts and town centre retail forums. It means Metro management understands business concerns and acts to address them. Examples of how the Metro has responded directly to the requests and requirements of North East businesses include:

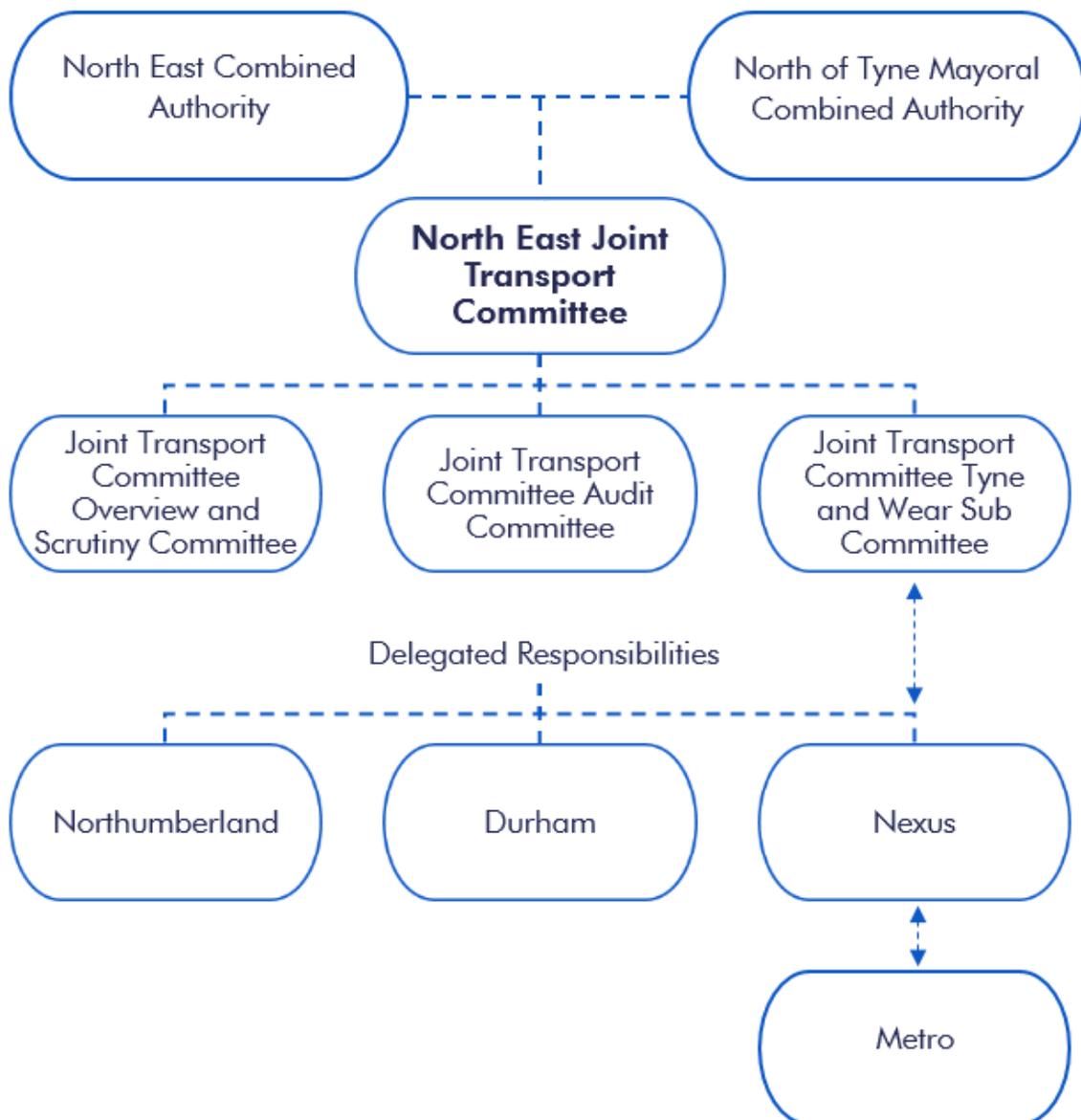
- ❖ Revising timetables to respond to changing shift patterns;
- ❖ Setting fares according to economic conditions;
- ❖ Extending under-19 fares from college students to apprentices to make vocational training more competitive;
- ❖ Partnership with businesses to promote the visitor economy through public art trails;
- ❖ Dozens of extra trains for major regional events like Great North Run – and even running until after 2am for arena rock concerts;
- ❖ Rapid repair of infrastructure damage at the height of Storm Desmond motivated by understanding of the impact service suspension would have on Christmas trade.

It can be seen from the two case studies above that the passengers using the Metro benefit from that fact that it is a locally managed and well supported by business, it has become a part of everyday life. As a strong show of support, the business community worked with Nexus to push for funding for the new Metro fleet and were proactive, through the media, to make the case for the much needed investment.

### b. Governance

The organisation chart below shows the political accountability that the Tyne and Wear Metro works within. All aspects of the Metro (track, train, customer services and facilities, future strategy and planning) are managed on behalf of the combined

authorities by Nexus. The budget and corporate plan are agreed annually by the North East Joint Transport Committee and performance is monitored through the Joint Transport Tyne and Wear Sub Committee. The Managing Director of Nexus reports directly to the elected Members, who were elected by the passengers using the services.



c. What are the benefits of the Metro to the local economy?

It is widely recognised that a locally managed and operated Metro is a good thing for the area. Rather than be happy with the status quo, Nexus wish to improve the existing services and spread the benefits over a wider area so more residents and businesses

in the North East can gain from the economic and social benefits of the Metro. This is backed up by economic data. In 2018 Nexus commissioned Mott McDonald to undertake an independent study to quantify the 'Economic Value of Metro and Rail to the NECA Area'. The document produced strong evidence of the benefits of Metro and local rail to the North East economy. An extract summary of the findings is shown below.

"The North East's economy is strong, diverse and it is growing. This, in part, is due to its Metro and Local Rail network.

This report confirms that Metro and local rail plays a critical role as an economic enabler. The headline figures are:

- Metro and Local Rail contribute **up to £257 m of Gross Value Added (GVA)** to the North East economy each year;
- In a wider measure of GDP and welfare benefits, the overall **contribution increases to up to £437m per annum.**

This value captures the benefits accruing to individuals, businesses, and wider society from more efficient travel, greater productivity through better business connectivity, and selected social and environmental impacts, which can also be more readily monetised. It recognises the part Metro and local rail has to play in helping businesses to connect, commuters to travel to and from work, students to learn in schools, colleges and universities, and residents and visitors to access services and explore attractions across the region.

The economy holds the potential to grow further, and even more rapidly than before, over coming years, however, this growth will not happen on its own. It will rely on the better transport connectivity an improved and expanded network will bring to improve access to labour markets and new education and skills access.

Improved connectivity can allow people to access more and better jobs, stimulate increased inward investment, bring businesses closer together, and can help promote social inclusion if targeted in deprived areas.

The current network already delivers an economic value per passenger of £8.50 per passenger; and **an expanded network will deliver at least £8.50 per additional passenger journey**. With geographic expansion of the network, the benefits will be distributed across a wider cross-section of the North East's residential and business populations.”

It is also worth highlighting here that for every new passenger on the existing system the economy would benefit by £8.50 regardless of any future expansions.

#### d. Why we wish to expand on it in the future?

The economic data above shows that the Metro and local rail services are good enablers for a strong economy and thus by expanding the services to places currently off network the economic benefit will grow. The North East Strategic Economic Plan requires improved connectivity to deliver the growth in more and better jobs for the North East. The independent report states the potential benefits of an expanded local heavy and light rail system as below:

‘The expansion of Metro and Local Rail across the North East, integrated within the conurbation’s spatial strategy and future land-use planning, could:

- Increase inward investment by improving access to labour, suppliers, and consumers;
- Help more people get to work and access services each day;
- Make the key economic centres easier to reach and reduce congestion;
- Bring existing businesses closer together, boosting productivity;
- Support regeneration and redevelopment around stations and in the city centre;
- Encourage more people to live and work in the North East, improving quality of life.”

Thus the region has a clear understanding of the current system and what it means for the area. The region also has ambitious plans to spread the benefits wider, utilising the expansion of light or heavy rail as appropriate, along redundant corridors to support our business and communities to achieve the desired economic growth.

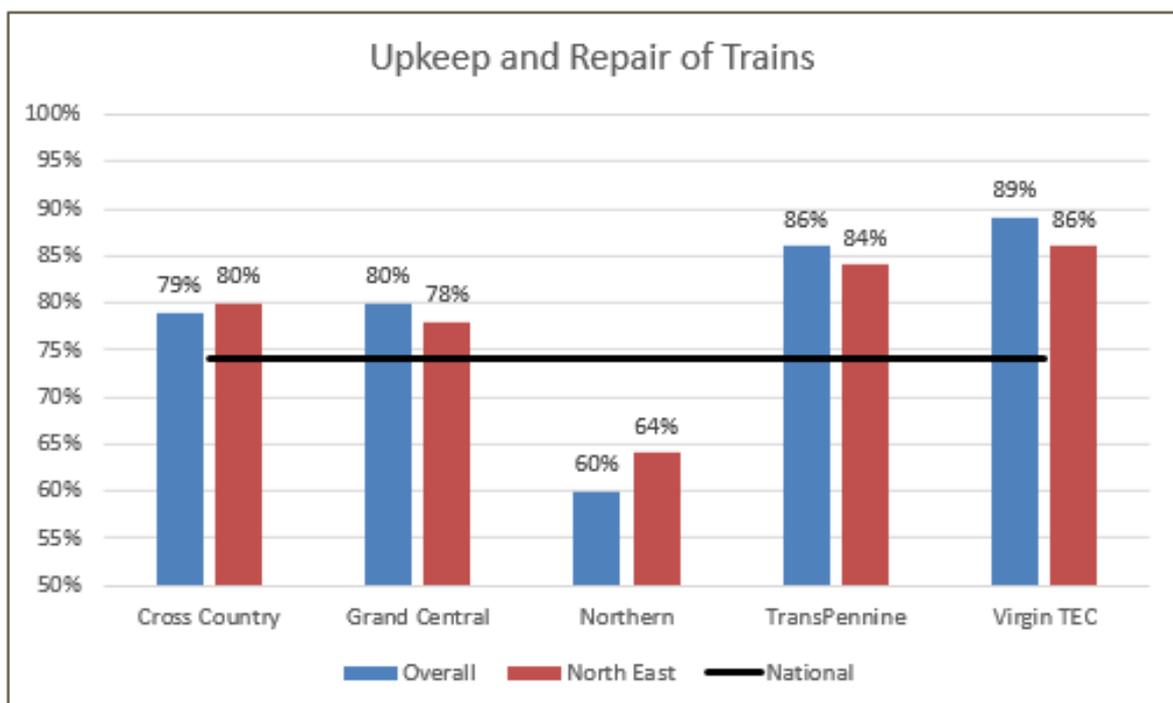
#### 4) Local rail

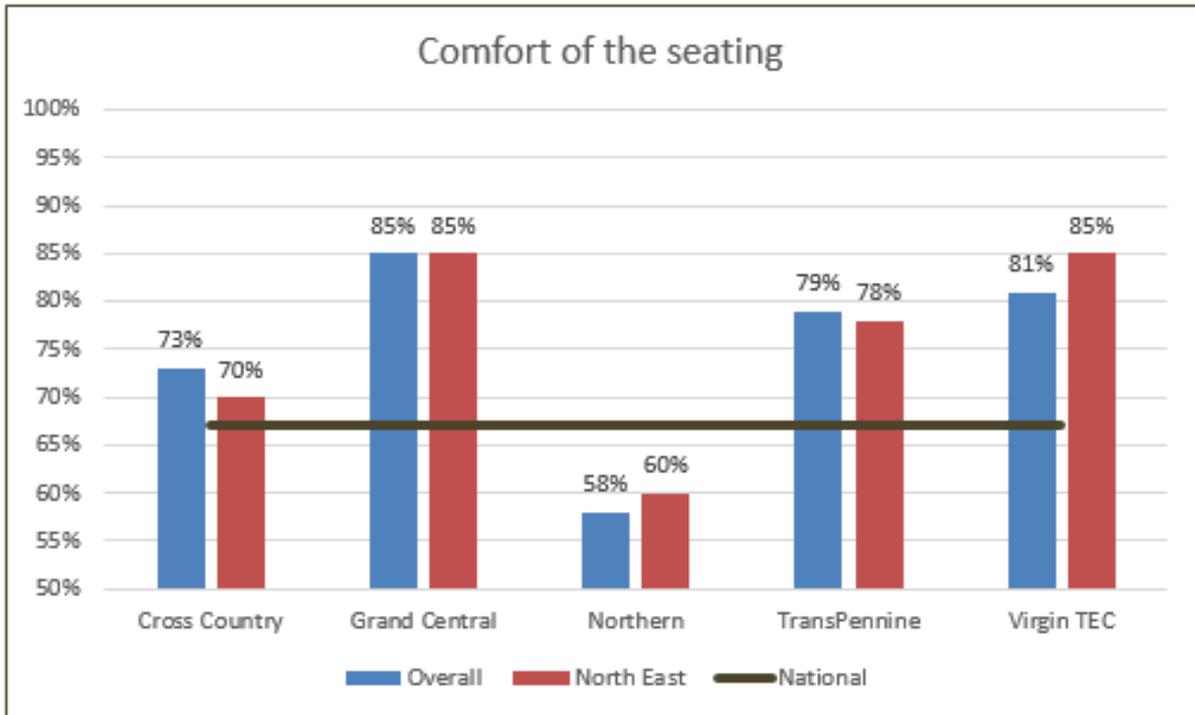
In contrast to the Metro, the local rail network has not had the same focused investment, is not aligned to the local economy and lacks a clear plan for its long term future. The following paragraphs highlight some of the evidence that the local rail services are not meeting the needs of the local communities they serve.

##### a. Local rail services

###### Fleet

Northern's fleet in the North East is predominantly made up of 'Pacer Trains' introduced by British Rail in the mid-1980s. When benchmarked against the fleets of other operators which passengers in the North East may use, they perform comparatively poorly in the National Passenger Survey results, a point illustrated in tables below.





These 'Pacer' trains will be phased out over the life of the franchise. In other areas such as Yorkshire and Manchester they will be replaced by brand new trains; however, in our region we understand that they will be replaced by trains of a similar age cascaded from elsewhere. The industry guidance published in the Passenger Demand Forecasting handbook points to the benefits and potential uplift in customer numbers which new rolling stock can bring. We are fearful that the North East region will not experience this growth, especially when customers will see new trains on the Metro system, a contrast which may further diminish the perception of local rail services.

### Frequency

The majority of local train services in the North East only offer hourly services at best. This is below the Transport for the North (TfN) Long Term Rail Strategy (LTRS) minimum frequency target of at least two trains per hour between economic centres. An hourly service is not conducive to the requirements of modern day commuters or students with variable start and finish times nor does it offer flexibility when interchanging with other modes to complete door to door journeys.

An hourly service also reduces the convenience of train travel when compared to the private car.

The earliest and latest arrivals and departures are also often outside the minimum standards of the TfN LTRS of reaching key economic centre before 7:00 and leaving them after 23:00. Again this is not conducive with modern day life both for early morning work requirements or late evening social requirements. The night time economy is a key part of the North East economic makeup.

### Journey Times

The journey times and average speeds for local rail services in the North East are not comparable with the use of the private car and thus are less competitive than other parts of the country. Typical examples are shown below.

Route	Journey Time by Train	Average speed by train	Journey time by Car	Average speed by Car
Middlesbrough to Newcastle	76 minutes	36.9 mph	50 mins	48.7mph
Newcastle to Carlisle	84 minutes	44.1 mph	77 mins	46.1 mph

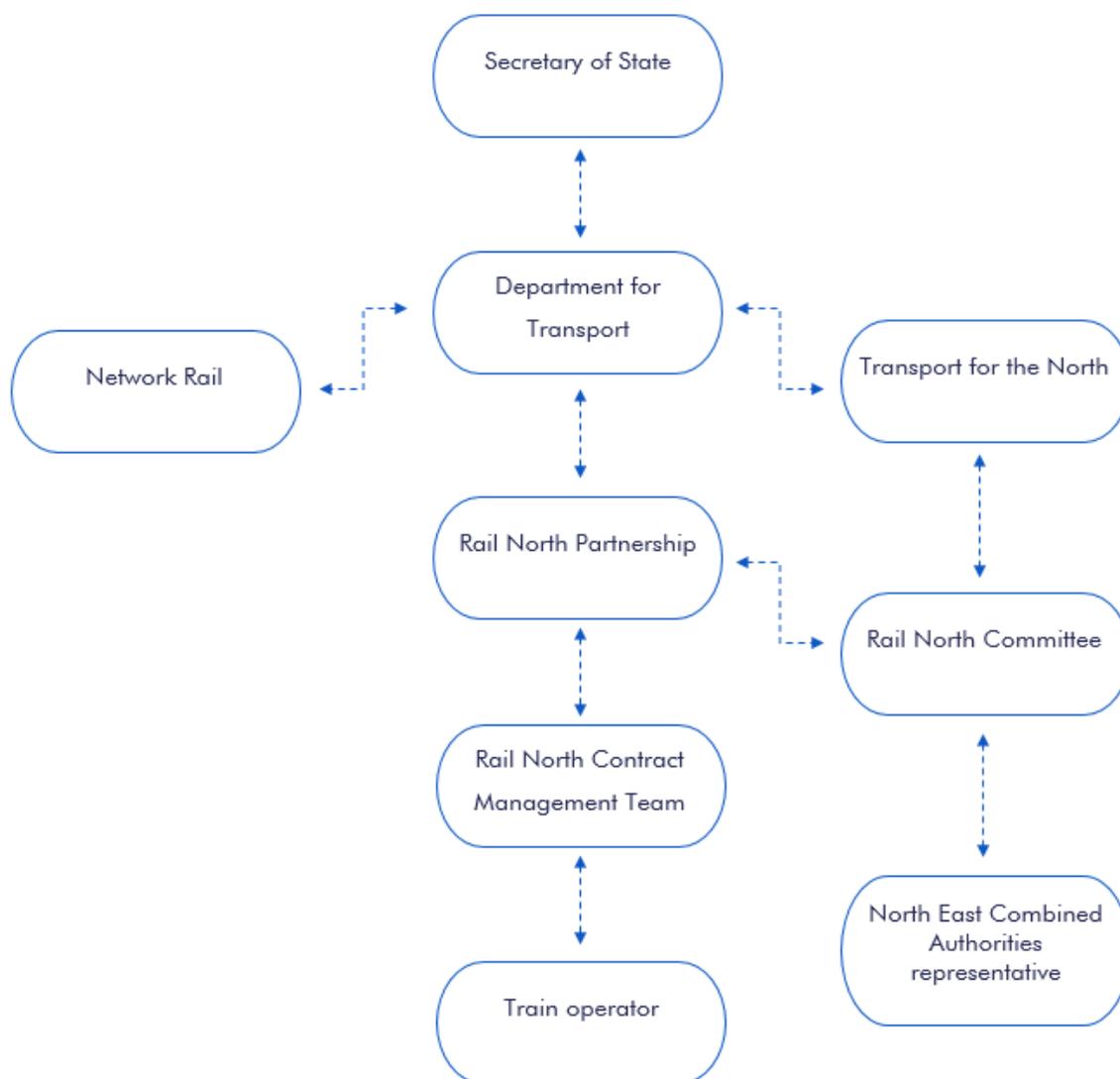
The minimum journey speed within the TfN LTRS is 60mph for inter urban services. It can be seen from the table above that this is not met in the North East. For example if the Newcastle to Middlesbrough services were speeded up to the 60mph minimum, the journey time would reduce significantly to 46 mins, comparable with the car.

### Passenger numbers

The above factors all lead to an underutilisation of the local rail services in the North East. The lack of investment over the years and the lack of strong links to the local economic plans have led to the infrequent, slow and uncomfortable rail journeys passengers endure today. As a result only 15m passengers a year choose to use local rail services; this is only 3.2% of the travel to work catchment for the wider North East, falling to 0.7% in Tyne and Wear (where the Metro picks up the bulk of rail passengers). There is an opportunity to significantly grow rail in the North East given the right level of investment and the closer strategic and operational linkages with the economic drivers in the region.

b. Governance

The Governance covering local rail services in the North East (unlike the Metro) is much more complex, lacks local accountability and is more of a contractual arrangements between the Secretary of State / Transport for the North and the train operators.



The North East rail services are part of the wider Northern Franchise covering the main economic centres of the North. Although there have been some influence by local leaders in the specification and management of the franchise, the power still firmly sits with the Department for Transport. However with the emergence of Transport for the

North, the public is unsure who is accountable. The recent May 18 timetable ‘fallout’ highlighted the lack of overall industry accountability. This contrasts sharply with the structure for the Metro where accountability is clear.

Through the above complex structure it is also difficult to be agile and react positively to planned and unplanned events for example events or local timetable tweaks. Again this contrasts sharply with the Metro case studies highlighted earlier.

### c. Metro and Local Rail futures

Nexus has recently produced, or provided input to, a number of documents to support the growth of Metro and local rail services in the North East including:

- The Metro and Local Rail Strategy
- Metro Futures brochure
- Economic Value of Metro and Rail to the NECA Area
- TfN Long Term Rail Strategy

Further work is also underway to develop the following:

- North East Rail Strategy
- North Eastern Railway (exploring options for further devolution)

The expansion, improvement and integration of local rail and Metro services is fundamentally important to the economic growth plans of the North East, and is reflected in Strategic Economic Plan and the Transport Manifesto’s ambitions for rail services.

To deliver the advantages a combined locally managed network could provide, we have commissioned consultants to develop a set of output metrics that will secure improvements to our area. These are likely to include:

- Rail patronage in the NERMU region to rise by a named %;
- Accessibility to the rail network should increase with a metric of interchange to other modes;
- Frequencies increased to match Metro type services;
- Cost per passenger km operated should drop;

- Operating km should rise;
- The measure of rail's contribution of the regional economy should increase;
- Address the imbalance in % of rail users in the region to bring it closer to the south making it a more valued asset.

The **Metro and Local Rail Strategy** looks at the integration of local rail and Metro services and the potential to exploit under-used and disused railway assets and alignments across the region. The potential expanded network is shown in the diagram below.



The Strategy states that:

‘Through closer integration with the regional rail network and empowered by the progressive devolution of authority over local rail services, Metro and local rail will deliver a comprehensive network to improve the local economy, environment and

society by making rail the travel mode of choice across a wider area of the conurbation.’

This approach has proven successful on networks such as London Overground where the emergence of a prominent, unified network has increased awareness of travel opportunities and helped to increase passenger numbers.

Part of developing the case for the Strategy is the economic work recently undertaken and referenced elsewhere in this response ‘**Economic Value of Metro and Rail to the NECA Area**’. **This shows that for every additional passenger, the economy benefits by £8.50.**

The **Metro Futures** brochure takes a high level look at potential corridors, some of which are being advanced through the engineering feasibility of expanding the current network for passenger use e.g. The Northumberland to Newcastle freight line (Northumberland County Council are leading on an SOBC) and the Leamside Line (TfN are leading on the SOBC for Northern Powerhouse Rail which could also open up this line for local passenger services).

In tandem Nexus are also developing a **North East Rail Strategy**, building on the TfN LTRS, to seek improved frequencies, reduced journey times and improved quality of trains and stations leading to more passenger growth and improved passenger satisfaction.

Furthermore Nexus are also exploring devolution models and opportunities through a **North Eastern Railway** study to see how better integration with local business and communities can bring about more locally tailored and accountable rail services.

