



## **Joint Transport Committee Overview and Scrutiny Committee**

Thursday, 16th December, 2021 at 10.00 am

Meeting to be held in the Bridges Room, Gateshead Civic Centre

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## **AGENDA**

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	<b>Page No</b>
1. <b>Apologies for absence</b>	
2. <b>Declarations of Interest</b>	
3. <b>Minutes of the Meeting held on 14 October 2021</b>	<b>3 - 8</b>
4. <b>Integrated Rail Plan and the Leamside Line</b>	<b>9 - 20</b>
5. <b>Application of Transport Assurance Framework (Presentation)</b>	
6. <b>Joint Transport Committee Budget Proposals 2022/23</b>	<b>21 - 50</b>
7. <b>JTC Forward Plan and Work Programme Report</b>	<b>51 - 58</b>
8. <b>Any other business</b>	

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**JOINT TRANSPORT COMMITTEE, OVERVIEW AND SCRUTINY COMMITTEE**

**DRAFT MINUTES FOR APPROVAL**

Thursday 14 October 2021, 10am

Meeting held in the Bridges Room, Gateshead Civic Centre

**Present:**

- D Taylor-Gooby – Chair
- A Clark – Vice Chair
- E Goodman – Transport North East
- E Reynard - Gateshead Council
- F Bootle – Transport North East
- G Armstrong – NECA
- M Barker - Gateshead Council
- P Meikle – Transport North East
- R Forsyth-Ward – Transport North East
- S Gwilym – Durham County Council
- M Mallam-Churchill – Gateshead Council (Minutes)

**Councillors:**

- Cllr C Lines – Durham County Council
- Cllr C Martin – Durham County Council
- Cllr I Patterson – Gateshead Council
- Cllr J Eagle – Gateshead Council
- Cllr G Stone – Newcastle City Council
- Cllr D Snowdon – Sunderland City Council

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from the following:

- Cllr D MacKnight – Sunderland City Council
- Cllr P Walker – Sunderland City Council

- Cllr M Green – North Tyneside Council
- Cllr O Avery – Newcastle City Council

## **2. DECLARATIONS OF INTEREST**

Cllr Eagle noted his employment with Nexus as a declaration of interest. The Committee were advised he has been given dispensation to be on this Committee.

RESOLVED:

- (i) The declaration of interest was noted.

## **3. MINUTES OF THE PREVIOUS MEETING HELD ON 25 MARCH 2021**

RESOLVED:

- (i) The meeting was not quorate therefore the meetings of the previous meeting could not be approved as a correct record.

## **4. TRANSPORT BUDGET 2022/23 AND MEDIUM TERM FINANCIAL STRATEGY**

The Committee received a copy of the report presented at the North East Joint Transport Committee on 21 September 2021. The report provided members with details of the processes and timescale for the approval of the levels and other budgets relating to the JTC. Within the report, the Committee also received information relating to the context and initial strategy for the development of proposals for the budgets in 2022/23 and beyond.

It was reported that the budget proposals would be further developed and consulted upon in the coming months, it was noted that decisions on the levies and other aspects of the Transport Budget would be taken to the JTC meeting in January 2022.

The Committee were advised that the Nexus revenue budget has and continues to be significantly impacted by the Covid-19 pandemic. From the report, it was noted that based on current and forecasted patronage, the removal of emergency support from April 2022 results in a forecast deficit of £19.2m in 2022/23. It was highlighted that this deficit would rise to £19.8m in 2023/24 if no further government support is forthcoming and the Tyne & Wear levy is maintained at the current level.

It was noted that if the plans outlined within the Transport Plan are to be delivered, growth is needed in the Transport North East budget to supplement existing contributions from the Local Transport Plan Integrate Transport block and the Transport Levies.

The Committee were also advised that in order to set a break-even budget on the Tyne Tunnels, it is likely that an inflationary increase will be required to the toll for Class 3 vehicles in 2022/23. It was reported that a report is to be written for the Tyne and Wear sub-committee in January 2022 recommending this increase if the Retail Price Index is sufficient to trigger it. Officers provided assurance that there are no anticipated increases planned for Class 2 vehicles for the next financial year.

From the report, the Committee noted that funding for the Urban Traffic Management Control centre is maintained at the same level as the current year, it was further noted that pending a long term funding package being agreed would enable the centre to support Intelligent Transport Systems capital investment taking place as part of the Transforming Cities Fund.

A question was asked in relation to bus funding proposals; officers advised that the pandemic has had an impact on patronage across bus services regionally. It was also noted that the Government has requested that bus service providers maintain current concessionary travel levels despite the drop in patronage. A discussion took place on the concessionary travel reimbursement scheme; it was noted that this may well affect bus services.

The Committee expressed concern over the £19.2m funding deficit forecast; it was asked whether this would impact on bus services within rural areas. Officer advised that the budget would present challenges, a summary of the Nexus funding model was provided for assurance that rural services would not be especially impacted as a result of the deficit.