#### d. [Local Specification and Accountability](#)

It can be seen from the above that the North East has a strong desire to play its full role in developing the local rail network within our area. We are seeking the power to specify local rail services linked to the economic and social needs of the area, combined with Metro (and local bus) to form an integrated public transport system for the benefits of our local communities. With this power we accept that local accountability is key. If local decision makers are driving the changes then they must

also be accountable for the performance of the services both now and in the future, as indeed they are now for Metro operations.

## 5) Connectivity with the national network – long distance rail

All the long distance rail services, both passenger and freight that link our region with the rest of Britain use the East Coast Main Line (ECML) at some point. There are two franchised passenger operators, LNER and Cross Country, and one open access passenger operator, Grand Central and a multiplicity of freight operators. The LNER franchise is almost completely synonymous with the ECML, as reflected in the left-hand map below which also shows places off the ECML that are served by LNER, thus emphasising the line's national importance.

As well as being crucial to the national economy, the ECML is our region's premier transport artery, as indicated by the fact that Newcastle, Durham and Sunderland stations together were used by some 12 million passengers in 2017/18, of which a very significant proportion travelled on trains that rely on the ECML somewhere on their journey.

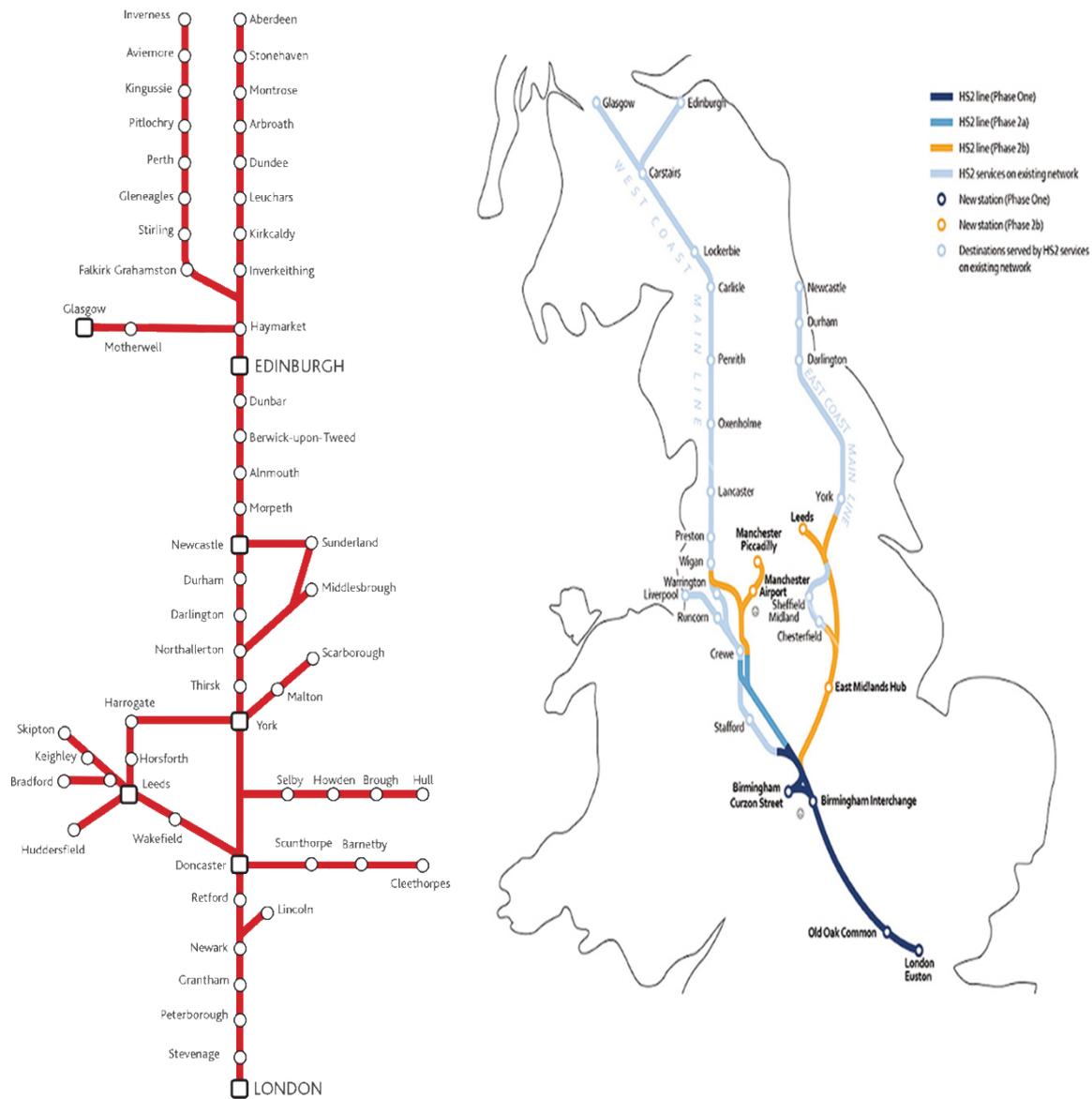


Figure 3 - Diagrammatic maps of the ECML (left) also showing additional places served by LNER and map of HS2 (right) showing planned HS2 services on the existing rail network

Our contention that our rail infrastructure is not fairly funded is nowhere more evident than on the ECML, which cannot cope with existing demand let alone future requirements, particularly being “HS2 ready”. Between Northallerton and Newcastle it already has major capacity constraints, low line speeds, and a lack of resilience. If HS2 Phase 2b is built and Northern Powerhouse Rail improvements are implemented as envisaged, but no further action is taken, those HS2 trains which continue onto the existing ECML north of York (see right hand map below) will simply mean more services needing to access already constrained infrastructure. The result will be a high-quality, fast service on HS2, followed by a very slow, unreliable journey as the

train heads north. Performance on the existing section of route must match the dedicated infrastructure sections so that the overall HS2 high level of performance can be achieved. Any delays or reduced performance in the North East would inevitably have a knock on effect on the rest of the HS2 network.

Unless this is tackled head-on, the negative economic effects are obvious; the degree of physical separation that already exists between the North East and the rest of the UK will be exaggerated, all the more so because of the contrasting huge improvement in ease and speed of travelling between other parts of the North, the Midlands and London by high speed rail. Businesses may locate away from the North East in favour of places with better connections, and our communities will not only be unable to share in the economic benefits that HS2 can bring, but the productivity gulf could widen as the benefits felt elsewhere begin to take effect.

Long distance rail services, both passenger and freight, serving our area are beyond our control yet are crucial to our economy. This prevents us from developing the North East's rail services as part of a wider national transport system, fully integrated to cater effectively for the end-to-end journeys people want and need to make.

At national level, we recognise that people and goods need to travel seamlessly between individual regions (in some cases across several regions) so a need remains for a national rail system operator in some form. However, this national operator will need to work effectively with each region and also oversee a network that properly integrates track and train.

With regard to freight, we acknowledge that the amount of freight carried on the region's rail network is less than in the past. However, current freight flows are vitally important to the local and national economy and there needs to be capacity to allow increased freight volumes both to support economic growth and encourage a move from road transport. Freight has equal network rights with passenger trains; therefore any prospectus for improved rail services must take account of current and potential future flows.

## 6) Summary and conclusions

Examining each item of your enquiry's Terms of Reference, we draw the following conclusions which also summarise the points we have already made:

### Commercial models for the provision of rail services that prioritise the interests of passengers and taxpayers

We have set out above our view that local rail services within each region should be locally-specified and delivered by a locally accountable operator. Super-regional freight and passenger services should be provided in a way that integrates track and train.

### Rail industry structures that promote clear accountability and effective joint-working for both passengers and the freight sector

We contend that integration of track and train will remove the current perverse incentives which prevail within the present fragmented industry structure, and also promote unified accountability and simplify the industry for all its customers, whether passenger or freight, particularly when combined with local control or representation. We believe the way the Metro system delivers close coordination for the benefit of local passengers by having both track and train managed and operated by Nexus, is a good example of what can be achieved.

### A system that is financially sustainable and able to address long-term cost pressures

Government's current objective is to transfer more of the cost of the railway from the taxpayer to the passenger. Already in the UK, a much higher burden of cost is borne by the passenger than the taxpayer than is the case with many mainland European rail networks. We suggest that continued contributions from the public purse, particularly for large capital projects with a life many times longer than that of any franchise or concession, will remain necessary if the cost to passengers and freight is not to become prohibitive.

A railway that is able to offer good value fares for passengers, while keeping costs down for taxpayers

Greater local control and accountability of local services will allow fares to be set at a level relevant to the local economy. This means that local decisions can be made to balance how services are funded between subsidy and the fare box, noting that locally controlled services may be positioned to better grow total passenger revenues through an improved local service. Whilst investment will always be required from central government for some schemes, local authorities may have other means at their disposal, especially as benefits may be felt in the local economy.

Improved industrial relations, to reduce disruption and improve reliability for passengers

We have no comment to offer in this regard.

A rail sector with the agility to respond to future challenges and opportunities

For the rail sector to be agile enough to respond well to challenges and opportunities, it needs firstly integration and secondly investment. Integration will mean that the rail industry can speak and act with one mind while an adequate and assured flow of investment will mean there is sufficient money to provide the trains and infrastructure needed to provide modern, reliable services that attract customers and contribute to the economy. Simplified governance will also provide greater ability to react to local circumstances both planned and unplanned.

Increasing integration between track and train

Case studies One and Two set out above show firstly how local control of the Metro has continually driven improvements in service standards for passengers and secondly how Metro management better understands business concerns and acts to address them, including examples of how the Metro has done this.

How to improve transport services across UK regions and devolved nations, including exploring options for devolution of rail powers

Throughout this document we have set out how we believe devolution of rail powers can improve transport services and deliver better outcomes for local communities and business.

Improving value for money for passengers and taxpayers

We have already explained how the study commissioned by Nexus to quantify the 'Economic Value of Metro and Rail to the NECA Area' shows the range of benefits to the North East of Metro and local rail. We contend that much of this benefit has been due to the integrated way Metro is delivered, and further that if this was extended to the local rail network as well, the benefits would be even greater.

Finally, this review is an opportunity to reform the railway and create a fully integrated public transport network within the North East, and indeed the rest of Britain. This opportunity should not be missed. Our railway could be one of our most socially and economically valuable assets with untapped potential to make a larger contribution to people's lives, communities, environment and to our economy.

We look forward to working with you and your team through the review process and welcome future engagement on any emerging policy discussion papers as part of the overall review process.

Please do not hesitate to contact us if you would like to engage further on the points that we make in this response.

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## North East Joint Transport Committee

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**Date:** 22 January 2019  
**Subject:** Transport Budget and Levies 2019/20  
**Report of:** Chief Finance Officer, NECA

### Executive Summary

The purpose of this report is to set out the 2019/20 Transport Revenue Budget and Transport Levies for the North East Joint Transport Committee, for consideration and approval. This report takes into account comments received during consultation on the outline proposals presented to this committee in November 2018.

The Combined Authorities are required under the Transport Levying Bodies regulations to set the Revenue Budget and Transport Levies before 15 February 2019, in order to enable their constituent councils to take the levies and other contributions into account in setting their own budgets. The two Combined Authorities will formally issue the levies that are agreed by the Joint Transport Committee at their meetings on 5<sup>th</sup> February.

This report also provides an update on the Revenue Budget for 2018/19 and sets out the revenue resources planned to be used in 2019/20 to deliver the objectives of the Joint Transport Committee. A separate report on this agenda sets out the 2019/20 Transport Capital Investment Programme and Treasury Management information related to Transport.

### Recommendations

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

- i. Note the position of the Transport budget in 2018/19 and approve the revised estimates for the year;
- ii. Agree a Transport net revenue budget for 2019/20 of £82.766m, as set out in sections 2.4 to 2.9 of this report;
- iii. Agree the following Transport Levies for 2019/20:
 

a. Durham County Council	£15,561,536
b. Northumberland County Council	£6,104,370
c. Tyne and Wear councils (detailed in table 7)	£61,100,000

- iv. Agree a transport revenue grant to Durham County Council for the delivery of transport services of £15,551,536, as outlined in section 2.6;
- v. Agree a transport revenue grant to Northumberland County Council for the delivery of transport services of £6,094,370 outlined in section 2.7;
- vi. Agree a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £55,666,667 and a contribution to the Metro Fleet Replacement Reserve of £3,333,333 as outlined in section 2.8;
- vii. Approve the budget for the Tyne Tunnels set out in section 2.10 and appendix 4, which includes a recommended increase in the Tyne Tunnels tolls for inflation to be considered for approval by the Tyne and Wear Sub Committee on 31 January 2019; and
- viii. Agree the continuation of funding for the Regional Transport Team as set out in section 2.12;
- ix. Note the response made to the Government consultation on the Provisional Local Government Finance Settlement by the deadline of 10<sup>th</sup> January, expressing concern at a further cut in Government funding for concessionary travel in 2019/20; and agree that the Chair (in consultation with the Proper Officer for Transport and Chief Finance Officer, NECA) be given delegated authority to submit a response to Ministry of Housing, Communities and Local Government (MHCLG) consultation on future funding by 21<sup>st</sup> February, expressing a strong preference to keep a specific formula for concessionary travel funding, which recognises the different patterns of boardings around the country, as opposed to the current proposal to simply merge the funding into a foundation formula based mainly on resident population. Further information is set out in Appendix 5; and
- x. Note and take into account the comments received during consultation set out in section 2.13 and agree that a response be provided to the North East England Chamber of Commerce by the Chair on behalf of the Committee.

## **1. Background Information**

- 1.1 This report sets out the proposed Transport revenue budget and levies for 2019/20 for consideration and approval. The draft budget proposals were presented to this committee on 20 November 2018. These have been the subject of consultation and this report sets out the proposed budget in more detail, taking into account the comments received during the budget process and the latest available information, including the recent provisional Local Government Finance Settlement for 2019/20.
- 1.2 The provisional Local Government Finance Settlement was announced on 13 December 2018. The national Settlement headlines were an extra £1.3bn for councils (including £650m for Social Care), with an average 2.8% cash terms increase in core councils' 'spending power' in 2019/20. Spending power is a combination of Government grants, retained business rate income and estimated income from the maximum increase in council tax income within the referendum limits that have been announced. There is a cash cut in Government funding, with an assumed increase in general council tax of 3%, (plus changes in the council tax base) and an additional increase in council tax to pay for adult social care.
- 1.3 The average increase in the North East area covered by the Joint Transport Committee was a lower 2.1% cash increase in 'spending power'. Once the additional funding for social care is excluded, the underlying change in cash spending power for all services including transport averages a cash reduction in Tyne and Wear of -0.7%; a 0% change in Durham and a 0.3% change in Northumberland. Part of the variation in the change in spending power is due to Government assumptions about changes in council's tax bases and changes in new homes bonus. It is clear that Government funding for Transport services is continuing to be cut once again, with cuts partly being offset by council tax income. It is in this context of continuing austerity related funding cuts and increasing social care cost pressures that the transport levy proposals that are set out in this report have been developed.
- 1.4 A response to the MHCLG consultation on the Provisional Local Government Finance Settlement for 2019/20 was submitted by the deadline of 10th January. This raised concerns about the further (7%) cut in the Government Funding for Upper Tier services, which includes a (10%) cut in the block that includes grant funding for Concessionary Travel. This brings the cut in grant funding for concessionary Travel to around 41% since 2015/16 and to over 60% since 2011/12, with no change in the statutory concessionary scheme. The funding gap in the North East is estimate to be c £29m.
- 1.5 MHCLG have also published a consultation paper about "A review of local authorities' relative needs and resources", which is likely to change the distribution of Local Government Funding in future years from 2020/21, with a deadline for response by 21 February 2019. A strong response is needed to the consultation paper's proposed treatment of Concessionary Travel funding. The paper proposes to replace the current formula, which reflect the different patterns of concessionary travel usage and simply include the funding within a foundation formula distributed mainly in line with resident population. This could result in a significant loss of funding for the Tyne and Wear area, further increasing the funding gap. Detailed evidence has been provided to the national Fair Funding Technical Working Group and the discussion at the group

supported the retention of a specific formula. It is disappointing that none of this work or evidence is reflected in the latest consultation paper. It is proposed that the Chair be given delegated authority to agree a response to the consultation paper in consultation with senior officers. Summary information is provided in Appendix 5 and a more detailed report on the implications of the consultation paper will be submitted to a future JTC meeting.

## **2. Proposals**

### **Transport Revenue Budgets 2018/19 Forecast**

- 2.1 This report provides a progress update in relation to the transport revenue budgets for the delivery agencies [Durham, Nexus (Tyne and Wear) and Northumberland] for 2018/19 of £83.647m. It presents the proposed budget for 2019/20 of £82.766m for approval, following a two-month consultation period.
- 2.2 As the Transport levies and revenue grants are normally fixed for the year, there is no change in Levies payable and minimal change in the Joint Transport Committee revenue budget itself. Any surplus or deficit against the budgets for the three main delivery agencies (Durham County Council, Northumberland County Council and Nexus) is retained or managed within the reserves of those organisations.
- 2.3 As the Transport levies and revenue grants are normally fixed for the year, there is no change in Levies payable and minimal change in the Joint Transport Committee revenue budget itself. Any surplus or deficit against the budgets for the three main delivery agencies (Durham County Council, Northumberland County Council and Nexus) is retained or managed within the reserves of those organisations.

The one significant change is a £3.333m reduction in the grant payable to Nexus in 2018/19, with £3.333m being held instead in a Metro Fleet Replacement Reserve as a second year contribution towards the match funding contribution that is required by the Department for Transport.

**Table 1: 2018/19 Transport Levies and Grants**

	<b>2018/19 Original Budget</b>	<b>2018/19 Revised Forecast</b>	<b>Spend to date Nov 2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Total Transport Levies</b>	<b>(83,648)</b>	<b>(83,648)</b>	<b>(55,765)</b>
Grant to Durham	15,692	15,692	10,461
Grant to Northumberland	6,146	6,146	4,097
Grant to Nexus	59,700	56,367	39,800
Contribution to Metro Fleet Replacement Reserve	-	3,333	-
Retained Transport Levy Budget	2,110	2,110	1,139
<b>Contribution (to)/from NECA Transport reserves</b>	<b>-</b>	<b>-</b>	<b>(268)</b>

**Budget and Levy Proposals for 2019/20**

- 2.4 The overall total proposed net revenue budget for transport levies in 2019/20 is £82.766m as set out in Table 2 below. This represents a net reduction of £0.882m (1.1%) when compared to 2018/19.

**Table 2: Transport Levies 2019/20**

	<b>Transport Levy</b>	<b>Change from 2018/19</b>	<b>Levy per person</b>
	<b>£</b>	<b>£</b>	<b>£/person</b>
Durham	15,561,536	(135,330)	£29.72
Northumberland	6,104,370	(46,510)	£19.13
Tyne and Wear	61,100,000	(700,000)	£54.09
<b>Total</b>	<b>82,766,370</b>	<b>(881,840)</b>	

- 2.5 The variation in the figures for the levy per person reflect the higher costs of concessionary travel demand and capital financing costs in urban areas and demonstrates why three separate levies are required. The following table sets out a summary of the transport net revenue spending planned for 2019/20. Over £54.9m (66%) is planned to be spent on concessionary travel and over £15.5m on subsidised

bus services. It should be noted that these figures do not include the costs of home to school transport for children and young people.

**Table 3: Summary of the 2019/20 Transport Budget**

	<b>Durham</b>	<b>Northum-berland</b>	<b>Tyne &amp; Wear</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Statutory Concessionary Travel	12,048	4,690	34,529	<b>51,267</b>
Discretionary Concessionary Travel	-	-	3,720	<b>3,720</b>
Subsidised Bus Services	2,583	1,230	11,731	<b>15,544</b>
Bus Stations/Infrastructure	163	24	2,531	<b>2,718</b>
Public Transport Information	89	25	1,206	<b>1,320</b>
Metro (incl. Discretionary Travel)	-	-	1,454	<b>1,454</b>
Heavy Rail	-	-	189	<b>189</b>
Ferry	-	-	1,008	<b>1,008</b>
Staffing in Durham/Northumberland	668	125	-	<b>793</b>
Use of Nexus Reserves	-	-	(700)	<b>(700)</b>
Contribution to Metro Fleet Replacement Reserve	-	-	3,333	<b>3,333</b>
<b>Transport Grants</b>	<b>15,552</b>	<b>6,094</b>	<b>59,000</b>	<b>80,646</b>
JTC General Transport Costs	10	10	50	<b>70</b>
Former T&WITA Costs	-	-	2,050	<b>2,050</b>
<b>Transport Levy</b>	<b>15,562</b>	<b>6,104</b>	<b>61,100</b>	<b>82,766</b>

## 2.6 Durham Transport Budget 2019/20

2.6.1 The budget and levy for public passenger transport activity in Durham is £15.552m and £15.562m respectively for 2019/20. This compares with an original budget of £15.697 for 2018/19 and a revised forecast for 2018/19 estimated at £15.412m. The budget and levy for 2019/20 are set out below. The budget for concessionary fares in Durham will rise from £11.940m to £12.048m. A negotiated settlement was reached with the bus operators taking into account expected usage and average fares, which resulted in an increase of 0.9%.

**Table 4: Durham Transport Budget 2019/20**

	<b>Gross Expenditure</b>	<b>Income</b>	<b>Net Expenditure</b>
	£	£	£
Concessionary Fares	12,057,795	(9,500)	12,048,295
Subsidised Services	4,389,971	(1,806,551)	2,583,420
Bus Stations	457,791	(314,211)	143,580
Bus Shelters	31,350	(12,120)	19,230
Passenger Transport Information	184,440	(95,514)	88,926
Staffing	668,085	-	668,085
<b>Total Grant</b>	<b>17,789,432</b>	<b>(2,237,896)</b>	<b>15,551,536</b>
Share of JTC Transport Costs	10,000	-	10,000
<b>Net Expenditure</b>	<b>17,799,432</b>	<b>(2,237,896)</b>	<b>15,561,536</b>

**2.7 Northumberland Transport Budget 2019/20**

2.7.1 The budget and levy for public passenger transport activity in Northumberland is £6.094m and £6.104m respectively for 2019/20. This compares with an original budget of £6.146m for 2018/19. The budget and levy for 2019/20 are set out below.

**Table 5: Northumberland Transport Budget 2019/20**

	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>
	£	£	£
Concessionary Fares	4,702,940	(12,940)	4,690,000
Subsidised Bus Services	1,776,740	(546,340)	1,230,400
Bus Stations	23,930	0	23,930
PT Information	25,000	0	25,000
Staffing	125,040	0	125,040
<b>Total Grant</b>	<b>6,653,650</b>	<b>(559,280)</b>	<b>6,094,370</b>
Share of JTC Transport Costs	10,000	0	10,000
<b>Transport Levy</b>	<b>6,663,650</b>	<b>(559,280)</b>	<b>6,104,370</b>

2.7.2 The net budget for 2019/20 is less than the comparable budget for 2018/19. The Concessionary Fares budget includes a small saving of £32k as a result of inflation, offset by a small (c2%) reducing passenger numbers. Increases in cost for inflation have been offset by a The budget for Bus Services is unchanged from its current level with no significant investment in the county’s bus stations planned for 2019/20 and minor changes on staffing due to vacancies, restructures and an analysis of time spent on combined authority activities. The budgets assume that the grant received in respect of Bus Service Operators Grant will remain unchanged.

2.8 **Tyne and Wear Transport Budget 2019/20**

2.8.1 The budget and levy for Tyne and Wear is proposed to be £61.1m for 2019/20, which is a reduction of £0.7m when compared with the budget for the current year.

2.8.2 The revenue budget is made up of a retained budget for centrally held Tyne and Wear transport costs (primarily relating to the former Tyne and Wear Integrated Transport Authority (TWITA)), a Transport grant to Nexus and a contribution to the Metro Fleet Replacement Reserve, as summarised in Table 6.

**Table 6: Allocation of Tyne and Wear Levy for 2019/20**

	<b>2018/19</b>	<b>2019/20</b>	<b>Change</b>
Tyne and Wear Transport	2,100,000	2,100,000	-
Grant to Nexus	59,700,000	55,666,667	(4,033,333)
Contribution to Metro Fleet Replacement Reserve	-	3,333,333	3,333,333
<b>Total Levy</b>	<b>61,800,000</b>	<b>61,100,000</b>	<b>(700,000)</b>

2.8.3 The allocation of the Tyne and Wear transport levy between the constituent authorities is based on mid-2017 population estimates. The new levy proposed for 2019/20 is set out in the table below and outlined in more detail in Appendix 1.

**Table 7: Tyne and Wear Transport Budget and Levy 2019/20**

<b>District</b>	<b>Population (2017 Mid- Year Estimate)</b>	<b>2019/20 Proposed Levy</b>	<b>Saving compared to 2018/19</b>
Gateshead	202,419	£10,949,433	(£87,828)
Newcastle	295,842	£16,002,955	(£229,361)
North Tyneside	204,473	£11,060,540	(£70,618)
South Tyneside	149,555	£8,089,866	(£90,843)
Sunderland	277,249	£14,997,206	(£221,350)
<b>Total</b>	<b>1,129,538</b>	<b>£61,100,000</b>	<b>(£700,000)</b>

2.8.4 This £0.7m reduction would bring the overall reduction in the annual transport levy since 2010 to £16.9m, which has largely been achieved through efficiency savings and use of reserves, whilst protecting service outcomes to date. This level of saving while protecting service outcomes is a significant achievement, particularly in the light of the cost pressures that have been contained in respect of Concessionary Travel and outcomes in other areas of the country where there have been significant cuts in transport services.

### **Nexus Revenue Budget**

2.8.5 The achievement of a range of efficiency savings in the current year has placed Nexus in a good position. Moving into 2019/20, Nexus will be able to set a balanced budget, save for the proposed £0.7m reduction in its grant from the levy, which will be funded from its revenue reserve in the first instance.

2.8.6 This means Nexus will be able to maintain frontline services in 2019/20 and its corporate objectives, as endorsed by the Tyne and Wear Sub Committee in November 2018, include a range of positive initiatives, whereby during 2019/20 Nexus will:

- Award contracts to design, build and maintain a new fleet of trains for the Tyne and Wear Metro and to design and build a new depot.
- Improve customers' journey experience on Metro.
- Continue the programme to modernise the Metro with track renewal, replacement of overhead power lines and the opening of a new Transport Interchange in South Shields.
- Open the new Learning Centre in South Shields, to provide a step change in how Nexus develops its people and makes Nexus an employer of choice.
- Ensure the North East's priorities for transport are properly reflected in Transport for the North's (TfN's) investment plans.
- Develop plans to expand Metro and local rail services, connecting communities not currently served by either Metro or Northern rail services.
- Implement organisational change to deliver efficiencies, ensuring Nexus achieves value for money.
- Protect levy funded frontline services and discretionary concessionary travel schemes.
- Develop plans to improve the local bus network and the use of new mobility services.

Deliver technological improvements, which will benefit customers and encourage wider use of public transport.

2.8.7 However, without any improvements to its funding over the medium term Nexus will need to work with the JTC and Tyne and Wear Sub Committee in regards possible service reductions during 2020/21 and future years.

2.8.8 A summary of the draft Nexus budget for 2019/20 and the use of the Transport grant is set out below, with further details given in Appendix 3.

**Table 8: Summary of Nexus net budget for 2019/20**

<b>Service Area</b>	<b>Gross Expenditure £000</b>	<b>Grants and Income £000</b>	<b>2019/20 Net £000</b>
Statutory Concessionary Travel	35,646	(1,117)	34,529
Discretionary Concessionary Travel	11,416	(7,696)	3,720
Metro	101,647	(100,193)	1,454
Ferry	1,563	(555)	1,008
Local Rail	448	(259)	189
Bus Services	15,147	(3,416)	11,731
Bus Infrastructure	3,561	(1,030)	2,531
Public Transport Information	1,495	(290)	1,205
<b>Total Requirement</b>	<b>170,923</b>	<b>(114,556)</b>	<b>56,367</b>
<b>JTC Grant (Levy)</b>			<b>(55,667)</b>
<b>Use of Reserves</b>			<b>700</b>

## 2.9 Retained Tyne and Wear Transport Budget

2.9.1 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 Joint Transport Committee, which relate to the whole JTC area. Further information on this is provided in Appendix 1. The majority 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 use of reserves in 2013/14 to pay off the Tyne and Wear pension deficit.

2.9.2 The budget for this area of activity for 2019/20 is maintained at the same level as 2018/19. Scope for further savings is limited since the majority of the budget is for financing charges, and any savings cannot be fully confirmed until the position and

costs of a new Proper Officer for Transport post and the support required for the JTC is identified and agreed.

2.9.3 The proposed budget for 2019/20 is summarised in the table below with further detail in Appendix 2.

**Table 9: Retained Transport Budget**

	<b>2018/19 Original Budget</b>	<b>2018/19 Forecast</b>	<b>2019/20 Proposed Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Support Services/Staffing	220	205	210
Administration and Governance	42	38	44
Financing Charges	1,798	1,798	1,785
Transport Joint Committee	50	20	70
TCF bid support	-	49	11
<b>Total Expenditure</b>	<b>2,110</b>	<b>2,110</b>	<b>2,120</b>
Contribution to JTC cost from Durham and Northumberland Levies	(10)	(10)	(20)
Contribution from Tyne and Wear Levy	(2,100)	(2,100)	(2,100)
<b>Total Contribution from Levies</b>	<b>(2,110)</b>	<b>(2,110)</b>	<b>(2,120)</b>

2.9.4 The Tyne and Wear (former TWITA) Transport Revenue reserves are estimated to be £0.513m at the year-end as a result of a breakeven forecast for the year. Up to £0.100m of this reserve could be available to support the bid preparation for the Transforming Cities Fund Bid in addition to the specific allocation of £0.06m shown above and this will be the subject of a future report to the Joint Transport Committee. Support to the Transport Joint Committee includes a contribution to the costs of the Proper Officer for Transport as set out in a separate paper on this agenda.

## 2.10 Tyne Tunnels

2.10.1 The Tyne Tunnels are accounted for as a ring-fenced account, meaning that all costs relating to the tunnels are wholly funded from the tolls and Tyne Tunnels reserves, with no call on the levy, council tax payers or Government funding at all.

**Table 10: Tyne Tunnels Revenue Budget**

	<b>2018/19 Original Budget</b>	<b>2018/19 Forecast</b>	<b>2019/20 Proposed Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Tolls Income	(25,970)	(26,730)	(28,090)
Contract payments to TT2	19,480	20,298	21,197
Employees	33	-	-
Pensions	54	50	52
Support Services	80	95	95
Supplies & Services	45	30	45
Financing Charges	6,579	6,594	6,966
Interest/Other Income	(50)	(90)	(50)
Repayment from TWITA for temporary use of reserves	(240)	(240)	(240)
<b>(Surplus)/Deficit on Tyne Tunnels revenue account met from reserves</b>	<b>11</b>	<b>7</b>	<b>(25)</b>

- 2.10.2 The operational management from the client side is currently carried out by Newcastle City Council on behalf of NECA. This support is currently under review and there is the potential for arrangements to change to reflect changes in regional Transport governance during 2019/20. Details of these arrangements will be reported to the Tyne and Wear Sub Committee.
- 2.10.3 The 2019/20 budget figures shown in the table above assumes an increase in tolls for both Class 2 and Class 3 vehicles in line with inflation as measured by the Retail Price Index. It is proposed that the toll for Class 2 Vehicles (cars and light goods vehicles) be increased by 10p from £1.70 to £1.80 and that the toll for Class 3 vehicles (Heavy Goods Vehicles) be increased by 20p from £3.40 to £3.60 in spring 2019. This has been discussed in greater detail with the Tyne and Wear Sub Committee and is recommended for approval at the meeting on 31 January 2019.
- 2.10.4 The increase in toll income in 2019/20 as a result of the increase in tolls is estimated to be £1.56m. Without an increase in tolls the Tyne Tunnels account would operate at a deficit of £1.54m, next year which would be unsustainable over the life of the concession.

2.10.5 In terms of the formal process for the increase in Tolls, the proposed increase has been recommended by the Tyne and Wear Sub-Committee (TWSC) and a decision to increase tolls will be taken by the TWSC in January. It is proposed that the JTC approves the budget for the Tunnels which includes the effect of the toll increase recommended by TWSC. NECA, as the Host Combined Authority for Transport will implement the decision by advertising the proposed increase and notifying the Department for Transport, and the increase will be implemented by TT2 Ltd at a date to be determined, anticipated to be in March or April 2019.

## 2.11 **Transport Accountable Body Costs**

2.11.1 The costs of the Accountable Body for Transport currently form part of the NECA Corporate Budget. The total NECA Corporate costs budget in 2018/19 was £379k, which after interest receipts resulted in a £300k net cost contribution which was shared equally between the seven local authorities.

2.11.2 An exercise to estimate the costs of the role of “accountable body for Transport” in 2018/19 produced an estimated gross cost of £104k, which after interest receipts were deducted, arrived at an estimated net cost of £71k, equivalent to £10,143 per authority.

2.11.3 The JTC has agreed that NECA will continue to carry out the role of the accountable body for transport. The estimated net cost of this role for 2019/20 is being calculated and will be reported to the NECA Leadership Board for approval on 5th February and will be reported in more detail to the next meeting of the Joint Transport Committee. At this time it is assumed that the cost in 2019/20 will continue to be at or below the estimated cost in 2018/19. The contribution to fund these costs does not form part of the Transport levies and it will need to continue to be funded by all seven councils as a separate contribution in 2019/20.

## 2.12 **Regional Transport Team**

2.12.1 The Regional Transport Team budget is to support the Joint Transport Committee and North East LEP as a whole, on a seven authority basis. The budget includes salary costs and the items required to ensure a functional central resource across the JTC area including the development of the Transport Manifesto and Transport Plan and various research projects where value can be added at a regional level including modelling works, major schemes bid development, including Transforming Cities fund, the Freight Quality Partnership and other research studies. During the year the team has also taken on the role of providing support to the Consortium of East Coast Main Line Authorities (ECMA), the costs of which are partly met through a recharge to other member authorities. Staffing costs for 2019/20 assumes that staff within the team currently employed by Newcastle City Council will transfer to the employment of NECA with effect from 1 April 2019. This has the effect of reducing superannuation contributions to 0% from 2019/20 for several years (likely to be at least 4 years).

2.12.2 The budget for 2019/20 is proposed to be £0.823m which is a reduction of £0.148m compared to the original budget for 2018/19. This is due mainly to reductions in external funding for the team. This budget is summarised in the table below.

**Table 11: Regional Transport Team Budget**

	<b>2018/19 Original Budget</b>	<b>2018/19 Revised Forecast</b>	<b>2019/20 Proposed Budget</b>
Expenditure	<b>£000</b>	<b>£000</b>	<b>£000</b>
Staffing	487	368	447
Contribution to Proper Officer for Transport	29	29	40
LTP4 Development	50	11	50
Research and Grant Bid Development	199	145	180
Transforming Cities Fund support	0	0	100
Miscellaneous	6	7	6
Go Smarter Legacy (SUD Bid/Match Funding)	200	6	-
<b>Total Expenditure</b>	<b>971</b>	<b>566</b>	<b>823</b>
Funded by:			
LTP Integrated Transport Block	(500)	(500)	(500)
LGF Programme Management	(150)	(60)	(100)
Go Smarter Legacy Funding	(200)	(6)	(100)
Carried forward balances from previous years	(121)	-	(123)
<b>Total Funding</b>	<b>(971)</b>	<b>(566)</b>	<b>(823)</b>

## 2.13 Consultation

2.13.1 The draft transport budget proposals for 2019/20 were published in November, commencing the two-month consultation period required by the constitution. Meetings have been held with the NECA Audit and Standards Committee, NECA Overview and Scrutiny Committee, JTC Audit Committee and JTC Overview and Scrutiny Committee, with the North East England Chamber of Commerce and with officer groups including Chief Executives and Finance Directors.

2.13.2 A range of questions were raised and answered at the meetings. Comments received at the time of the preparation of this report are summarised below, with

initial responses. Further comments will be provided at the meeting, including any transport related comments from the public and the North East England Chamber of Commerce.

<b>Comment / Issue</b>	<b>Draft Response</b>
<p><b>NECA Audit Committee</b></p> <p>The Committee recognised the budget pressures facing councils and the efforts taken to maintain front line services. Members highlighted the need for levy reductions to be sustainable and highlighted the importance of sufficient officer capacity, particularly at senior level, being available to deliver the objectives of the JTC, and to provide resilience in the delivery of services, particularly by Nexus, given the need to maintain existing services and renew /extend the Metro system.</p>	<p>The issue of sufficient senior capacity within Nexus will be addressed by Nexus and through the establishment of the Proper Transport Officer arrangements and will be the subject of future reports to the Joint Transport Committee.</p> <p>The sustainability of any future levy changes will be a key issue for members of the JTC over the next few years.</p>
<p><b>JTC Audit Committee</b></p> <p>The members of the committee asked that further information be provided in the budget report about the assumptions behind the changes in the concessionary travel budgets for each of the three areas in 2019/20.</p> <p>The importance of sustainability of Transport funding in future years was highlighted.</p>	<p>Further details about the assumptions relating to concessionary travel costs have been included in this report and further information will be provide to members of the Audit and the Overview and Scrutiny committees. This will include information about how the settlements for concessionary travel payments are negotiated with the commercial operators.</p>
<p><b>JTC Overview and Scrutiny Committee</b></p> <p>Members asked whether the option of providing discretionary travel support for older people aged over 60 who had not reached state pension age and were not entitled to free concessionary travel had been considered. It was noted that discretionary travel had been provided in Merseyside and concessions were also given in London. A request was made that the Committee look at this issue as well as other issues related to concessionary travel as part of their work programme for 2019/20.</p>	<p>The Government had changed the eligibility age for statutory concessionary travel to bring it into line with the state pension age outside of London. This helped to contain the costs of concessionary travel funded by Government grant.</p> <p>While a couple of areas including Merseyside had made discretionary arrangements, this was at a significant additional cost. Although costs are difficult to predict due to uncertainty of the volume of usage, an indicative estimate of cost could exceed £10m a year, requiring a significant increase in</p>

	<p>the Transport Levies and/or considerable cuts in transport services.</p> <p>Information would be provided for the members of the Overview and Scrutiny Committee and the members of the JTC as part of the consideration of options for future years' budgets.</p>
<p><b>NECA Overview and Scrutiny Committee</b></p> <p>A range of questions were asked and answered. The background to the funding of the Tyne Tunnels was discussed in some detail, including the reason for the increase in toll income to keep pace with inflation and to cover the increased charges to TT2 the concession operator which increase in line with the RPI index each year.</p>	<p>Additional information is set out in the report ab the appendix about the background to the financing of the Tyne Tunnels by tolls and the need for increases to keep pace with inflation.</p>
<p><b>North East Chamber of Commerce</b></p> <p>The importance of maintaining good Transport systems to support business was highlighted. No specific points on the budget proposals were raised at the officer meeting with the NEECC. A written response is due shortly and any transport comments will be circulated.</p>	

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

- 3.1 The proposals are presented in this report to enable the Joint Transport Committee to set its budget for 2019/20.

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

- 4.1 Option 1: JTC may accept the recommendations set out in this report.  
Option 2: JTC may not accept the recommendations set out in this report.
- Option 1 is the recommended option. If the recommendations in this report are not agreed a special meeting of the JTC will need to be urgently arranged in order to agree a 2019/20 Transport Budget and Levies before the statutory date of 15<sup>th</sup> February.

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

- 5.1 The Transport Budget and levies agreed by the Joint Transport Committee will be included in the budget reports to the two combined authorities, who will formally issue the levies to the constituent councils. NECA will implement the proposals as the accountable body of the Joint Transport Committee and will produce regular

budget monitoring reports to the Joint Transport Committee during the year about the transport activities undertaken by the various delivery bodies during the year.

- 5.2 In the event that the budget and levies cannot be agreed unanimously at this meeting, a special meeting will be urgently arranged to consider and agree the levies for 2019/20 before the statutory date.

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

- 6.1 The JTC budget reflects the Transport policy objectives of the committee and is set at a level to deliver these objectives, within the funding constraints of the Levies.

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

- 7.1 Financial and other resource implications are summarised in the main body of the report.

- 7.2 The Chief Finance Officer is required to report to the Authority on the adequacy of proposed level of financial reserves. The proposed levels of reserves of around £0.4m for Tyne and Wear Transport and around £18m for the Tyne Tunnels are considered to be adequate. Reserves are also held separately by the various Transport delivery agencies.

## **8. Legal Implications**

- 8.1 The JTC must approve the transport budget, levies and tolls unanimously. The Leadership Board must approve the final overall budget proposals unanimously (incorporating the budget approved by the JTC). Transport Authorities (NECA and NTCA) are required to set their transport levies by 15 February proceeding the financial year to which they relate. The Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 specifies that this function is exercisable only by the joint transport committee.

## **9. Key Risks**

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

## **10. Equality and Diversity**

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

## **11. Crime and Disorder**

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

## **12. Consultation/Engagement**

- 12.1 The NECA Constitution requires that consultation on its budget proposals be undertaken at least two months prior to the budget being agreed. The draft

proposals have been subject to consultation with the Overview and Scrutiny Committee, Audit and Standards Committee, constituent councils and the North East England Chamber of Commerce. Comments raised as part of the consultation process have been taken into account in the preparation of the final report and details are set out in section 2.12.

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

13.1 There are no other impacts arising from this report.

### **14. Appendices**

- 14.1 Appendix 1 – Transport Levy Arrangements in Tyne and Wear  
Appendix 2 – NECA Transport Levy Budget  
Appendix 3 – Nexus Budget Proposals 2019/20 Detail  
Appendix 4 – Tyne Tunnels 2018/19 Forecast and 2019/20 Budget  
Appendix 5 – Government Funding of Concessionary Transport

### **15. Background Papers**

15.1 NECA Leadership Board Budget 2018/19 and Transport Levies report 16 January 2018

<https://northeastca.gov.uk/wp-content/uploads/2018/03/Leadership-Board-16-January-2018-Agenda-Pack.pdf>

JTC Budget and Transport Levies report 20 November 2018

<https://northeastca.gov.uk/wp-content/uploads/2018/11/North-East-Joint-Transport-Committee-20-November-2018-Supplemental-Agenda-Pack.pdf>

MHCLG Consultation paper “A review of local authorities’ relative needs and resources”

### **16. Contact Officers**

16.1 Paul Woods, Chief Finance Officer NECA, (as the accountable body for the Joint Transport Committee), [paul.woods@northeastca.gov.uk](mailto:paul.woods@northeastca.gov.uk), 07446936840

Eleanor Goodman, Principal Accountant NECA,  
[eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk), 0191 277 7518

### **17. Sign off**

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

## Appendix 1 – Transport Levy Arrangements in Tyne and Wear

### Transport Levy Arrangements – Apportionment on Population basis in Tyne and Wear

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

For the 2019/20 levy, this is the 2017 Mid-Year estimates published by the Office for National Statistics. The population estimates for 2016 and 2017 are set out in the table below. The population estimates for all five authorities have changed by different proportions, as set out in the table below.

	2016 MYE	2017 MYE	Change	
	People	People	People	Percentage
Gateshead	201,592	202,419	827	0.41%
Newcastle	296,478	295,842	-636	-0.21%
North Tyneside	203,307	204,473	1,166	0.57%
South Tyneside	149,418	149,555	137	0.09%
Sunderland	277,962	277,249	-713	-0.26%
<b>Total Tyne &amp; Wear</b>	<b>1,128,757</b>	<b>1,129,538</b>	<b>781</b>	<b>0.07%</b>

Apportioning the proposed levy of £61,100,000 gives the following figures for Tyne and Wear:

	2018/19 Levy	2019/20 Levy	Saving compared to 2018/19	
	£	£	£	%
Gateshead	11,037,261	10,949,433	-£87,828	-0.80%
Newcastle	16,232,316	16,002,955	-£229,361	-1.41%
North Tyneside	11,131,158	11,060,540	-£70,618	-0.63%
South Tyneside	8,180,709	8,089,866	-£90,843	-1.11%
Sunderland	15,218,556	14,997,206	-£221,350	-1.45%
<b>Total Tyne &amp; Wear</b>	<b>61,800,000</b>	<b>61,100,000</b>	<b>-£700,000</b>	<b>-1.13%</b>

### Background to Levy Arrangements

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

In establishing Combined Authorities with levying powers, Government required population to be used as the basis for levy apportionment. The JTC area, unlike other Combined Authority areas, includes three county areas with very different levels of cost and different

levels of grant funding. The difference in costs relates particularly to the cost of concessionary travel reimbursement, which is considerably higher in Tyne and Wear due to the high levels of travel on an urban transport network as well as higher levels of historic public transport borrowing costs. Both of these items are reflected in higher grants paid to Tyne and Wear authorities within revenue support grant. It was not therefore possible to have a single transport levy covering the whole JTC area and the amended levy arrangements established three separate levies through legislation: one for Durham County Council, one for Northumberland County Council and one for Tyne and Wear.

The difference in transport costs and levies between the three areas can be seen in the chart below:

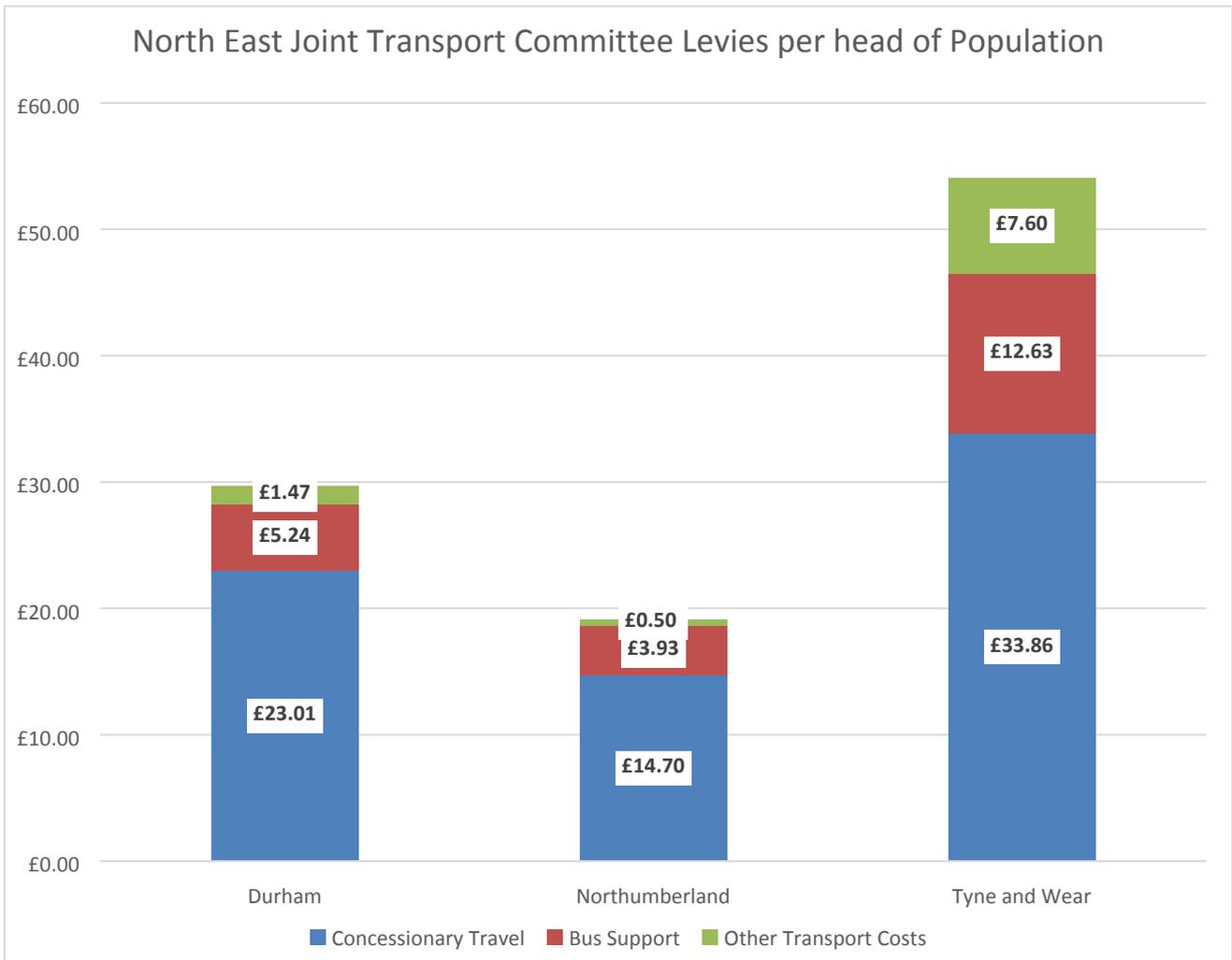
In Northumberland and Durham the vast majority of the Levy relates to grant paid back to the councils as the delivery agents for the operational transport activities in their areas. There is an additional charge to all three levies for cross-cutting transport activities for all parts of the JTC area. The calculation of the proposed charge for 2019/20 is set out below:

	Durham	Northumberland	Tyne & Wear	Total
	£	£	£	£
Internal/External Audit Fee (allocation for Transport)	500	500	34,000	35,000
Finance and Accounting	1,500	1,500	45,000	48,000
JTC Support Costs	3,000	3,000	15,000	21,000
TWSC Support Costs	0	0	11,000	11,000
Proper Officer for Transport	5,000	5,000	25,000	35,000
<b>Total</b>	<b>10,000</b>	<b>10,000</b>	<b>130,000</b>	<b>150,000</b>

### **Comparative Cost Analysis – Transport Budgets**

The relative levels of the levies are shown in the following chart, highlighting the very different cost per head of population in Northumberland and Durham compared with Tyne and Wear, mainly due to the higher costs of concessionary travel; supported bus services and capital financing costs.

**Chart 1: JTC Levies per head of population - 2019/20 Proposed Levies**

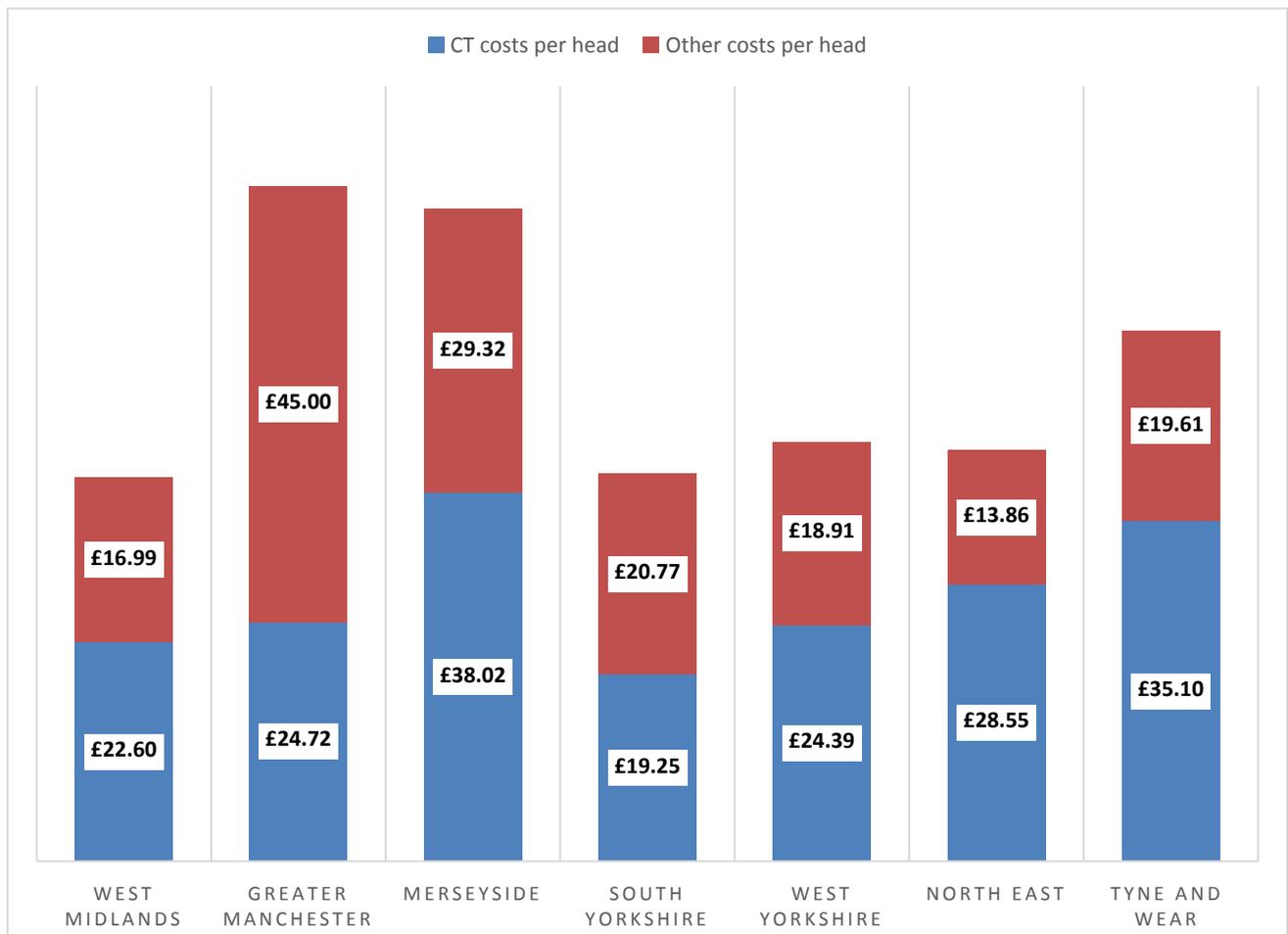


The costs per head of population in Tyne and Wear are higher because they reflect a significantly higher level of concessionary travel activity and the support for secured bus services to provide accessible transport services across the county. 'Other' also includes capital financing costs relating to transport schemes which are not included in the other levies.

In recent years the significant saving to districts in Tyne and Wear from reductions in the levy and retention of concessionary travel grants have resulted in total annual savings of £16m (18.5% in cash terms and over 22% in real terms) since 2011, with no material reduction or detrimental impact on service outcomes. At the same time population has risen slightly by 0.5%.

A comparison of levy per head of population in metropolitan areas for 2018/19 (the most recent year for which data is published) shows that while Tyne and Wear had the third highest levy per person at £55, this was a direct result of the higher concessionary travel costs due to its high proportion of the population who are ENCTS pass holders, and pass holders' extensive use of the pass.

**Chart 2: Relative Transport costs per head of population – 2018/19 costs**



\*Greater Manchester includes capital financing for transport activity and has been adjusted between their Transport and Waste Levy in order to show the true level of transport costs.

## Appendix 2 –Transport Levy Budget

	2018/19 Original £	2018/19 Revised £	2019/20 Original £
<b>Transport Levies</b>			
Durham	(15,696,866)	(15,696,866)	(15,561,536)
Northumberland	(6,150,880)	(6,150,880)	(6,104,370)
Tyne and Wear	(61,800,000)	(61,800,000)	(61,100,000)
<b>Total Levies</b>	<b>(83,697,746)</b>	<b>(83,697,746)</b>	<b>(82,765,906)</b>

<b>Transport Grants</b>			
Durham	15,691,866	15,691,866	15,551,536
Northumberland	6,145,880	6,145,880	6,094,370
Tyne and Wear (Nexus)	59,700,000	56,366,667	55,666,667
Metro Fleet Replacement reserve	-	3,333,333	3,333,333
<b>Total</b>	<b>81,537,746</b>	<b>81,537,746</b>	<b>80,645,906</b>

<b>Centrally Held Costs (mainly Tyne and Wear)</b>			
Service Level Agreement	220,000	205,630	200,000
External Audit Fee (Transport element)	13,000	15,000	15,000
Independent Members Allowances and expenses (Transport element)	5,000	5,000	5,000
Conferences, Travel and Subsistence	2,000	500	2,000
IT Development/Website	12,000	12,000	12,000
Supplies and Services	10,000	5,000	10,000
Transport Joint Committee Support	50,000	20,000	70,000
Transforming Cities Fund Bid Support	-	48,870	21,000
Repayment to Tyne Tunnels (for Pension Deficit payment)	240,000	240,000	240,000
Financing Charges – Interest and DME	1,028,900	1,028,600	1,015,900
Financing Charges – MRP	529,100	529,100	529,100
<b>Net Expenditure</b>	<b>2,110,000</b>	<b>2,110,000</b>	<b>2,120,000</b>

Contribution (to)/from Reserves 0 0 0

<b>Tyne and Wear Transport Reserve</b>	2018/19 Original	<b>2018/19 Revised</b>	<b>2019/20 Original</b>
Reserves brought forward	(475,000)	(513,000)	(513,000)
Reserves contribution in year	-	-	
Reserves carried forward	(475,000)	(513,000)	(513,000)

## Appendix 3 – Nexus Revenue Budget

### Nexus Revenue Budget 2019/20 and Indicative Forecast to 2021/22

#### A Recap: Nexus Budget Performance 2018/19

1. At its January 2018 meeting, the Leadership Board agreed that Nexus could run a budget deficit amounting to £1.934m in 2018/19, which would be funded using its reserves.
2. In the Revenue Budget Monitoring Report to Transport North East Committee on 11 October 2018, Nexus reported that it had made a permanent reduction to its base budget and it was now reporting a £1.200m surplus for 2018/19. Further to this, another permanent budget adjustment of £0.225m relating to employee costs has been made, reducing the surplus to £0.975m.
3. The adjustments to Nexus' base budget are shown in the table below:

	£m	£m
<b>Base budget deficit 2018/19</b>		<b>1.934</b>
<b>Budget Savings</b>		
Concessionary travel	(0.830)	
Metro fare income	(0.800)	
High voltage power	(0.500)	
Secured services	(0.310)	
Investment income	(0.080)	
Scholars income	(0.200)	
Employees	(0.075)	
Other	(0.257)	(3.052)
<b>Budget Pressures</b>		
Commission income	0.060	
Inflationary adjustments	0.058	
Departure charges	0.025	0.143
<b>Nexus revised base budget surplus 2018/19</b>		<b>(0.975)</b>

#### Formulation of the 2019/20 Budget and Corporate Objectives

4. The achievement of a range of efficiency savings in the current year has placed Nexus in a good position. Moving into 2019/20, Nexus will be able to set a balanced budget, save for the proposed £0.700m cut to its grant from the Joint Transport Committee, which will be funded from the revenue reserve.
5. This means Nexus will be able to maintain frontline services next year and its corporate objectives, as endorsed by the Joint Transport Committee's Tyne and Wear Sub-

Committee in November 2018 (minute 5 refers) include a range of positive initiatives, whereby during 2019/20 Nexus will:

- Award contracts to design, build and maintain a new fleet of trains for the Tyne and Wear Metro and to design and build a new depot.
- Improve customers' journey experience on Metro.
- Continue the programme to modernise the Metro with track renewal, replacement of overhead power lines and the opening of a new Transport Interchange in South Shields.
- Open the new Learning Centre in South Shields, to provide a step change in how Nexus develops its people and makes Nexus an employer of choice.
- Ensure the North East's priorities for transport are properly reflected in Transport for the North's (TfN's) investment plans.
- Develop plans to expand Metro and local rail services, connecting communities not currently served by either Metro or Northern rail services.
- Implement organisational change to deliver efficiencies, ensuring Nexus achieves value for money.
- Protect levy funded frontline services and discretionary concessionary travel schemes.
- Develop plans to improve the local bus network and the use of new mobility services.
- Deliver technological improvements, which will benefit customers and encourage wider use of public transport.

6. However, without any improvements to its funding over the medium term Nexus will need to work with the Sub-Committee (and the Joint Transport Committee) in regards possible service reductions during 2020/21 and future years.

### **Budget 2019/20**

7. The table below shows the movement 'base on base'.

	£m	£m
<b>Base budget 2018/19</b>		<b>(0.975)</b>
Grant Funding	0.321	
Metro Farebox	(0.743)	
Employees	1.758	
Key Contracts	1.614	
Savings	(1.274)	1.675
<b>Base budget 2019/20</b>		<b>0.700</b>

8. The key movements are discussed in further detail below:

- a. Grant Funding – as previously highlighted, the grant from the Joint Transport Committee is set to reduce by £0.700m whilst Metro Rail Grant which is set to increase, is estimated to do so by a lesser amount (£0.379m);

- b. Metro Farebox – the revenue estimate for 2019/20 includes the impact of the January 2019 fares review as agreed at the Joint Transport Committee, Tyne and Wear Sub Committee on 30 November 2018. Whilst Metro farebox is currently estimated to grow by £0.743m in 2019/20, it should be recognised that there remains a degree of volatility in regards to this budget and a 1% adverse variance would eradicate two-thirds of this estimated growth;
  - c. Employees – comprising pay inflation and incremental progression;
  - d. Key Contracts – comprising inflationary pressures relating to key contracts such as High Voltage Power, the Network Rail Track Access Charge, South Shields Transport Interchange and Secured Bus Services;
  - e. Savings – Other savings have been made across the revenue budget with the major savings being in relation to the English National Concessionary Travel Scheme (ENCTS) and ICT Infrastructure.
9. Outside of the budget highlighted in the table above is an item of expenditure amounting to £1.560m, which in line with accounting treatment at the end of 2017/18, relates to critical investment in the ageing fleet of Metrocars. This cost will be capitalised in 2018/19 (and 2019/20) and earmarked to fund an expected increase in costs during the period in which the Train Services Agreement (TSA) for the maintenance of the new fleet will also extend to the existing fleet, prior to its disposal. This item is being retained within the base revenue budget such that it is available to fund the TSA once the contract for maintenance of the fleet becomes operational from 2020/21.
10. In addition, for the third consecutive year, during 2019/20 there will be a contribution of £3.333m to the Metro Fleet Renewal reserve, funded by a temporary, one-off adjustment to the grant payable to Nexus. This will increase this reserve, which is held by the NECA on Nexus' behalf, to £10.000m thereby achieving the £25.000m match funding contribution required by the DfT (the other £15.000m is held separately by Nexus in its own capital reserve). This expenditure item is also not reflected in the budget detailed in the table above.
11. The table at paragraph 22 and at Annex 1 provides a breakdown of the amount of funding each service area will place reliance on in respect of the Joint Transport Committee grant in 2019/20. This is after internal recharges for indirect activities and overheads, commercial revenue generated in the delivery of the service, government grant and releases from the capital grants deferred account. In regards this latter point, an unusable reserve is established when a fixed asset funded by government grant is acquired, so that in future years, the reserve is released from the balance sheet to match (offset) the depreciation charged to the revenue account reflecting the use of the asset in the provision of services. The majority (but not all) of Nexus' depreciation is offset in this way, reflecting the major reliance upon government grant as a means of investing in its asset base, in particular the Tyne and Wear Metro system.
12. Whilst Annex 1 illustrates how each service area is to be funded from the Joint Transport Committee grant in 2019/20, it does not breakdown the Nexus budget in its entirety. This is provided in more detail at Annexes 2, 3 and 4 which illustrates:-

- The full range of cost centres where income and expenditure is recorded in pursuit of Nexus' business plan objectives (refer to Annex 2)
- The net cost of Nexus' support services and other indirect activities for example, Legal Services, Health and Safety, Retail Sales etc. which are fully allocated across the service areas included in Annex 1 (refer to Annex 3)
- A 'subjective analysis' of Nexus' gross income and expenditure, for example, Employee costs, Premises costs, Transport related expenditure etc. (refer to Annex 4)

13. Further narrative in relation to Joint Transport Committee grant funded expenditure is detailed below:-

- **ENCTS** - £34.529m, comprising the net cost of the ENCTS in Tyne and Wear which is a statutory obligation placed upon Nexus as the Travel Concession Authority (TCA). Expenditure is dependent upon the numbers of passengers using the Scheme, the fare that would have been paid (to the bus operator) if the Scheme did not exist and an estimate of the additional costs of meeting the increased demand caused by the existence of the Scheme. TCA's and bus operators utilise DfT guidance in determining the value of payments due but in essence, Nexus has virtually no control over this sizeable burden on its Joint Transport Committee grant funded expenditure.
- **Discretionary CT** - £3.720m, comprising the discretionary add-ons to the ENCTS (the all day disabled pass, the companion pass, post 2300 hour boardings, and pre 0930 hour boardings for the purposes of attending medical appointments), the Metro Gold Card Scheme, the Under 16 Scheme and Teen Travel.
- **Metro** - £1.454m, comprising the contribution that the Joint Transport Committee grant makes to the cost of Metro operations. This also includes a budget for the internal and external resources required for the replacement of the Metrocar fleet, together with the the development of proposals for future extensions.
- **Ferry** - £1.008m, comprising staffing, fuel, maintenance, cleaning and security.
- **Local Rail** - £0.189m, comprising the cost of Nexus' involvement in the franchise management arrangements of Northern Rail and Trans Pennine Express. This includes servicing the North East Rail Management Unit on behalf of the Joint Transport committee.
- **Bus Services** - £11.731m, mainly comprising secured bus services which necessarily involves the following types of service provision:
  - All day services
  - Scholars services
  - Works / Early Morning services
  - Evenings and weekend extensions

- Route diversions
  - Taxibus and Community Transport
- **Bus Infrastructure** - £2.531m, comprising staffing, cleaning, maintenance and security of bus interchanges, stations and shelters.
  - **Public Transport Information** - £1.206m, comprising website design and maintenance, printed material including Bus, Metro and Ferry timetables (including bus stop liners), call handling and the provision of electronic information for journey planning.

## **Nexus' Reserves**

14. In agreeing Nexus' revenue budget for 2019/20, particularly bearing in mind that there will be a requirement to use £0.700m of reserves, the Joint Transport Committee will need to pay due regard to Nexus' reserves position and its overall financial standing.
15. Nexus has usable reserves, which are classified as revenue and capital. The balance at 31 March 2018 was £47.900m with £14.747m classified as revenue and £33.153m classified as capital.
16. After taking into account the forecast surplus in 2018/19 together with adjustments relating to one-off items such as ferry landing repairs and the planned release of £1.560m to the fleet transition reserve (paragraph 9 refers) the balance on Nexus' usable revenue reserve as at 31 March 2019 is forecast to be £16.974m. This will increase to £17.834m in 2019/20 following:
- Servicing the planned £0.700m deficit; and
  - A further release of £1.560m to the fleet transition reserve.
17. The table at paragraph 22 below shows the medium term forecast 'at standstill' and with revenue reserves also earmarked for planned commitments such as the release of £4.680m for fleet transition from 2021/22, if expenditure commitments are left unchecked and income does not grow significantly, Nexus' revenue budget is not sustainable.
18. The balance on Nexus' capital reserve as at 31 March 2019 is forecast to be £32.162m. Of this, £15.000m has previously been earmarked to part fund the local contribution necessary to pay for the new fleet of Metrocars and £3.912m to fund expenditure required on digital asset renewals and the Ferry, something that is explained in the capital programme report considered elsewhere on this agenda.
19. Additionally, and as further explained in the capital programme report, because Nexus' existing funding agreement with DfT for the Metro Asset Renewal Programme ends in 2020/21, £8.208m of capital reserves has been set aside in order to provide for over-programming. The implication of having to do this means that Nexus' capital reserves balance at 31 March 2022 is forecast to reduce significantly, to around £6.033m, although capital reserves would be higher than this, should Nexus' application to the government's

next spending review (SR19) be successful. At this point, some of this reserve would be unearmarked and therefore available for other uses, possibly by this time next year.

### **Balancing the Budget beyond 2019/20**

20. Looking towards 2020/21 and 2021/22, without improvements to its current level of funding from the Joint Transport Committee and Nexus' future likely expenditure commitments at 'standstill', it is probable that service reductions will be necessary.

21. It is likely that potential service reductions will need to be in the context of previous consultation carried out by Nexus (under the NECA's Tyne and Wear Transport Sub-committee's direction) during the summer of 2016. Members will recall that because of the way in which Metro is funded i.e. it places little reliance on grant provided by the NECA, it was specifically excluded from the consultation. Of those services that were consulted on, broadly speaking, the consultation showed a preference for the following services, in priority order:-

- i. Bus services, Group travel and Ferry Services
- ii. Public Transport Information
- iii. Local Discretionary Concessions
- iv. Bus Waiting Facilities
- v. Major Projects (although members of the Sub-Committee did express a strong view that Nexus' ability to part fund Major projects and/or pay for their development was vitally important).

22. At 'standstill' Nexus' expenditure requirement will continue to grow and without improvements to the grant it receives from the Joint Transport Committee the base budget imbalance will increase. The base budget imbalance in 2020/21 will therefore be £3.399m, and this could increase to £6.744m by 2021/22. This is shown in the table below with the 2018/19 revised base budget also shown as a comparator:

<b>FINANCIAL SUMMARY</b>	<b>2018/19 Net</b>	<b>2019/20 Net</b>	<b>2020/21 Net</b>	<b>2021/22 Net</b>
<b>Service Area</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
ENCTS	34.977	34.529	34.594	35.350
Discretionary CT	3.717	3.720	3.679	3.867
Metro	0.572	1.454	3.605	5.283
Ferry	1.027	1.008	1.062	1.128
Local Rail	0.113	0.189	0.199	0.215
Bus Services	11.330	11.731	12.116	12.615
Bus Infrastructure	2.045	2.531	2.576	2.632
Public Transport Information	1.612	1.206	1.234	1.321
<b>TOTAL REQUIREMENT</b>	<b>55.392</b>	<b>56.367</b>	<b>59.066</b>	<b>62.411</b>
JTC GRANT (LEVY)	(56.367)	(55.667)	(55.667)	(55.667)
<b>(SURPLUS)/DEFICIT</b>	<b>(0.975)</b>	<b>0.700</b>	<b>3.399</b>	<b>6.744</b>

23. The reason for the growth in the net budget is largely because ‘at standstill’ Nexus’ expenditure commitments e.g. pay inflation, ENCTS reimbursement, other key contractual obligations (High Voltage Power, the Network Rail Track Access Charge and Secured Bus Services) increase at a faster rate than the growth in fare revenue, whilst grant income continues to reduce. In addition, at this stage, the £3.333m saving referred to in paragraph 10 above has not been factored into the medium term forecast. The extent to which Nexus can reasonably expect to utilise this funding is dependent on the March 2019 pension valuation.
24. Nexus’ overall position would be clearly exacerbated should the grant receivable from the Joint Transport Committee reduce any further than the indicative levels set out in this report.
25. And, it should be noted that at this stage, the assumption in 2020/21 and 2021/22 is that Metro (revenue) Rail Grant will continue at the 2019/20 level. However, this is far from certain and is contingent upon further negotiations with the Department for Transport (DfT) and HM Treasury with an application for future funding being made through the next government spending review (SR19). In this regard, work is underway to discuss with the Joint Committee’s Tyne and Wear Sub-Committee, the implications of reductions in Nexus’ revenue grant funding from DfT. A report will be presented to the Sub-Committee meeting scheduled to take place on 31 January 2019.
26. Further, Nexus is in receipt of over £1m in respect of other DfT grant, namely Bus Service Operator Grant (BSOG) and Rail Administration Grant (RAG) both of which are included

in the medium term financial forecast at current levels, but the certainty surrounding the future of both of these grants remains unclear and represent a further risk in Nexus' budget.

## ANNEX 1 – Nexus Summary Revenue Budget Requirement 2019/20

### Revenue Budget 2019/20

	Direct Costs	Income	Net Direct Costs	Indirect Costs	Grants	Loan Interest	Capital Adjustments	2019/20 Net
	£m	£m	£m	£m	£m	£m	£m	£m
ENCTS	34.999	(1.094)	33.905	0.647	0.000	0.000	(0.023)	34.529
Discretionary CT	11.193	(7.688)	3.504	0.223	0.000	0.000	(0.008)	3.720
Metro	92.460	(49.640)	42.820	7.904	(26.090)	1.283	(24.463)	1.454
Ferry	1.139	(0.338)	0.801	0.407	0.000	0.017	(0.218)	1.008
Local Rail	0.216	0.000	0.216	0.215	(0.252)	0.017	(0.007)	0.189
Bus Services	13.887	(2.476)	11.410	1.248	(0.891)	0.012	(0.048)	11.731
Bus Infrastructure	2.793	(0.617)	2.176	0.489	0.000	0.279	(0.414)	2.531
Public Transport	0.603	(0.096)	0.507	0.857	0.000	0.035	(0.194)	1.206
<b>TOTAL REQUIREMENT</b>	<b>157.290</b>	<b>(61.951)</b>	<b>95.340</b>	<b>11.990</b>	<b>(27.233)</b>	<b>1.643</b>	<b>(25.373)</b>	<b>56.367</b>
<b>JTC GRANT (LEVY)</b>								<b>(55.667)</b>
<b>DEFICIT</b>								<b>0.700</b>

## ANNEX 2 – Detailed Nexus Revenue Budget 2019/20

Service Area	Direct Costs £m	Income £m	Indirect Costs £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
ENCTS - Bus	34.999	(1.094)					33.905
<b>ENCTS</b>	<b>34.999</b>	<b>(1.094)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>33.905</b>
Discretionary CT - Bus	4.717	(1.212)					3.504
Discretionary CT - Ferry	0.120	(0.120)					0.000
Discretionary CT - Metro	6.356	(6.356)					0.000
<b>Discretionary CT</b>	<b>11.193</b>	<b>(7.688)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>3.504</b>
<b>METRO</b>							
Fleet Replacement	1.028						1.028
Network Extensions	0.697						0.697
<b>Metro Futures</b>	<b>1.725</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.725</b>
Metro Farebox Inc. Car Parks Ticketing & Gating	0.918	(47.920)					(47.002)
Automatic Fare Collection	1.180						1.180
	1.438						1.438
<b>Fare Collection &amp; Revenue</b>	<b>3.536</b>	<b>(47.920)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(44.384)</b>
Commercial Operations and safety	11.532	(0.743)					10.789
Engineering	10.057	(0.064)					9.993
Customer Services	8.309	(0.007)					8.302
Other	9.719	(1.702)					8.017
	4.287	0.800					5.086
<b>Metro Operations</b>	<b>43.904</b>	<b>(1.717)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>42.187</b>
Metro - Rates	1.650						1.650
Metro - Insurance	1.420						1.420
Metro - Depreciation	25.441						25.441
<b>Metro - Other</b>	<b>28.512</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>28.512</b>
HV Power	6.637						6.637
Planning	1.046						1.046
Performance Programme	1.046						1.046
Assurance Office	0.076						0.076

Engineering	0.217						0.217
Buildings & Infrastructure	3.359	(0.002)					3.357
Management & Administration	0.104						0.104
Permanent Way	1.516						1.516
Power Supplies	0.609						0.609
Signalling	1.067						1.067
Stores	0.148	(0.001)					0.147
Renewals	0.005						0.005
<b>Infrastructure Management</b>	<b>14.783</b>	<b>(0.003)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>14.780</b>
<b>Metro</b>	<b>92.460</b>	<b>(49.640)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>42.820</b>
Ferry	1.139	(0.338)					0.801
<b>Ferry</b>	<b>1.139</b>	<b>(0.338)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.801</b>
Local Rail	0.216						0.216
<b>Local Rail</b>	<b>0.216</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.216</b>
Contract Management	0.245						0.245
Network Management	0.300						0.300
TaxiCard	0.403	(0.078)					0.325
Secured Bus Services	12.938	(2.398)					10.540
<b>Bus Services</b>	<b>13.887</b>	<b>(2.476)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>11.410</b>
Bus Infrastructure	2.793	(0.617)					2.176
<b>Bus Infrastructure</b>	<b>2.793</b>	<b>(0.617)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.176</b>
Information	0.603	(0.096)					0.507
<b>Public Transport Information</b>	<b>0.603</b>	<b>(0.096)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.507</b>
<b>INDIRECT COSTS</b>							
Pensions and Provisions			1.965				1.965
Investment Income			(0.400)				(0.400)
Democratic & Exec			0.854				0.854
<b>Central Other</b>	<b>0.000</b>	<b>0.000</b>	<b>2.420</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.420</b>
Media & Communications			0.342				0.342

Print and distribution			0.141				0.141
Marketing			0.374				0.374
Customer Services			0.807				0.807
Retail Sales			0.397				0.397
<b>Customer Services and Communications</b>	<b>0.000</b>	<b>0.000</b>	<b>2.060</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.060</b>
Administration & Secretarial			0.125				0.125
Legal Services			0.259				0.259
Finance and Audit			0.798				0.798
Procurement			0.155				0.155
Estates			0.805				0.805
Human Resources			0.523				0.523
ICT			2.780				2.780
<b>Finance and Resources</b>	<b>0.000</b>	<b>0.000</b>	<b>5.445</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>5.445</b>
Health and Safety			0.965				0.965
<b>Health and Safety</b>	<b>0.000</b>	<b>0.000</b>	<b>0.965</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.965</b>
Corporate Planning			1.101				1.101
<b>Transport Strategy</b>	<b>0.000</b>	<b>0.000</b>	<b>1.101</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.101</b>
<b>Indirect Costs</b>	<b>0.000</b>	<b>0.000</b>	<b>11.990</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>11.990</b>
Loan Charges					1.643		1.643
Released from:						(1.291)	(1.291)
-Capital Reserves						(24.082)	(24.082)
-Capital Grants							
<b>Asset Financing</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.643</b>	<b>(25.373)</b>	<b>(23.730)</b>
Bus Operators Grant				(0.891)			(0.891)
Rail Admin Grant				(0.252)			(0.252)
Metro Rail Grant				(26.090)			(26.090)
<b>Grants</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(27.233)</b>	<b>0.000</b>	<b>0.000</b>	<b>(27.233)</b>
<b>TOTAL REQUIREMENT</b>	<b>157.290</b>	<b>(61.951)</b>	<b>11.990</b>	<b>(27.233)</b>	<b>1.643</b>	<b>(25.373)</b>	<b>56.367</b>
JTC Grant				(55.667)			(55.667)

<b>JTC Grant<sup>1</sup></b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(55.667)</b>	<b>0.000</b>	<b>0.000</b>	<b>(55.667)</b>
<b>DEFICIT / (SURPLUS)</b>	<b>157.290</b>	<b>(61.951)</b>	<b>11.990</b>	<b>(82.900)</b>	<b>1.643</b>	<b>(25.373)</b>	<b>0.700</b>

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<sup>1</sup> After retention by the JTC of £3.333m for fleet investment

### ANNEX 3 – Overhead Allocation 2019/20

Indirect Cost Centre	£m	Service Area	£m
Investment Income	(0.400)	ENCTS	0.647
Pensions	0.963	Discretionary CT	0.223
Democratic Services & Executive	0.854	Metro	7.904
Administration & Secretarial	0.125	Ferry	0.407
Health and Safety	0.965	Local Rail	0.215
Legal Services	0.259	Bus Services	1.248
Human Resources	0.523	Bus Infrastructure	0.489
Finance	0.798	Public Transport Information	0.857
Corporate Planning	1.101		
Procurement	0.155		
Information Technology	3.782		
Retail & OSS	1.204		
Media & Communications	0.342		
Marketing & Print Unit	0.514		
Property Admin	0.805		
<b>Total Indirect Costs</b>	<b>11.990</b>	<b>Total Indirect Costs</b>	<b>11.990</b>

## ANNEX 4 – Subjective Analysis 2019/20

	£m	£m
<b>Expenditure</b>		
Employees Inc. Pensions		45.539
Premises		2.229
Transport		0.347
Supplies & Services / Contracted Services		
Concessionary Fares	46.006	
Secured Bus Services	12.854	
General Supplies and Services	15.234	
High Voltage Power	6.637	
NWR Track Access		
Insurance	1.420	
Policing	1.162	93.614
Depreciation		26.987
Loan Interest		1.643
Contingency		0.565
<b>Total Expenditure</b>		<b>170.924</b>
<b>Income</b>		
Commercial Income	(61.951)	(61.951)
Grants		
JTC	(55.667)	
MRG	(26.090)	
BSOG	(0.891)	
RAG	(0.252)	(82.900)
Deferred Capital Grants		(25.373)
Contribution from Reserves		(0.700)
<b>Total Income</b>		<b>(170.924)</b>

## Appendix 4 – Tyne Tunnels Budget 2019/20

The Tyne Tunnels are fully funded from tolls paid by tunnel users. No government funding was made available for the construction of the second Tyne Tunnel (which opened in 2011) and refurbishment of the first tunnel which was completed in the same year. The works were funded by a combination of public sector and private sector borrowing, through a Public Private Partnership contract with a private sector concessionaire who designed and built the new tunnel and operate the tunnels under a concession contract awarded to TT2 Ltd which runs until 2037. The public sector borrowing was taken out by the then Tyne and Wear Integrated Transport Authority, and is to be repaid over a 50 year period. The current balance associated with the Tyne Tunnels is £128.662m.

Contract payments to TT2 are calculated with reference to the traffic using the tunnels, and increase with Retail Price Index (RPI) inflation. As a result, actual tolls levied on users are required to increase to keep pace with these payments, so the toll is maintained in real terms over the life of the contract. Under the River Tyne (Tunnels) (Modification) Order 2011, tolls can be increased in increments of 10p once such an increase has been triggered by an increase in the RPI. Tolls increases have been in line with expectations presented at the development stage of the New Tyne Crossing project.

Tunnels reserves are held in order to manage risks associated with NECA's ownership of the tunnels, to meet any small in-year deficits which may arise on the tunnels revenue account and to deal with any changes which may arise from changes in accounting treatments in future years.

	2018/19 Original	2018/19 Revised	2019/20 Original
	£000	£000	£000
Tolls Income*	(25,970)	(26,730)	(28,090)
Contract payments to TT2	19,480	20,298	21,197
Employees	33	-	-
Pensions	54	50	52
Support Services	80	95	95
Supplies & Services	35	30	35
Community Fund	10	-	10
Financing Charges	6,579	6,594	6,966
Interest/Other income	(50)	(90)	(50)
Repayment from ITA for use of reserves	(240)	(240)	(240)
<b>Deficit (Surplus) on Tyne Tunnels revenue account met from reserves</b>	<b>11</b>	<b>7</b>	<b>(25)</b>

\*Toll Income includes an assumed inflation increase in tolls for class 2 vehicles (cars) of 10p and 20p for class 3 (larger vehicles) for 2019/20.

<b>Tyne Tunnels Reserves b/f</b>	(20,003)	(22,302)	(18,452)
Deficit on Tyne Tunnels revenue account met from reserves	11	7	(25)
Capital Expenditure funded from Reserves	3,600	3,540	260
NESTI Expenditure funded from Reserves	303	303	300
<b>Tyne Tunnels Reserves c/f</b>	<b>(16,089)</b>	<b>(18,452)</b>	<b>(17,917)</b>

## Appendix 5 - Government Funding of Concessionary Transport

There are significant issues relating to the Government's current and future funding of Concessionary Travel. This appendix highlights specific areas of concern in relation to the level of the current funding of Concessionary Travel for 2019/20, which were reflected in my response to the Provisional Local Government finance settlement for 2019/20, which had to be submitted by 10 January. In addition there are significant issues in relation to the Government's latest proposal for the funding of Concessionary Travel in future years (potentially from 2020/21 onwards), which will need to feature in responses to the consultation on which is due to be submitted by 21 February 2019.

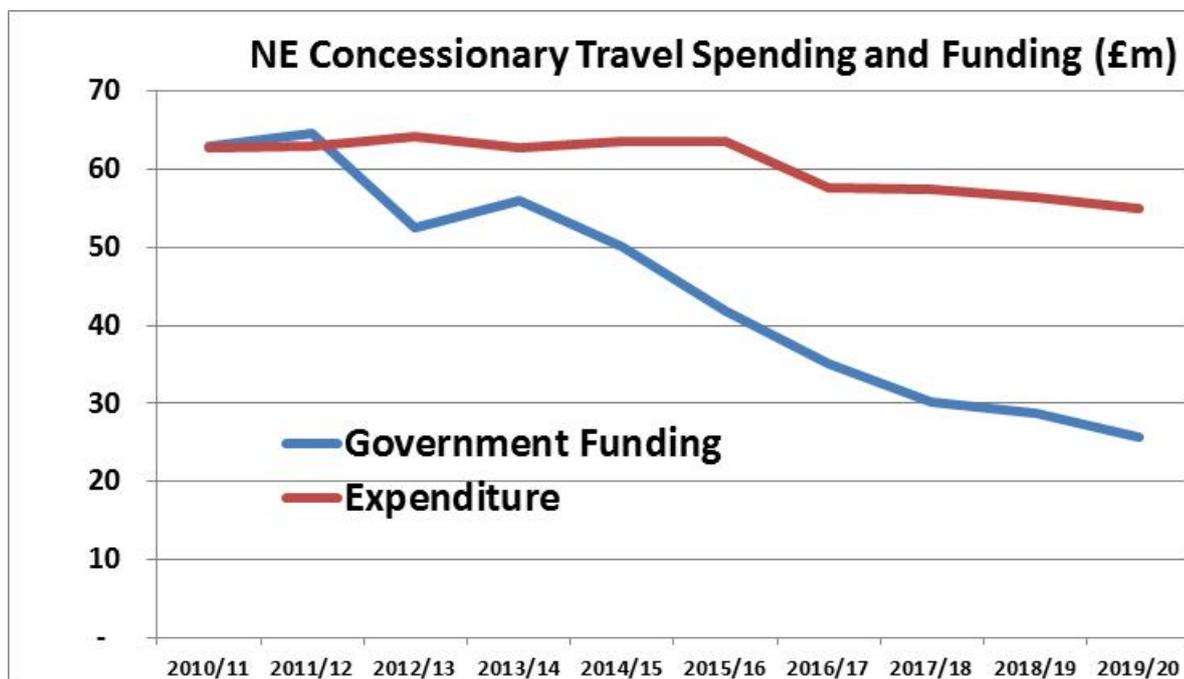
### 2019/20 LOCAL GOVERNMENT FINANCE SETTLEMENT – TRANSPORT FUNDING

The submission highlighted concerns about the continuing cuts in Government funding for transport services in the Local Government Finance Settlement and in particular the growing funding gap for the statutory national concessionary travel scheme.

The following chart highlights the major problem of the underfunding of concessionary travel costs in the North East, which is reflective of the national position.

While the headline announcement of provisional settlement focusses on an increased spending power for Local Government on 2.8%, the reality of the change in Government formula funding for upper tier services continues to be a significant cut in Government 'funding'. This is a particular concern for services such as Concessionary Travel where the mainly statutory nature of costs mean that there is a growing gap between costs and funding.

It is difficult to be precise about the level of Government Funding as it is not separately identified and transparent in the Local Government settlement. However, I have been able to provide an estimate of the position, which is reflected in the following chart for the NE which also reflects the national position in terms of the profile of cuts in funding.



The chart demonstrates our estimate of how grant has been cut since 2011/12 and our view of a further 10% cut in grant funding for Upper Tier services after excluding the visible lines of grant funding for non-transport services in 2019/20.

The above chart takes into account the funding from localized business rates and we estimate that next year the funding gap is around £29m, with around 47% of costs being funded by Grant or Business rates.

Given that the main cost drivers of statutory concessionary travel are a product of the numbers eligible for the concession and usage of the 'free bus pass' together with the fare that commercial bus operators charge for their services, Councils and in our metropolitan area, the Passenger Transport Executive, have no control over these costs. This is evidenced by the fact that it is one of the few lines of spending that has actually increased nationally and locally over the last five years.

Costs are higher in the North East due to very low car ownership among elderly people. In addition, there are other issues in our metropolitan area which need to be highlighted. For instance, the Tyne and Wear Metro, which offers an alternative to bus travel for many residents also provides a concessionary fares scheme for the elderly and disabled, but the costs associated with this scheme are not recognised. And, work that we have done to estimate the impact of withdrawing the concession on Metro will actually add to our cost base because in those circumstances, demand for the free concession on bus will increase and the associated costs will exceed the income that Metro will generate by charging a commercial fare to those previously eligible for the concession. Further, working to protect secured bus routes in Tyne and Wear has had a perverse effect on the costs of concessionary travel since elderly and disabled residents are often users of these key services.

The Combined Authority will again be cutting its overall Transport Levy next year. Providing accessible transport is a priority for the North East Joint Committee and next year we will be protecting transport services by temporarily using reserves until the funding issues are addressed. However this is clearly not sustainable in future years, particularly when the gradual increase in the age at which people become eligible for the ENCTS reaches 66, at which point we anticipate a significant uplift in our costs as the number of those satisfying the eligibility criteria will at first settle and then begin to increase. We will therefore be developing options and consulting on significant cuts to transport services from 2020 onwards. This would potentially include cuts in discretionary services, such as secured bus services and discretionary fares. This would mean withdrawing non-commercial bus services for all ages, including people trying to get to work outside of peak travel times and from more rural or sparsely populated areas.

The Joint Transport Committee that covers both Combined Authorities would like to understand what the Department will do to reduce the funding gap for the cost of the scheme over the next few years to match the cut in their funding, so that we can avoid particularly damaging cuts to transport services for children, students, workers and the elderly.

We had hoped that the Government would properly fund concessionary travel as part of the Fair Funding review. However, the latest consultation paper fails to mention any of the detailed evidence that the NECA has provided about the reality of the cost drivers for concessionary travel and the importance of fully funding concessionary travel. We are most

concerned that the proposal for the distribution of funding by way of a foundation formula will create an even wider funding gap and create a less fair funding system in future years.

### **Consultation on “A review of local authorities’ relative needs and resources”**

On 13 December then Government published a consultation paper, which set out proposals for the potential distribution of funding for Local Government Services. Responses must be returned by 21 February 2019.

The consultation paper was a detailed paper covering all service areas and resources. A small section of paper covered the treatment of Transport services including Concessionary Travel. The paper proposes that transport services including Concessionary Transport are included in a general Foundation Formula for upper – tier services and Question 3 in the paper asks for views on the best treatment of Home to School transport and concessionary Travel?

The sections in the paper deadline with transport are shown below.

“

#### **Concessionary transport**

- 2.2.77. Upper tier local authorities have a statutory responsibility to provide free or concessionary transport for specific groups of people, which means that they have little control over the costs they incur in providing these services.
- 2.2.78. In the case of children, authorities must provide free **Home to School Transport** for a child attending the nearest suitable school if:
- this is over a prescribed distance from their home,
  - they are unable to walk to school because of special educational needs, disability or mobility problems, and
  - they cannot reasonably be expected to walk there because the nature of the route is deemed unsafe.
- 2.2.79. Expenditure across mainstream and special educational needs pupil transport was over £1bn<sup>10</sup> nationally in 2017-18. At present, funding for home-to-school transport is distributed via the ‘Central Education Functions’ relative needs formula, which is part of the Children’s Services block. As with the Children and Young People’s Services formula, the number of children is a significant driver of cost for Home to School Transport. However, other drivers of cost are likely to differ to those for Children’s Social Care, such as the distance to schools and the proportion of special educational needs pupils in an authority.

- 2.2.80. Local authorities also provide elderly and eligible disabled people with free off-peak **Concessionary Travel** on buses, with a wider statutory concession in place in London. In 2017-18, the statutory concession accounted for over £1bn of local authority expenditure. A Concessionary Travel formula has been used in the local government finance settlement since 2011-12 and the current formula uses a 'modelled' bus boardings methodology.
- 2.2.81. Respondents to our December 2017 consultation expressed mixed views regarding the optimum way to fund Concessionary Travel in future. Some argued against deploying a service-specific formula on the basis that there was 'unmet need' for local bus services in some areas and that funding on this basis therefore risked reinforcing existing patterns of provision. Local authorities' support for non-commercial bus routes is a policy issue which merits separate consideration within the review and this is discussed below (see section 2.2.83).
- 2.2.82. In the first instance, the Government is minded to include Home to School Transport and Concessionary Travel within the upper tier Foundation Formula on the basis that this would introduce further simplicity and transparency into the relative needs assessment. We will, however, carry out further analysis on potential alternative approaches in order to determine whether this approach adequately reflects local authorities' relative needs. We will take a final view following the completion of this consultation exercise.

### **Local Bus Support**

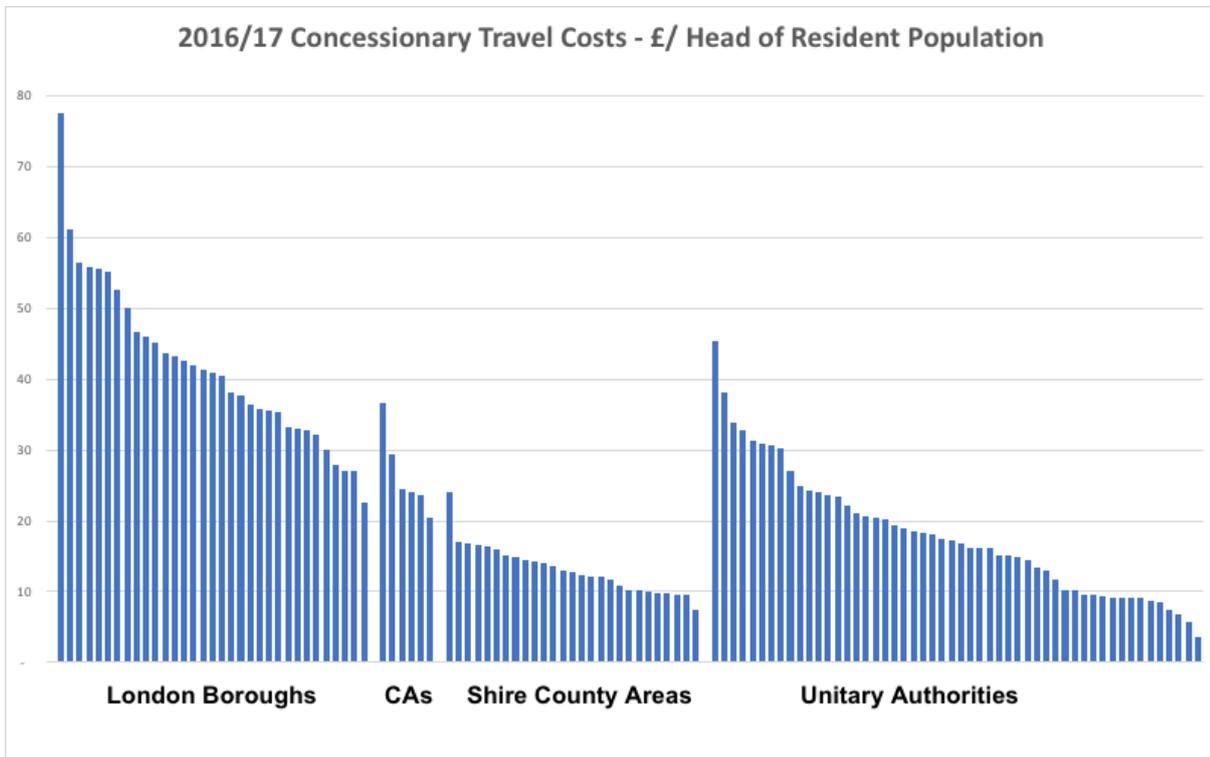
- 2.2.83. Nationally, local authority expenditure on **Local Bus Support** was approximately £250m in 2017-18 (excluding spending by the Greater London Authority), and accounted for more than 1% of total net current expenditure in just 9 local authorities; 6 of which were combined authorities. Outside of the local government finance settlement, the Department for Transport's Bus Service Operators' Grant provides funding to local authorities and bus operators; the main components of

which include £42m paid directly to authorities specifically in relation to non-commercial services they support under tender agreement, and a £197m operator reimbursement grant for some of the fuel duty paid.

- 2.2.84. Historically, Local Bus Support has been included in the 'county-level' Environmental, Protective and Cultural Services formula, although there are currently no specific cost drivers used to calculate Local Bus Support. Local Bus Support was cited by some consultation respondents as an example of 'unmet need', on the basis that local authority funding for rural bus services has reduced and an increasing number of commercial bus services in rural areas have been withdrawn.

2.2.85. Given the overall scale and distribution of expenditure for this service area, the Government does not believe that it is proportionate to introduce a specific funding formula for this service area. Including this in the upper tier Foundation Formula so that it is broadly distributed on a 'per capita' basis, with a new 'Area Cost Adjustment', means that the funding for this service area will be distributed according to the characteristics of local authority areas and not directly linked to historical decisions about funding levels.

The consultation paper makes no reference to the detailed evidence that has been presented to the national Technical Working Group by NECA over the last two years which clearly sets out the importance of a separate formula for concessionary travel. The working group agreed that a separate formula was justified in November 2016. The proposal for a relatively flat distribution of costs in line with resident population does not reflect the national statutory scheme which requires reimbursement of Boarding in the local authority area where the Boardings occur. This results in significant differences in the distribution of cost per head of population in an area. The variation in current cost per head of population was shown in the following chart in our evidence to the working group.



This proposal has the potential to return to a significant underfunding of Concessionary Travel in areas which have higher costs, such as Tyne and Wear, which we experienced from 2006/07 to 2012/13.

**The proposal has the potential to produce a less fair funding distribution in order to achieve 'greater simplicity'. This does not appear consistent with a Fair Funding outcome. This warrants a strong response which will need to be submitted by 21 February 2019.**



## North East Joint Transport Committee

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**Date:** 22 January 2019  
**Subject:** Transport Capital Programme 2019/20  
**Report of:** Chief Finance Officer, NECA

### Executive Summary

The purpose of this report is to update the Transport North East Committee on the forecast capital outturn position for 2018/19 of £64.823m and to present the initial 2019/20 capital programme of £83.395m for approval. The 2019/20 programme is considerably higher than the forecast outturn for 2018/19 due to the inclusion from 2019/20 of the Metro Fleet Replacement programme.

### Recommendations

The North East Joint Transport Committee is recommended to:

- i. Note the latest position in respect of the 2018/19 capital programme, set out in section 2.1;
- ii. Approve the proposed initial capital programme for 2019/20 which amounts to £83.395m as set out in section 2.2.

## 1. Background Information

- 1.1 This report outlines the capital programme proposals for 2019/20 and the funding sources identified to deliver the programme, which covers a wide range of transport improvements. This represents the latest available information about the planned capital programme, which will be updated as new information becomes available, such as the outcome of bids for additional funding and will be subject to monitoring reports during the year.

## 2. Proposals

### 2.1 2018/19 Capital Programme Update

- 2.1.1 In January 2018 a base capital programme was approved by the NECA Leadership Board which included £80.125m Transport projects, as set out in the table below. This figure included an element of over-programming. The programme was revised following the outturn for 2017/18 and the latest approved programme now totals £71.480m. Expenditure at this stage in the year totals £34.880m, which is in line with expectations. The projected outturn is estimated to be £64.823m, which takes into account information about potential slippage of programmed expenditure into 2019/20. In January 2019 a bid was submitted to the Department for Transport (DfT) for Tranche 1 of the Transforming Cities Fund, which included schemes due to start in 2018/19. Decisions on allocation of Tranche 1 funding are expected from the DfT in February 2019 and will be reported to the JTC at the next meeting.

#### 2.1.2 Table 1: 2018/19 Capital Programme - Forecast

	<b>Original Approved</b>	<b>Latest Approved</b>	<b>Spend to Nov 2018</b>	<b>Projected Outturn</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Local Growth Fund (Transport)</b>	26.915	25.976	10.740	20.926
<b>Metro Asset Renewal Programme</b>	37.982	30.276	14.400	28.726
<b>Nexus non- Metro</b>	0.319	0.319	0.239	0.322
<b>Tyne Tunnels</b>	3.600	3.600	2.065	3.540
<b>LTP (less ARP local contribution)</b>	11.309	11.309	7.436	11.309
<b>Total</b>	<b>80.125</b>	<b>71.480</b>	<b>34.880</b>	<b>64.823</b>

## 2.2 2019/20 Capital Programme

2.2.1 This report sets out an initial capital programme of £83.395m (including over-programming) for 2019/20, with an estimated outturn of £75.187m. It also includes indicative figures for 2020/21 and 2021/22, which is summarised below in Table 2 and set out in more detail in the following sections. These figures do not yet include the additional resources that are likely to be secured from bids for additional transport funding, for example the Transforming Cities Fund. These will be included in the capital programme in future reports to the JTC once the outcome of our funding bids have been announced.

**Table 2: Summary Transport Capital Programme 2019/20-2021/22**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Local Growth Fund (Round 1, 2 and 3)</b>	6.230	1.381	0
<b>Nexus Metro Asset Renewal Programme</b>	33.987	22.222	35.675
<b>Nexus Digital Asset Renewal Programme and Other Capital Investment</b>	1.486	0.526	1.140
<b>Nexus Fleet Replacement Programme</b>	30.200	46.200	184.200
<b>Tyne Tunnels</b>	0.260	0.100	0.100
<b>LTP (less Nexus element shown elsewhere in programme)</b>	11.232	11.232	11.232
<b>Total Programme</b>	<b>83.395</b>	<b>81.661</b>	<b>232.347</b>
<b>Less Over-Programming</b>	(8.208)		
<b>Estimated Expenditure</b>	<b>75.187</b>		

## **2.3 Local Growth Fund Capital Programme**

2.3.1 2019/20 will represent the fifth year of the Local Growth Fund (LGF) Programme, which covers Economic Assets, Innovation, Transport and Skills-themed projects. Details of the Transport elements of the programme are listed in Appendix 1. The total LGF grant allocation for 2019/20 is £28.063m, of which an estimated £6.230m will be for Transport projects. This is considerably lower than in recent years as a number of significant Transport projects are now complete or almost complete. Schemes set to deliver in 2019/20 include Horden Rail Station, South Shields Metro Training and Maintenance Skills Centre and Jade Business Park (including Transport improvements to the A19 Seaham/Murton interchange).

2.3.2 The LGF capital programme continues to be managed in accordance with the LEP Assurance Framework, which is subject to annual review by the LEP Board and updated where required to meet latest best practice guidance.

## **2.4 Nexus Capital Programme**

2.4.1 Nexus' capital programme for 2019/20 to 2021/22 includes investment in four main areas:

- i. Metro infrastructure (the Metro Asset Renewal Programme or MARP);
- ii. A new fleet of Metrocars;
- iii. Nexus' digital infrastructure (the Digital Asset Renewal Programme or DARP)
- iv. Other assets e.g. the cross Tyne ferry

Funding for (i) and (ii) is largely provided by the DfT. In respect of the MARP, 2019/20 and 2020/21 represent the final two years of an 11-year investment programme that commenced in April 2010. An application for funding covering the period 2021/22 to 2025/26 is being developed in conjunction with DfT and will be submitted to HM Treasury through the 2019 Spending Review (SR19).

In terms of (iii) and (iv) Nexus will utilise DfT grant funding for the MARP (where digital assets being replaced are required in order to support Metro operations) as well as a combination of other external funding e.g. LTP integrated transport grant and its own internal resources e.g. capital reserves.

In addition, the revenue budget supports developmental work in pursuit of new investment opportunities e.g. the Metro Futures programme.

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

Nexus is nearing the end of the ninth of its eleven-year renewal programme to upgrade and replace many of the assets across the Tyne and Wear Metro system.

The grant-funding offer from DfT in 2010 was dependent upon Nexus' delivery performance and affordability in the context of Government spending plans. Because of the Government Spending Review in Autumn 2015, the DfT confirmed a firm commitment through to 2020/21 amounting to £317m, for which the profile

between years was subsequently agreed in a letter to the Managing Director dated 2 October 2017. This is shown in the table below:

**Table 3: DfT grant funding profile 2010-2021**

	<b>DfT Metro Rail Grant (£m)</b>	<b>Local Contribution (£m)</b>	<b>Total (£m)</b>
2010/11 to 2012/13	104	11	115
2013/14 to 2015/16	93	10	103
2016/17 to 2018/19	79	9	88
2019/20 to 2020/21	41	5	46
<b>Total</b>	<b>317</b>	<b>35</b>	<b>352</b>

2.4.3 The latest forecast also indicates that by the end of March 2019, an estimated £306m of the eleven-year funding allocation will have been expended leaving £46m available from a combination of Metro Rail Grant (£41m) and local funding (£5m).

2.4.4 This report, covering the three-year programme 2019/20 to 2021/22 represents years 10 and 11 of the current eleven-year programme plus the first year of an ongoing Renewals Programme for which an application for funding covering the period 2021/22 to 2025/26 is being developed for consideration through SR19. The investment need through to 2026 amounts to £190m and it is vital that DfT commit to continuing to support this ongoing essential renewals programme, which will be in addition to the £337m of capital grant also being provided for new Metrocars across the period 2019/20 to 2023/24.

2.4.5 Delivery of the MARP in 2019/20 and 2020/21 is likely to be more challenging than in previous years because of:

- The uncertainty surrounding the level of available resource in 2021/22, which as previously highlighted, is contingent on a successful bid through the SR19;
- Emerging cost pressures, particularly concerning the old fleet of Metrocars, due to be replaced in stages from 2021;
- The need to ensure continuity between the current programme, which ends on 31 March 2021, and the new programme, which, notwithstanding the uncertainty surrounding our SR19 bid, is intended to commence on 1 April 2021. This will require the seamless delivery of some projects across this timeframe e.g. track and overhead line replacement, as well as planning (and designing) other projects during the last two years of the current programme in order that there is sufficient 'in the pipeline' to deliver during the initial periods of the next programme; and

- The need to retain an element of over-programming which in the event that this leads to expenditure in excess of available resource within 2019/20 and 2020/21, unless there is a mechanism by which Nexus can draw down on any funding made available for 2021/22 secured through SR19, Nexus will need to underwrite such expenditure.

2.4.6 This is very important because over-programming is a mechanism Nexus has employed to good effect in the past, allowing flexibility to plan and design, review and better sequence project delivery in such a complex programme. It is therefore recommended that Nexus' MARP in 2019/20 and 2020/21 retains an element of over-programming. This means that should expenditure be incurred that is over and above the £46m set out in the table in paragraph 7, it will need to be underwritten by Nexus, unless its application for additional funding through SR19 is successful and there is provision for virement between from financial year 2021/22 into 2020/21. The amount of over-programming across the two years 2019/20 and 2020/21 is set at £8.2m or 18.0%.

2.4.7 Further, to the extent that activities carried out in 2019/20 and 2020/21 concern preparatory work associated with delivery in 2021/22 and beyond, it should be recognised that this is expenditure Nexus is effectively committing 'at risk' until its application for funding from SR19 is confirmed. This amounts to an estimated £3m across the two years.

2.4.8 These key principles have been discussed with DfT in the Joint Programme Board, which is the vehicle DfT use to amongst other things, monitor Nexus' delivery of the MARP. The feedback from DfT is that they were content with the approach being adopted. If possible, a further degree of funding flexibility between years will be sought as part of these discussions.

2.4.9 The proposed programme for 2019/20 to 2021/22 is detailed at Appendix 1. This includes a number of significant projects which are worthy of particular mention and these are detailed below.

i. Civils

Work will focus on structural works to Crossgate Viaduct in South Tyneside, together with completion of Burnside Road and Beach Road bridges in North Tyneside. Bridge structural assessments and designs will continue to be progressed for prioritisation and delivery of works in later years.

ii. Permanent Way

This comprises major track renewal works between Gateshead Stadium and Felling, and Felling to Pelaw, together with re-railing works in tunnels between the QEII bridge and Gateshead Stadium.

iii. Overhead Line Equipment (OLE)

Works to replace the overhead line will continue with works in 2019/20 concentrating on the completion of OLE stretching between Chillingham Road and Tynemouth and South Gosforth to Jesmond.

- iv. Stations  
The new transport interchange in South Shields town centre will be completed in 2019/20. This is being delivered in conjunction with South Tyneside Council and Muse Developments. Design work will also be progressed for a number of interchange and central stations (including Monument in Newcastle) for prioritisation and delivery in future years and work to a number of halt stations will complete during 2019/20, including West Monkseaton, Cullercoats, Monkseaton, Shiremoor, Palmersville, Benton, and Longbenton, all in North Tyneside.
- Nexus is also working with Sunderland City Council in order to secure additional funding to progress the redevelopment of the above ground part of Sunderland Station, having already made £3.5m available to the project. The project will focus on redeveloping this Network Rail station with the concourse area being improved through better access, retail and passenger information.
- v. Communications  
During 2019/20, work will continue in improving the CCTV network of cameras to the Metro system together with the associated computerised storage system that supports the Metro system.
- vi. Signalling  
Signalling works in 2019/20 include works to replace a portion of the existing 'Reed' Track circuits, Location Case Rewiring, and installation of Replacement Point Motors.
- vii. Nexus Learning Centre  
Construction of Nexus' Learning Centre in South Shields will be completed, with over 70% of the funding coming from the Local Growth Fund. The Centre will deliver an expanding portfolio of training and development activities across a range of specialisms.
- viii. Capital Maintenance  
A report from SNC Lavalin as part of the Metro Futures programme concluded that if a new fleet was not brought into service by 2021, the existing fleet would require significant investment and even then, performance would be unlikely to improve. The 2019/20 programme therefore provides £3.4m for fleet investment, a level perceived to be commensurate with maintaining the performance of the outgoing fleet.
- The remaining capital maintenance budget includes road vehicle replacement, rail grinding, off track enhancements and plain line renewal.

2.4.10 The proposed programme for 2021/22 remains unfunded at this juncture. However, the investment programme that has been developed as part of the SR19 application includes the following significant projects for delivery in 2021/22:-

- i. Civils  
Further works to various bridges are scheduled for 2021/22.
- ii. Permanent Way  
The programme includes track upgrading from Gateshead Stadium to South Shields.
- iii. Overhead Line  
Works will continue to replace the overhead line at Tynemouth to Northumberland Park, followed by Northumberland Park to South Gosforth, Chillingham Road to St. James and the commencement of Pelaw to South Shields.
- iv. Stations  
The current programme includes works to Whitley Bay station in 2021/22.
- v. Signalling  
System wide signalling works will continue within this period. Works include track circuits replacements, cable degradation works, relay replacement, rewiring of location cases and replacement of treadle switches.
- vi. Capital Maintenance  
The programme includes fleet investment to maintain the performance of the outgoing fleet until the new fleet is operational.

#### 2.4.11 **Metrocar Replacement Programme**

In October 2017, the Chancellor announced £336.8m of grant funding for the replacement of Nexus' fleet of Metrocars. This is to be augmented with a £25.0m local contribution, being part funded from Nexus' reserves (£15.0m) with the other £10.0m being funded by £3.3m of savings generated by Nexus in each of the years 2017/18, 2018/19 and 2019/20 which is being held by the NECA on Nexus' behalf.

The funding profile is set out below:

**Table 4: Metrocar Replacement Funding Profile**

	19/20	20/21	21/22	22/23	23/24	Total
	£m	£m	£m	£m	£m	£m
DfT Capital Grant	21.6	29.8	184.2	39.9	61.3	336.8
Local Contribution	8.6	16.4	0.0	0.0	0.0	25.0
	<b>30.2</b>	<b>46.2</b>	<b>184.2</b>	<b>39.9</b>	<b>61.3</b>	<b>361.8</b>

2.4.12 The programme is labelled as indicative at this stage for two reasons. Firstly, the rate of expenditure across the next five years will be determined by the progress

with the procurement exercise and when the various contracts are awarded. Secondly, the profile of government grant is fixed for 2019/20 and 2020/21, with the profile thereafter to be firmed up and agreed with DfT once the procurement phase is complete (expected to be in the third quarter of 2019/20).

#### 2.4.13 **Nexus Digital Asset Renewal Programme (DARP)**

Nexus' digital asset base includes its entire ICT network infrastructure, together with the various customer facing and business applications necessary to run Metro and the other services Nexus provides.

Nexus digital assets require updating or replacing due to business change (transformational) or asset lifecycle and will also be subject to a risk analysis, often linked to the criticality of the asset relative to vendor support.

Therefore, in order to have a planned (proactive) approach to reviewing its digital assets, Nexus has developed a 10 year programme (the Digital Asset Renewal Programme, or DARP) to establish an ongoing renewal plan for its full range of digital assets and infrastructure that are already beyond, or will reach the end of their expected life within this timescale. These have been grouped into three categories, namely:

- Business/Back office applications;
- Customer Facing applications and assets; and
- The Network Infrastructure that provides the platform for business and customer facing applications/assets to reside.

2.4.14 The DARP for 2019/20 to 2021/22 is estimated to cost £2.5m to deliver as detailed in appendix 2 and summarised in the table below:

**Table 5: Digital Asset Renewal Programme (DARP) 2019/20-2021/22**

<b>Capital Scheme</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>Total £m</b>
Business Applications	0.470	0.020	0.350	0.840
Network IT				
Infrastructure/Hardware	0.412	0.104	0.300	0.816
Customer Facing Applications	0.036	0.030	0.200	0.266
Programme Management	0.200	0.200	0.200	0.600
<b>Total DARP</b>	<b>1.118</b>	<b>0.354</b>	<b>1.050</b>	<b>2.522</b>

2.4.15 During 2019/20 key projects include:

- Renewal of the Finance system to consolidate multiple systems and processes across Nexus and NEMOL;
- Investment in online applications to improve customer experience; and
- Investment in hardware including new servers to support business intelligence systems.

In the following two years, the focus will be on a replacement HR system and a new document management system. Further investment in hardware, particularly back-up and disaster recovery solutions are planned, together with investment in customer facing technologies, for example ensuring real time information on bus continues.

#### **2.4.16 The Cross Tyne Ferries**

Extensive surveys have shown that the hulls on both ferries are in good condition. However, the mechanical components and propulsion units are in need of critical overhaul to ensure continuity of service. There is also a requirement to refurbish seating, lighting and heating for customer comfort and safety. It is proposed that all proposed works are carried out over the three years 2019/20 to 2020/21 at a total estimated cost of £0.476m.

The Ferry landings are also in need of continued investment following works over the past three years to stabilise their structural integrity, costing an estimated £0.680m by the end of 2018/19. Further works to upgrade cladding, windows and external lighting is required together with refurbishment of fuel tanks at an estimated cost of £0.154m in 2019/20.

### **2.5 Local Transport Plan Integrated Transport Block**

2.5.1 Local Transport Plan (LTP) Integrated Transport Block funding is made available by the Department of Transport (DfT) to the whole JTC area. This block is allocated between the JTC constituent authorities on an agreed basis with an allocation to Nexus (which is mainly used to provide the match funding needed for the Metro ARP capital programme). The LTP block allocation is also used to partly fund the Regional Transport Team, which supports the delivery of the capital programme.

2.5.2 From 2017/18, an four year annual budget of £0.376m to support the ongoing work of the Tyne and Wear Urban Traffic Management and Control (UTMC) Centre, was recommended by the Heads of Transport Group, to be allocated from the LTP Integrated Transport Block in proportion to the population within Tyne and Wear, as set out in the table below. NECA will arrange appropriate funding swaps within its overall budget for the capital grant to be converted into a revenue budget.

## 2.5.3

**Table 6: LTP Integrated Transport Block Allocation 2019/20**

	<b>Allocation</b>	<b>Contribution to UTMC</b>	<b>Contribution to Regional Transport Team</b>	<b>Net Allocation</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Durham	2.789	-	(0.0625)	2.727
Gateshead	1.328	(0.067)	(0.0625)	1.199
Newcastle	1.650	(0.098)	(0.0625)	1.489
North Tyneside	1.088	(0.068)	(0.0625)	0.958
Northumberland	1.695	-	(0.0625)	1.633
South Tyneside	0.843	(0.050)	(0.0625)	0.730
Sunderland	1.606	(0.093)	(0.0625)	1.450
MARP Local Contribution / Public Transport Schemes	2.950	-	(0.0625)	2.887
<b>Total</b>	<b>13.949</b>	<b>(0.376)</b>	<b>(0.500)</b>	<b>13.073</b>

**2.6 Tyne Tunnels Capital Programme**

2.6.1 The majority of the Tyne Tunnels capital programme in recent years has been the refurbishment of the Tyne Pedestrian and Cycle Tunnels. The Tunnels have been closed to the public for some years, with project budget and timescale increases resulting from additional costs relating to the original main contractor entering administration in February 2015, and the discovery of asbestos containing material which had not been dealt with by the main contractor causing increased costs from the subsequent delay to the project.

2.6.2 In December, the Tyne and Wear Sub-Committee received a detailed report on the history of the project, the need for the increased scope of works and increased delivery programme, the budget implications, funding options and the revised project completion timetable. The project is estimated to be completed and the tunnels reopened to the public in early 2019. Some residual capital expenditure is anticipated in 2019/20.

2.6.3 A small budget provision is also included for costs of residual issues on the New Tyne Crossing project, primarily relating to legal and other professional fees relating to legal and land issues which must be resolved to complete NECA's obligations under the construction phase of the project agreement.

## 2.7 Transforming Cities Fund

2.7.1 During October, the North East area was announced as one of ten shortlisted areas to progress to the next stage of bidding for the government's £840m Transforming Cities Fund. The Budget 2018 announced additional money for the Fund, increasing the amount of the fund that we can bid into by £440m to £1.280m. An additional two areas would be allowed to bid for this fund, increasing the number of bidding areas to 12. The North East area will be working with DfT to develop plans which, if successful, will be used to tackle congestion and improve transport connections across the region.

2.7.2 A Tranche 1 Application (for schemes which will spend or start during 2018/19) was submitted in January, with decisions expected from the DfT in February 2019. This is the subject of a separate report on the agenda. A larger TCF bid for schemes over a 4-5 year period will be submitted during summer 2019. Once any award made is clear, this will be included in the capital programme through a subsequent report to the JTC.

## 2.8 Funding the Capital Programme

2.8.1 The proposed funding for the 2019/20 Transport capital programme is set out in the table below, with the vast majority being funded from capital grants.

**Table 7: Funding profile of the 2019/20 Capital Programme**

<b>Funding Source</b>	<b>2019/20 Total (£m)</b>
Grants from Central Government	64.918
Reserves	10.269
Overprogramming	8.208
<b>Total</b>	<b>83.395</b>

## 2.9 Treasury Management Information - Borrowing

2.9.1 Currently all external borrowing held by NECA relates to historic Tyne and Wear Transport activities, and the financing of the borrowing debt is met from the Tyne and Wear levy and the Tyne Tunnels budgets and is included within the revenue budget proposals for 2019/20 contained in a report elsewhere on this agenda. While the JTC has an advisory role in connection with the borrowing limits relating to transport, the Treasury Management arrangements are managed by NECA as the accountable body for the JTC and are approved by the two Combined Authorities. A proportion of the outstanding balance of the loans and investments

(based on the share of Tyne and Wear population in each Combined Authority area) will be shown in the balance sheets of the two Combined Authorities as part of their year-end accounts. A summary of the actual loans outstanding at the date of the preparation of this report is shown in the table below.

**Table 8: Borrowing portfolio at 31 December 2018**

	<b>NECA</b>	<b>NTCA</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Level of external loans at April 2018</b>	93.401	74.266	<b>167.667</b>
New loans taken out in first 9 months of year	0.000	0.000	<b>0.000</b>
Loans repaid in first 9 months of year	-0.186	-0.147	<b>-0.333</b>
<b>Level of external loans as at 31 December 2018</b>	93.215	74.119	<b>167.334</b>
Net increase / (decrease) in external loans	-0.186	-0.147	<b>-0.333</b>
<b>Forecast level of external loans at 31 March 2019</b>	93.029	73.971	<b>167.000</b>

- 2.9.2 Actual external borrowing is currently below the capital financing requirement, with the difference having been met in recent years by internal cash balances. No new borrowing is proposed in 2019/20, with the costs of the Transport Capital Programme being met from grant funding and reserves. The projected borrowing portfolio at the end of the 2019/20 financial year is shown below, along with the projected capital financing requirement.

**Table 9: Estimated Borrowing and CFR at 31 March 2020**

	<b>2019/20 estimate</b>		
	<b>NECA</b>	<b>NTCA</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>CFR at end of year</b>	106.045	84.320	<b>190.364</b>
<b>Actual External Borrowing</b>	93.029	73.971	<b>167.000</b>

### 3. Reasons for the Proposals

- 3.1 The proposals are presented in this report to enable the Joint Transport Committee to agree its capital programme for 2019/20.

### 4. Alternative Options Available

- 4.1 Option 1: JTC may accept the recommendations set out in this report.

Option 2: JTC may not accept the recommendations set out in this report.

Option 1 is the recommended option.

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

5.1 Progress against the Transport Capital Programme will be reported regularly throughout the year and monitored carefully by officers at the various delivery bodies.

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

6.1 The capital programme and proposed financing set out above will enable the Joint Transport Committee to make a positive impact on its Transport objectives.

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

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

## **8. Legal Implications**

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

## **9. Key Risks**

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

## **10. Equality and Diversity**

10.1 There are no specific equality 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 Projects being delivered by constituent authorities or in constituent authority areas are subject to local consultation and planning approvals.

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

13.1 There are no other impacts arising from this report.

## **14. Appendices**

14.1 Appendix 1 – Local Growth Fund Capital Programme – Transport Schemes 2018/19 to 2020/21

Appendix 2 – Metro Capital Programme 2019/20 to 2021/22

Appendix 3 – Nexus Digital Asset Renewal Programme and Other Capital Investment 2019/20 to 2021/22

## **15. Background Papers**

15.1 NECA Leadership Board Capital Programme report

<https://northeastca.gov.uk/wp-content/uploads/2018/03/Leadership-Board-16-January-2018-Agenda-Pack.pdf>

## **16. Contact Officers**

16.1 Paul Woods, Chief Finance Officer NECA, [paul.woods@northeastca.gov.uk](mailto:paul.woods@northeastca.gov.uk), 07746936840

Eleanor Goodman, Principal Accountant NECA, [eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk), 0191 277 7518

## **17. Sign off**

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

## Appendix 1 – Local Growth Fund Transport Schemes 2018/19-2020/21

Project Title	Status	2018/19 Original	2018/19 Spend to Date (Q2)	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
		£m	£m	£m	£m	£m
Northern Access Corridor – Phase 2&3 (Stage 2)	Approved	1.026	0.075	1.016	0.000	0.000
Local Sustainable Transport Fund	Approved	0.000	0.000	0.717	0.000	0.000
A1056-A189 Weetslade roundabout improvements and A1-A19 Link	Approved	0.000	0.006	0.128	0.000	0.000
Scotswood Bridgehead (Stage 1)	Approved	0.000	0.000	(0.045)	0.000	0.000
South Shields Transport Interchange Stage 2	Approved	5.192	6.000	6.000	0.000	0.000
A1058 Coast Road	Approved	0.000	0.582	0.582	0.000	0.000
Horden Rail Station	Approved	0.659	0.303	0.846	2.075	0.000
A185/A194/A19 (The Arches) – Stage 2	Approved	5.051	1.796	4.816	0.000	0.000
South Shields Metro Training and Maintenance Skills Centre	Approved	6.000	0.729	3.307	2.446	0.000
Blyth Cowpen Road	Complete	0.000	(0.003)	0.001	0.000	0.000
A19 North Bank Tyne (Swans) Stage 2	Approved	2.157	1.224	3.421	0.000	0.000
Jade Business Park (inc A19/A19 Seaham Murton interchange)	Approved	4.100	0.028	0.138	1.709	1.381
<b>Total</b>		<b>26.915</b>	<b>10.740</b>	<b>20.926</b>	<b>6.230</b>	<b>1.381</b>

## Appendix 2 – Metro Capital Programme 2019/20 to 2021/22

Capital Scheme	2019/20 (Year 10) £m	2020/21 (Year 11) £m	2021/22 (DfT Bid) £m	Total £m
<b>Civils</b>				
Bridges - Benton (1114 1115B) (subway demolition)	-	-	0.275	0.275
Bridges GHD-SSS (Scope)	0.034	-	-	0.034
Crossgate Viaduct	0.565	0.003	-	0.568
Sunderland and Leamside Bridges	0.040	-	0.500	0.540
1142 Burnside Road Underbridge, 1148 Beach Road Underbridge	0.350	-	-	0.350
1156 Tanners Bank Underbridge (feasibility study)	-	-	0.200	0.200
Cullercoats Footbridge	-	-	0.400	0.400
Structural Assessments - overbridges	-	-	0.050	0.050
Multi Storey Car Parks refurbishment	-	-	1.000	1.000
Surface Car Parks Refurbishment	-	-	0.200	0.200
System wide retaining walls (North Shields)	0.090	-	-	0.090
Asbestos revisited works- Central area tunnels	-	0.500	-	0.500
<b>Total Civils</b>	<b>1.079</b>	<b>0.503</b>	<b>2.625</b>	<b>4.207</b>
<b>Permanent Way</b>				
Package D (Gateshead Stadium to Felling - Renewals)	4.120	-	-	4.120
Package D (Heworth to Felling - Renewals completion)	-	6.754	-	6.754
Package E (Gateshead Stadium to South Shields - Refurbishment)	-	-	5.900	5.900
Package F Regent Centre to Airport	0.818	-	-	0.818
Re-railing Central Tunnels	1.503	-	-	1.503
Switches & Crossings - Christon Road 1020A/B pts	-	-	1.500	1.500
Switches & Crossings - Pelaw Chords 7016/17 pts	-	-	0.500	0.500
Switches & Crossings - Prudhoe Street 6007A/B pts	-	-	0.500	0.500
Switches & Crossings - Chillingham Road 3014A/B pts	-	-	0.050	0.050
Switches & Crossings - Monkseaton 2036A/B pts, 2034A, 2032A/B pts	-	-	0.300	0.300
Points Heater Controls Replacement	-	-	0.075	0.075
<b>Total Permanent Way</b>	<b>6.441</b>	<b>6.754</b>	<b>8.825</b>	<b>22.020</b>
<b>Overhead Line</b>				
OLE - System Development	3.651	3.472	3.679	10.802

<b>Capital Scheme</b>	<b>2019/20 (Year 10)</b>	<b>2020/21 (Year 11)</b>	<b>2021/22 (DfT Bid)</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Total Overhead Line</b>	<b>3.651</b>	<b>3.472</b>	<b>3.679</b>	<b>10.802</b>
<b>Stations</b>				
Interchange station package SSS	1.903	0.036	-	1.939
Halt Station Package WMN, CUL, MSN	0.170	-	-	0.170
City Station- Manors	0.198	-	-	0.198
Interchange Station - GHD	0.347	-	-	0.347
St James	0.249	-	-	0.249
Monument	0.442	-	-	0.442
Jesmond	0.136	-	-	0.136
Airport	-	0.054	-	0.054
Halt Station Package (Shiremoor, Palmersville, Benton and Longbenton)	0.255	-	-	0.255
Whitley Bay	-	-	0.200	0.200
Byker	-	0.050	-	0.050
Platform Interchange Compliance	1.975	-	-	1.975
<b>Total Stations</b>	<b>5.675</b>	<b>0.140</b>	<b>0.200</b>	<b>6.015</b>
<b>Communications</b>				
Radio	0.166	0.026	-	0.192
CCTV / PA Access	0.481	-	-	0.481
<b>Total Communications</b>	<b>0.647</b>	<b>0.026</b>	<b>-</b>	<b>0.673</b>
<b>Signalling</b>				
Signalling - RTMS	0.345	0.016	-	0.361
Relay replacements	-	0.300	0.100	0.400
Relay Rooms cooling and lighting at SGF	-	-	0.030	0.030
Reed track circuits	1.283	0.047	0.250	1.580
Reed track impedance bonds (replace oil filled)	-	-	0.090	0.090
Subsidiary signals	-	-	0.050	0.050
Location case rewire	0.444	0.284	0.300	1.028
Level crossing upgrade	0.165	-	0.010	0.175
Cable degradation	-	0.300	1.000	1.300
Toughing	-	-	0.100	0.100
Cable replacement	0.200	0.200	0.500	0.900
Treadle replacement	-	-	0.040	0.040
Trainstop Replacement (Trackside)	-	-	0.080	0.080
LED Signal Replacement	-	-	1.500	1.500
Signalling- Replacement point motors (critical locations)	0.460	-	-	0.460
<b>Total Signalling</b>	<b>2.897</b>	<b>1.147</b>	<b>4.050</b>	<b>8.094</b>
<b>Plant</b>				
Diesel Shunters Battery Locos (likely to be RRVs)	-	1.500	-	1.500

Capital Scheme	2019/20 (Year 10) £m	2020/21 (Year 11) £m	2021/22 (DfT Bid) £m	Total £m
<b>Total Plant</b>	-	<b>1.500</b>	-	<b>1.500</b>
<b>Mechanical and Electrical</b>				
Escalator - Haymarket 2 1/2 Life Refurbishment	-	-	0.125	0.125
Escalator - Sunderland 1 1/2 Life Refurbishment	-	-	0.125	0.125
Lift - Central (No.1) 1/2 Life Refurbishment	-	-	0.050	0.050
Lift Monument (No.1) 1/2 Life Refurbishment	-	-	0.050	0.050
Lift Monument (No.3) Replacement	-	-	0.180	0.180
Lift Gateshead (No.1) 1/2 Life Refurbishment	-	-	0.050	0.050
Lift Chichester (No.1-2) 1/2 Life Refurbishment	-	-	0.100	0.100
Escalator handrail & lift re-ropeing	-	-	0.075	0.075
DC Feeder Cable	0.100	-	-	0.100
Linear Heat Detection replacement	-	-	0.400	0.400
Lighting inverters	-	-	0.500	0.500
Interposing relay UPS	-	-	0.250	0.250
Fire extinguishers	-	-	0.039	0.039
Station lighting and small power	-	-	0.050	0.050
<b>Total Mechanical and Electrical</b>	<b>0.100</b>	-	<b>1.994</b>	<b>2.094</b>
<b>Power</b>				
Network Stray Currents	0.200	-	-	0.200
Traction power mimic replacement	-	-	1.000	1.000
<b>Total Power</b>	<b>0.200</b>	-	<b>1.000</b>	<b>1.200</b>
<b>Capital Maintenance</b>				
Rail Grinding	0.206	-	0.100	0.306
Vehicle Replacement Programme	0.136	0.140	0.140	0.416
Infrastructure Vehicle Maintenance (RRV's, wagons etc.)	-	-	0.175	0.175
Off track enhancements	0.200	0.200	0.200	0.600
Lifts Refurbishment/Major Items	0.040	0.040	-	0.080
Track Capital Maintenance	0.375	0.375	0.400	1.150
OHL Capital Maintenance	0.069	0.100	-	0.169
Fleet Investment	3.410	3.410	3.223	10.043
Stations Refurb - Esc Imps/Major Items	0.040	0.040	-	0.080
<b>Total Capital Maintenance</b>	<b>4.476</b>	<b>4.305</b>	<b>4.238</b>	<b>13.019</b>
<b>Miscellaneous</b>				
Replace/refresh Drawing Management System	-	-	0.065	0.065
Asset Knowledge	-	0.050	-	0.050
Possession Management including Bus Replacement	-	-	1.100	1.100

Capital Scheme	2019/20 (Year 10) £m	2020/21 (Year 11) £m	2021/22 (DfT Bid) £m	Total £m
Dayworks	-	-	0.050	0.050
Control Centre improvements	-	-	0.250	0.250
<b>Total Miscellaneous</b>	-	<b>0.050</b>	<b>1.465</b>	<b>1.515</b>
<b>Programme Management</b>				
Programme Management	1.384	1.700	2.530	5.614
<b>Total Programme Management</b>	<b>1.384</b>	<b>1.700</b>	<b>2.530</b>	<b>5.614</b>
Inflation Risk Allowance	-	-	1.030	1.030
Risk Allowance	2.975	2.625	4.039	9.639
<b>Total Including Risk Allowances</b>	<b>29.525</b>	<b>22.222</b>	<b>35.675</b>	<b>87.422</b>
<b>Nexus Learning Centre</b>				
Nexus Learning Centre	4.462	-	-	4.462
<b>Total Nexus Learning Centre</b>	<b>4.462</b>	-	-	<b>4.462</b>
<b>Total ARP Programme</b>	<b>33.987</b>	<b>22.222</b>	<b>35.675</b>	<b>91.884</b>

Funding	£m	£m	£m	£m
DfT Grant	21.000	20.000	32.108	73.108
10% Nexus Contribution	2.333	2.222	3.567	8.122
LGF Grant (Nexus Learning Centre)	2.446	-	-	2.446
Over programming	8.208	-	-	8.208
<b>Total ARP Funding</b>	<b>33.987</b>	<b>22.222</b>	<b>35.675</b>	<b>91.884</b>

**Appendix 3 – Nexus Digital Asset Renewal Programme and Other Capital Investment 2019/20 to 2021/22**

<b>Capital Scheme</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>Total</b>
<b>Business Applications</b>				
Digital Mapping Software	-	-	0.025	0.025
Bus Contracts System	0.130	-	-	0.130
Business Intelligence System	0.030	0.020	-	0.050
Document Management System	-	-	0.150	0.150
Estates Management System	0.020	-	-	0.020
Finance System	0.270	-	-	0.270
HR/Payroll System	-	-	0.100	0.100
Key Security System	0.020	-	-	0.020
Technical Drawing Solution	-	-	0.050	0.050
Time Recording System	-	-	0.025	0.025
	<b>0.470</b>	<b>0.020</b>	<b>0.350</b>	<b>0.840</b>
<b>Network IT Infrastructure/Hardware</b>				
Backup & Recovery Solution	-	-	0.300	0.300
Digital Connectivity	0.150	-	-	0.150
IP Telephony	0.080	-	-	0.080
Microsoft Licencing	0.048	0.019	-	0.067
Server Infrastructure	0.134	0.085	-	0.219
	<b>0.412</b>	<b>0.104</b>	<b>0.300</b>	<b>0.816</b>
<b>Customer Facing Applications</b>				
Bus Information Systems	0.011	0.010	0.125	0.146
Cycle Lockers	-	0.020	-	0.020
Website Enhancement	0.025	-	0.075	0.100
	<b>0.036</b>	<b>0.030</b>	<b>0.200</b>	<b>0.266</b>
<b>Programme Management</b>	0.200	0.200	0.200	0.600
<b>Total DARP</b>	<b>1.118</b>	<b>0.354</b>	<b>1.050</b>	<b>2.522</b>
<b>Ferry</b>				
Ferry Vessels	0.214	0.172	0.090	0.476
Ferry Property Repairs	0.154	-	-	0.154
	<b>0.368</b>	<b>0.172</b>	<b>0.090</b>	<b>0.630</b>
<b>Total</b>	<b>1.486</b>	<b>0.526</b>	<b>1.140</b>	<b>3.152</b>

<b>Funding</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
LTP Grant	0.077	0.077	0.077	0.231
Reserves	1.409	0.449	1.063	2.921
<b>Total Funding</b>	<b>1.486</b>	<b>0.526</b>	<b>1.140</b>	<b>3.152</b>

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## North East Joint Transport Committee

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**Date:** 22 January 2019

**Subject:** Transforming Cities Fund Bid for the North East

**Report of:** Managing Director (Transport Operations)

### **Executive Summary**

The purpose of this report is to update the Committee on progress made to draw down central Government funding for sustainable and public transport measures from the Department for Transport's Transforming Cities Fund. The report updates members on the submitted Tranche 1 bid for capital schemes that can start during the remainder of 2018/19, and the Tranche 2 bid that will be submitted later this year for schemes that start between 2019/20 and 2022/23.

### **Recommendations**

The Joint Transport Committee is recommended to note the submissions made to the Department for Transport in relation to our Tranche 1 bid, and note the progress made on preparing a Tranche 2 bid.

## **1. Background Information**

- 1.1 In March 2018 the Department for Transport (DfT) launched a Call for Proposals for city region authorities wishing to obtain capital funding from its Transforming Cities Fund (TCF). The TCF has been established to fund capital infrastructure works that will deliver transformational benefits to sustainable and public transport users.
- 1.2 In September 2018 the North East (Northumberland, Tyne and Wear and County Durham) was one of ten city regions shortlisted to submit bids for funding from TCF during 2019. In December 2018 two further city regions were added to this shortlist. Across the 12 bidding authorities there is £1.22bn of capital funding available.
- 1.3 In November 2018 the Chancellor of the Exchequer announced in his budget statement that an opportunity to bid for Future Mobility Zone status would be added to the TCF process. Up to three Future Mobility Zones (FMZs) will be established during 2019, adding to the zone already established in the West Midlands. £90m of TCF funding has so far been allocated by DfT to the FMZs.
- 1.4 This report sets out the progress made so far in developing our approach to the TCF. The report sets out progress on two aspects of the bid: our Tranche 1 bid for schemes that can commence work during 2018/19; and our Tranche 2 bid for schemes to be delivered between 2019 and 2023.

## **2. Proposals**

### **North East TCF Tranche 1 Bid**

- 2.1 This bid was submitted to DfT on 4 January 2019. The DfT required very short timescales to develop and submit this Tranche 1 bid. As a result, final approval of the submitted schemes was delegated to the Head of Paid Service for the Joint Transport Committee.
- 2.2 The bid comprised schemes based around two themes as previously described to committee members – a cycling to work theme and a public transport reliability theme. The bid was submitted as five packages of schemes that could quickly begin construction during the remainder of 2018/19, while also meeting the requirements of the Fund – that is, to provide transformational investment in sustainable and public transport networks. The packages are as follows:
  - i. Cycling Links to Key Employment Sites (focussing on access to key employment sites either side of the Tyne Pedestrian and Cycling Tunnel, including Cobalt and IAMP);
  - ii. Cycling Links to Newcastle City Centre;
  - iii. Cycling Links to Sunderland City Centre;
  - iv. Public Transport Reliability Upgrades (focussing on upgrading traffic signals on several bus corridors in the North East, and providing an upgraded route for buses to serve IAMP and avoid roadworks at Testos A19/A184 junction); and
  - v. Completion of public transport, cycling and pedestrian works at Barras Bridge in central Newcastle.

2.3 The five packages involved spending of £23.9m and sought £10.9m of TCF grant. The bid had to be constrained to £10m and an over-programming/ programme level saving of £0.9m was included in the bid that was submitted. Savings or additional match funding will need to be identified to deliver the programme if the maximum possible grant allocation of £10m is approved. The cost and funding of the five packages is summarised in the table below.

	Total Cost	Match funding	TCF Grant and % of cost	
	£m	£m	£m	%
i) Cycling Links to Key Employment Sites	6.764	4.057	2.707	40%
ii) Cycling Links to Newcastle City Centre	2.320	1.300	1.020	44%
iii) Cycling Links to Sunderland City Centre	1.816	0.286	1.530	84%
iv) Public Transport Reliability Upgrades	10.254	7.000	3.254	32%
v) Transport improvements at Barras Bridge	2.780	0.390	2.390	86%
Total of the five scheme packages	23.934	13.033	10.901	46%
Over Programming / Programme Savings*	-0.450*	+0.451*	-0.901	n/a
Total Tranche 1 TCF Bid	23.484	13.484	10.000	43%

\*The over-programming could be dealt with by a combination of cost savings or additional match funding and the table above provisionally assumes an equal contribution from cost savings and match funding at this time.

2.4 The actual grant approval is likely to range between an average allocation of £6m and the maximum available funding of £10m. Further work is being undertaken to identify how the 'over-programming' shown above can be addressed. In order to strengthen the bid and maximise the chances of a higher grant allocation, officers are seeking to address the over-programming by the identification of additional match funding. A progress update will be provided at the meeting.

2.5 A bid for a programme level match funding contribution of £100k of Local Growth Fund grant is being considered by the Local Enterprise Partnership and the two schemes with the lowest level of match funding are investigating the opportunity to increase the match funding that can be provided for these schemes. Further work will be carried out to identify what a revised package could include in the event that the £10m TCF grant bid was not approved in full and the decision on the make up of the programme was delegated locally to the JTC, as opposed to being directed by the DfT.

2.6 The economic appraisal of the five packages suggest that they could deliver some £80 million of economic benefits to the North East's economy. A decision from the DfT is expected during mid-February 2019, the committee will be updated on this decision as soon as possible

## **North East TCF Tranche 2 Bid**

- 2.7 Work has now commenced to prepare the Tranche 2 bid for the North East. The case for submitting a bid for a Future Mobility Zone is also being explored by officers
- 2.8 It is anticipated that a draft bid for capital funding will need to be prepared for June/July 2019, with further dialogue culminating in a final bid submitted in November 2019. Announcement of a final decision on funding is anticipated for early 2020.
- 2.9 Additional dedicated capacity is being put in place to manage all bidding, reporting and stakeholder liaison activity relating to our Tranche 2 bid. The bid will comprise a number of schemes that will collectively deliver our regional and DfT's objectives. The Interim Chief Finance Officer's report to this meeting includes resources that will support this additional capacity.
- 2.10 Further reports on progress will be brought to this Committee for approval over the coming months. Final approval of the final bid document and business case will rest with this Committee.

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

- 3.1 The proposals set out in Section 2 of this report are focussed on attracting significant additional investment in the North East's public transport network (Metro, bus and rail) and sustainable transport network (cycling and walking). This investment will assist in boosting our economy, expanding opportunities for work and training and contribute to achieving environmental objectives.

## **4. Alternative Options Available**

- 4.1 Option 1 is to develop a TCF bid as set out in Section 2 of this report.
- 4.2 Option 2 is to halt work on our Transforming Cities Fund bid and end our involvement in the bidding process set up by DfT. This approach would mean that the potential benefits of significant investment in sustainable transport, public transport and future mobility will be lost.
- 4.3 Option 1 is the recommended option.

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

- 5.1 An eleven month programme of work will develop our Tranche 2 proposals and submit the final bid document and business case to DfT. The next steps in this process are to assemble a long list of potential schemes and undertake a sifting exercise to produce a programme of schemes for detailed assessment.

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

- 6.1 A successful TCF bid will attract considerable additional funding to the North East's transport network, increasing the use of public transport, increasing the use of sustainable transport and reducing reliance on the private car for more trips. These impacts will have a positive effect on the economic, social and

environmental objectives set out in our Strategic Economic Plan, North East Transport Manifesto and our Local Transport Plans. The funding will also assist in delivering the local air quality improvements required in order to meet worldwide transport emissions targets.

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

- 7.1 In terms of the Tranche 1 schemes each of the local authorities promoting the schemes has identified match funding for their schemes and will individually take responsibility for managing the delivery of their projects and all financial risks associated with the delivery of the projects including any cost overruns or shortfalls in match funding. Additional match funding is being sought to strengthen the bid and maximise the potential level of grant approval from DfT. This includes a request for an extra £100k of Local Growth Fund grant from the North East Local Enterprise Partnership and the investigation of additional match funding by the local authorities that have submitted the two schemes that currently have the lowest levels of match funding.
- 7.2 A costed budget plan is being developed to fund the dedicated capacity to enable the formation and work of the TCF Bid and proposal have been developed to fund the estimated costs from within budgets that have been identified, plus additional funding that can be secured. The results of this will be included in a future update report to the Joint Transport Committee.
- 7.3 A process to secure the necessary capacity for the TCF Bid is ongoing, with assistance from Nexus' Human Resources department to help deliver this process, which may include opportunities for short terms secondments with the approval of the employing organisation and external consultancy support where necessary.

## **8. Legal Implications**

- 8.1 The full legal implications (principally State Aid and procurement compliance) of the proposed bid will be addressed during development.

## **9. Key Risks**

- 9.1 The principal risk associated with this work is that the bid for funding from DfT via TCF proves unsuccessful. The recruitment of an experienced and skilled team to guide the TCF bidding process, supported by expert consultants, will mitigate this risk and maximise the prospects of receiving the funding requested.
- 9.2 The second key risk is that inappropriate schemes that do not meet the requirements of the TCF process are imposed upon the North East bid and adversely affect the strength of our bid. Applying an appropriate sifting process will provide an effective mitigation of this risk.
- 9.3 The financial risks relating to each individual project will be taken by the individual promoting local authority. In the event that the funding is able to be managed as part of a locally determined and managed 'programme' there will be the opportunity the flexibly manage resources to help mitigate risks.

## **10. Equality and Diversity**

- 10.1 A successful TCF bid will enable a broader range of public transport and sustainable transport options to be available to more people in the North East. The specific needs of people with mobility problems will be considered during the design phase of each scheme within the package to ensure that equality of access is achieved and enhanced. The safety and security requirements of vulnerable people will also be considered during this design phase to ensure that a diverse range of people from across our communities can enjoy the benefits of the resulting investment.

## **11. Crime and Disorder**

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

## **12. Consultation/Engagement**

- 12.1 The bid team will be responsible for consultation and engagement with scheme promoters, transport operators, key stakeholders and central Government through the programme. Where public consultation is needed in order to implement individual schemes, this will be dealt with by the scheme promoter.
- 12.2 The contents of this report have been subject to consultation with Chief Executives, Economic Directors and Heads of Transport from all seven local authorities in the North East and Nexus.

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

- 13.1 It is likely that a successful TCF bid will have significant beneficial impact on the businesses of transport operators, key employment sites and employers in the North East. In addition it is likely that improved access to educational opportunities will be delivered. Finally, greater use of sustainable and public transport modes will lead to improved health outcomes for people living and working in the North East.

## **14. Appendices**

- 14.1 None.

## **15. Background Papers**

- 15.1 None.

## **16. Contact Officers**

- 16.1 Tobyn Hughes, Managing Director (Transport Operations)  
[Tobyn.hughes@nexus.org.uk](mailto:Tobyn.hughes@nexus.org.uk)  
0192 203 3246

**17. Sign off**

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

**18. Glossary**

DfT – Department for Transport  
TCF – Transforming Cities Fund  
FMZ – Future Mobility Zone

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## North East Joint Transport Committee

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**Date:** 22 January 2019

**Subject:** HS2 consultation response

**Report of:** Managing Director (Transport Operations)

### **Executive Summary**

The purpose of this report is to inform Joint Transport Committee of the response to HS2 Ltd's consultation on plans for Phase 2b of HS2.

### **Recommendations**

The North East Joint Transport Committee is recommended to note the report and the response to the HS2 consultation.

## **1. Background Information**

1.1 As reported to the last meeting of this Committee, HS2 Ltd recently consulted on its plans for Phase 2b of HS2. Rebalancing Britain's economy is at the centre of the vision for HS2 by delivering fast, frequent rail connectivity. Construction is starting on phase one of HS2 (London to Birmingham), with an estimated opening date in 2026. The map at Appendix 1 shows the planned expansion of HS2 as part of phase 2, including to Yorkshire, where the line will split with one spur to Leeds and another towards York. From York, it is planned for HS2 services to use the East Coast Mainline (ECML) to the North East, giving the region direct access to the HS2 network. If approved by Government, HS2 phase 2b will open in 2033. The region is also working with Transport Scotland on the case for the trains to travel via an upgraded ECML to Scotland.

1.2 The deadline for consultation responses was 21<sup>st</sup> December, so a response was accordingly submitted after discussions with each Council.

## **2. Proposals**

2.1 The response submitted on behalf of the Joint Transport Committee is attached as Appendix 2

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

3.1 As reported to the last meeting of this Committee, the North East needs HS2 because:

- A sustained increase in passenger numbers since the early 1990s has put pressure on the existing rail network.
- HS2 is not just about speed. Whilst it will transform journey times for the region, particularly to the Midlands, it will also deliver extra capacity nationally (although not in the North East). This will relieve pressure on existing lines, opening opportunities to expand other services, like freight.
- HS2 will be key in supporting the development of Northern Powerhouse Rail (NPR). A junction South of York will accommodate HS2 and NPR services travelling to and from our region, enabling nationwide connectivity. In addition, NPR proposals elsewhere in the North rely upon HS2 funding and improvements, particularly on the approach to city entries in Manchester and Leeds. Without HS2, we are unlikely to maximise the full benefits of NPR.
- In order to deliver the transformative speed and capacity upgrades that HS2 is set to deliver, the ECML North of York must be HS2 ready by 2033. The ECML suffers from capacity and resilience constraints, stemming from ageing, unreliable infrastructure caused by a long-term lack of investment. Without HS2 phase 2b, the business cases NPR and upgrading the ECML will be more difficult, given the lack of incentive to support a nationally significant scheme.

- The North East SEP refresh highlights the lack of committed investment in the ECML and the need to tackle this challenge to enable HS2 phase 2b. This will facilitate the efficient movement of goods and people, helping to drive the region's economy forward.
- Therefore, the region must support HS2 Phase2b, by lobbying Government and continued participation in TfN and ECMA (East Coast Mainline Authorities).

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

4.1 Not applicable to this report.

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

5.1 The response to this consultation had to be submitted on 21<sup>st</sup> December, which was the deadline for responses.

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

6.1 HS2 Phase 2b has the potential to assist the Joint Transport Committee in delivering its objective to maximise the regions opportunities and potential.

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

7.1 There are no specific financial implications arising from this report.

7.2 There are no Human Resource or ICT implications.

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

8.1 There are no specific legal implications arising from this report

#### **9. Key Risks**

9.1 Risk of not responding to this consultation 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 The response to the HS2 consultation discussed in this report was subject to consultation with each Council in the Joint Transport Committee area.

**13. Other Impact of the Proposals**

13.1 No specific impacts.

**14. Appendices**

14.1 Appendix 1: HS2 map

Appendix 2: Joint Transport Committee response to the HS2 consultation

**15. Background Papers**

15.1 HS2 Phase 2b consultation documents are available at:

<https://www.gov.uk/government/collections/hs2-phase-2b-working-draft-environmental-statement>

<https://www.gov.uk/government/consultations/hs2-phase-2b-working-draft-equality-impact-assessment-report>

**16. Contact Officers**

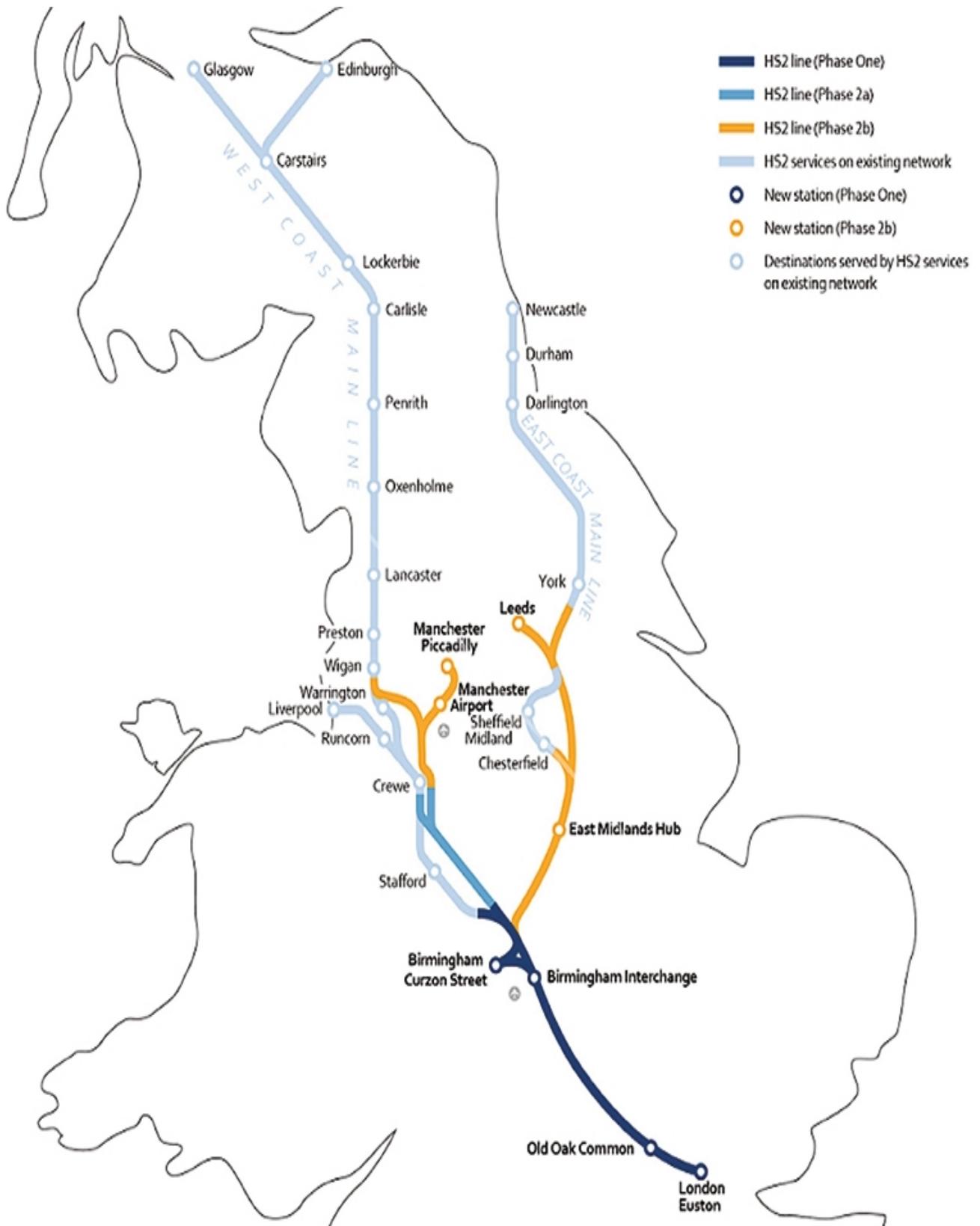
16.1 Tobyn Hughes, Managing Director (Transport Operations)

[tobyn.hughes@nexus.org.uk](mailto:tobyn.hughes@nexus.org.uk) Tel: 0191 203 3246.

**17. Sign off**

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

**Appendix 1 : HS2 map**



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Allan Cook  
Chair  
High Speed Two (HS2) Limited  
Two Snowhill  
Snow Hill  
Queensway  
Birmingham  
B4 6GA

19 December 2018

Dear Mr Cook

## **High Speed 2, Phase 2b: Consultation on Working Draft Environmental Statement (W-DES) & Working Draft Equality Impact Assessment Report**

### **Summary of our position**

HS2 has the potential to either help the North East's fragile economy to develop and grow through significant investment and transformed rail links, or to create new barriers that will hold the North East back while other parts of the country benefit.

The positive scenario will only occur if:

- HS2 Phase 2b is committed to and fully funded by the government; and
- The East Coast Main Line corridor between York and Newcastle receives significant investment in the period 2024-2033 to make it 'HS2-ready' and to enable HS2 trains to continue to Scotland.

Unless both of these things are developed together as one single commitment, we are deeply concerned that high speed rail will not benefit the North East and may cause economic damage.

It is already clear that the government's commitment to HS2 Phases 1 and 2a, strengthening the economic ties between London, the West Midlands and North West of the country, is encouraging long-term investment in those areas. We urgently need an equivalent commitment to HS2 Phase 2b to give similar confidence to the East of the country. This will add the East Midlands and Yorkshire to the list of beneficiaries.

However, the North East needs more. A commitment to HS2 Phase 2b must be accompanied by a parallel commitment to major investment in the East Coast Main Line corridor to provide the necessary capacity and line speed to allow high speed trains to transform journeys.

With this investment, the North East can become part of the country's new high speed network - and indeed there is no reason why the trains could not continue on to Scotland.

Without it however the North East will be damaged by a congested and unreliable railway – continuing a trend that is already visible today. Perversely rail links to and from the North East will be less attractive than today, not transformed for the better.

We therefore call upon HS2 Ltd, the UK Government, Network Rail and Transport for the North to all work together to produce credible, timely and properly funded plans to upgrade the East Coast Main Line so that the North East can fully benefit from the introduction of high-speed rail to the North.

### **Outline of our response**

We write on behalf of the North East Local Enterprise Partnership and the seven Local Authorities in the North East, in response to the above consultation into High Speed 2, Phase 2b.

With construction about to begin on HS2 in the South of England, the time to debate the overall merits of high speed rail has passed. Instead the country needs to build a high speed route network that benefits the whole of the UK, rather than concentrating on small and already relatively affluent parts of it.

We believe that this can be achieved by building and integrating all phases of HS2 along with the Northern Powerhouse Rail (NPR) network being proposed by Transport for the North (TfN), and by upgrading the northernmost part of the East Coast Main Line (ECML) so that it can form an extended part of the high speed rail network.

Our long-term preference would of course be for the dedicated high-speed network to extend to the North East; however that debate is for another time. Our more immediate task is to make sure that the existing plans for HS2 Phase 2b provide the best possible economic outcomes for people and businesses in the North East.

We believe that HS2 and NPR together, if configured correctly, can help us to achieve the North East's long-term economic growth plans. Conversely though, if not implemented correctly, we believe that HS2 has the potential to cause great social and economic harm to our area.

The North East suffers from a productivity gap with the rest of the UK, and that gap is growing. To tackle that we need the best possible connectivity as a region, allowing people in the North East to access a wide range of employment and training opportunities, and giving confidence to business that its activities are supported by good transport links. A failure to proceed with either the eastern leg of HS2 Phase 2b or the eastern part of the NPR network would simply reinforce the problem; transport links supporting productivity growth would be strengthened elsewhere in the country without the same opportunity being provided to the North East. The economic outcomes of this could only be negative for our area.

## **Making the ECML 'HS2-ready' and the relationship with HS2 Phase 2b**

HS2 Phase 2b will deliver a continuous new high-speed railway between London, the Midlands and a junction with the East Coast Main Line (ECML) in North Yorkshire. From that point it is envisaged that HS2 trains will use the existing ECML to serve the North East.

Throughout the Midlands and much of the North, together with the southern part of the ECML, HS2 will release much-needed capacity on the existing rail network providing a wide range of economic benefits in addition to those offered by faster rail services on HS2 itself. Unfortunately, the direct opposite is true for the North East. The ECML between Northallerton and Newcastle already suffers from major capacity constraints, low line speeds, and a lack of resilience. If HS2 Phase 2b is built as envisaged and no further action is taken, HS2 trains will simply exacerbate the problem by increasing the number of trains needing to access already constrained infrastructure. The result will be a high-quality, fast service on HS2 between London, the Midlands and the York area, followed by a very slow, winding and unreliable journey as the train heads north. Performance on this section of the route needs to match the dedicated infrastructure sections so that the overall HS2 high level of performance can be achieved. Any delays or reduced performance in the North East would inevitably have a knock on effect throughout the line.

The separate plans for NPR create the same difficulty: north of York NPR trains are expected to use the ECML.

Unless this is tackled head-on the negative economic effects are obvious; the degree of physical separation that already exists between the North East and the rest of the UK will be exaggerated, all the more so because of the contrasting huge improvement in ease and speed of travelling between other parts of the North, the Midlands and London by high speed rail. Businesses may locate away from the North East in favour of places with better connections, and our communities will not only be unable to share in the economic benefits that HS2 can bring, but the productivity gulf could widen as the benefits felt elsewhere begin to take effect.

There are two further negative effects: the North East's existing rail services (passenger and freight) will become slower and less reliable because of the arrival of HS2 and NPR services; and the efficient operation of the wider HS2 network will be impacted by delayed trains arriving from the ECML part of the network.

Investment in HS2 Phase 2b and in the ECML complement each other; ECML investment is essential if HS2 Phase 2b is to deliver its full potential. This is borne out by two sets of research; one commissioned for the East Coast Main Line Authorities (ECMA) Consortium in 2016 and another commissioned by HS2East in 2017.

The ECMA research showed that:

- The East Coast corridor is already an important driver of the UK economy
- Investment in the ECML to realise up to eight long distance high speed (LDHS) train paths out of London, and nine north of Peterborough, would generate over £0.3bn of additional GDP per year.
- If this is developed in combination with the HS2 Phase 2 proposals this could rise to over £0.5bn per year. This would be worth £5bn-£9bn to the UK economy in 2016 value terms over 60 years.

- Of three investment scenarios (Bronze, Silver and Gold) considered in the research, the highest Benefit Cost Ratio (BCR) was delivered by the Gold scenario, the only one of the three to comprise both ECML investment and delivery of HS2

The 2017 HS2East research showed similar findings, with the Eastern Leg of Phase 2b yielding benefits estimated in 2016 at £717 million per year when ECML upgrades are included, but only £604million for the Eastern Leg alone.

To tackle this we want to see a single plan developed that will upgrade the ECML between York and Newcastle so that it is 'HS2-ready' by 2033, when HS2 Phase 2b is expected to open. This will require an increase in line speed to allow 140mph running wherever possible; expansion in capacity by providing at least four tracks along the full length of the corridor (either on the existing alignment or by using a combination of parallel routes); and funding to upgrade HS2 stations so that they have the right level of platform capacity, local connectivity, and passenger facilities to play their role as gateways to the country's high speed rail network.

The Strategic Outline Business Case (SOBC) for NPR will shortly be presented to the Government alongside TfN's Strategic Business Plan. The SOBC considers the problems outlined above, and proposes that upgrading the ECML between York and Newcastle is considered a core part of the NPR project, and that it be carried out at an early stage of NPR.

We will urge TfN and the Government to respond by immediately providing funding for Network Rail to develop detailed options to make the ECML between York and Newcastle 'HS2-ready' by 2033, and to allocate major infrastructure enhancement funding for the period 2024-2033 to carry out the works.

We seek your strong support in making this happen.

### **Design and phasing of HS2 Phase 2b**

The people and businesses in the areas through which HS2 Phase 2b will pass are best placed to comment on the specifics of the proposal as it relates to their environments and communities. However we do have a specific interest in the parts of Phase 2b that will connect with the ECML and with the proposed NPR network (the latter are sometimes known as 'touchpoints').

Dealing with the ECML first, it is of the highest importance that the connection between HS2 Phase 2b and the ECML is built. Without it there can be no through HS2 services to York, Tees Valley, North East England or Eastern Scotland, with the negative economic effects described above.

The 'touchpoints' between HS2 Phase 2b and NPR will allow trains to connect the North's existing city centre stations by utilising HS2's dedicated high speed lines for part of their journeys. This will mean that not only will HS2 improve connectivity between the North, the Midlands and London, but it can also contribute to faster journey times and capacity growth within the North itself. From the North East's perspective this could see productivity gains through improvements to journey time to Leeds, Manchester and Sheffield even before taking account of NPR. We therefore strongly support the development of these 'touchpoints'.

We believe that there is a strong case for the construction of HS2 Phase 2b to be divided into smaller phases, with the ECML connection being built at an early stage, perhaps in tandem with the major upgrade of the ECML. When operating together with other NPR 'touchpoints' this may provide immediate economic benefits by speeding up journeys from York, Tees Valley and the North East to other major economic centres across the North of England and also to Scotland.

## **HS2 to Scotland**

There is an assumption in the consultation documents that HS2 will serve Scotland by utilising the West Coast Main Line (WCML). We do not accept that assumption; work commissioned by HS2East in 2016 suggests that a journey time between Edinburgh and London as low as 3 hours could be achieved by HS2 services travelling on a combination of HS2 and an upgraded ECML.

We believe that strong economic benefits to the country will come from HS2 trains continuing north from Newcastle to Scotland. This is because HS2 would provide fast links between major economic centres in the West and East Midlands, Yorkshire, Tees Valley and the North East with those in central Scotland. We have already described how we believe that the ECML between York and Newcastle must receive major investment to make it 'HS2-ready' by 2033. The economic benefits of this investment would be further strengthened if it were to facilitate HS2 trains to Scotland.

This view is supported by TfN and numerous local authority partners across the footprint of the eastern leg of HS2 Phase 2b. TfN's current activity in the development of a business case for Northern Powerhouse Rail will support and stimulate economic development in the years prior to HS2 arriving in the region. Rail investment can help deliver the growth potential in the North East. By delivering High Speed links through HS2 and Northern Powerhouse Rail as well as conventional rail upgrades this could be worth an extra £45.6bn to the Northern economy. This is much needed investment to ensure easier faster more reliable links are available for all.

## **Summary**

To summarise our position, we strongly believe that HS2 Phase 2b can have a very positive economic and social impact on the businesses and communities of the North East. However this will only be the case if the link from HS2 to the ECML is built, and the ECML between Northallerton and Newcastle receives a major upgrade between now and 2033 – if not then we are concerned that HS2 Phase 2b may import negative economic impacts.

We also believe that the economic benefits of HS2 Phase 2b can be significantly improved if HS2 services run on to Scotland via the North East, and if the 'touchpoints' between HS2 and NPR are delivered to strengthen connectivity between the North's major economic centres.

Please do not hesitate to contact us if you would like to engage further on the points that we make in this letter.

Yours sincerely



**Cllr Martin Gannon**

Leader of Gateshead Council and Chair of the North East Joint Transport Committee  
[on behalf of the 7 Local Authorities in the North East]



**Andrew Hodgson**

Chair of the North East Local Enterprise Partnership