It was suggested that the increase in toll fee for Category 3 vehicles would result in drivers of these vehicles (HGVs) to take alternative routes. The Committee noted that this increase would place further strain on haulage/delivery providers who are currently experiencing a driver shortage.

The Committee also discussed the impact of removing the barriers at the Tyne Tunnels to allow for the free-flow of traffic; it was suggested that the environmental impact of this change may offset the increase in tolls for Category 3 vehicles.

It was asked whether the Tyne Tunnels were at risk in any way as a private operation; it was noted that patronage at the tunnels is almost back to pre-pandemic levels which is encouraging but that many millions of pounds had been lost in revenue due to the pandemic.

The Committee highlighted the need for increased engagement with Central Government for devolved powers; concern was also noted that local authority budgets would be impacted. It was asked that officers feed back concerns from the Committee over the 'green agenda' the Committee noted that this was important in terms of long-term sustainability of transport systems in the region.

**RESOLVED:**

- (i) The Committee noted the report.
- (ii) The Committee requested that the concerns and queries raised as part of the discussion for this item be fed up to the North East Joint Transport Committee.

## **5. ZERO EMISSION VEHICLE POLICY UPDATE**

The Committee received a report and presentation providing an update on the Zero Emission Vehicle policy that is being developed in the North East. The Committee

were advised that the policy aims to develop and expand the region's Zero Emission Vehicle charging network and to increase uptake of plug-in vehicles.

It was reported that the policy is due to be published in January 2022 and will also investigate other clean fuel alternatives such as hydrogen.

A comment was made noting that within the east of Gateshead there are only two plug-in vehicle charging points available to the public and that one of these is frequently out of order. The Committee questioned the viability of the plug-in vehicle charging plans based on the current availability of charging points. It was also noted that many of the plug-in vehicle charging points are privately owned.

Officers advised that the current market has yet to align itself to provide charging points for commercial gain; it was acknowledged that more works needs to be done to increase public confidence in purchasing electric vehicles.

A discussion took place on the availability of public charging points across the region; the Committee also suggested that public plug-in charging points could be added as a planning condition for new developments such as supermarkets.

The Committee questioned the lack of targets within the report; officers advised that such targets and implementation plans are being drawn up in collaboration with a consultancy that has been hired to support this work.

**RESOLVED:**

- (i) The Committee noted and commented on the report.

## **6. GO SMARTER, GO ACTIVE UPDATE**

The Committee received a presentation and report providing an update on the Go Smarter, Go Active campaign. It was reported that campaign will consist of three projects:

A suite of itineraries for days out showcasing the best sights of the North East which can be reached by active travel;

Maps of cycling and walking networks to show people how to pan enjoyable active travel journeys around the region;

Regional cycling roadshow events and interactive workshops which will show people that cycling is fun, enjoyable and can boost confidence.

The Committee were advised that independent suppliers were procured to contribute to the development of the projects that were delivered throughout summer 2021. It was highlighted that approximately 1,700 people had attended the cycling roadshow and that positive feedback had been received.

It was reported that 16 itineraries for days out by active travel had been produced and that there had been 1,900 downloads to date. It was also noted that the cycling and walking interactive maps had been launched with comms activity planned for the remainder of 2021/22 to promote cycling/walking and the itineraries.

The Committee congratulated officers on the campaigns success and noted that a lot had been achieved with a small budget. The Committee also noted that the interactive cycling and walking maps were very useful and that members should be promoting their use to constituents.

It was acknowledged that despite the pandemic the campaign had been a success.

RESOLVED:

- (i) The Committee noted the contents of the report.

## **7. TRANSPORT NORTH EAST – TRANSPORT PLAN PROGRESS UPDATE**

The Committee received a report providing an update on progress made across the seven Delivery Plan categories in implementing objectives of the North East Transport Plan and achieving the vision of 'moving to a green, healthy, dynamic and thriving north east'.

It was reported that progress is being made with the Transforming Cities programme and, of the 19 Tranche 1 schemes, 15 are now complete with the remaining 4 nearing completion. The Committee were also advised that funding has been approved for the core station element of the Sunderland Central Station redevelopment scheme.

The Committee noted that the region had been identified by the government as a potential candidate to receive funding over a five year period through the new £4.2 City Regional Sustainable Transport Fund; officers advised that work is being carried out to identify opportunities which a long term, devolved settlement for transport would present in the region.

The Committee also received a summary of the successful expression of interest submitted for the Zero Emission Bus Regional Areas scheme, it was reported that a business case for this is to be submitted in January 2022.

From the report, the Committee were advised that joint working with bus operators is progressing well and that work towards the development and delivery of an Enhanced Bus Partnership and associated Bus Service Improvement Plan is progressing.

The Committee were advised that the government has confirmed further funding to support the Tyne and Wear Metro until the end of the current financial year. It was also reported that work is continuing on the Tyne Pass Scheme to introduce barrierless travel at the Tyne Tunnels.

It was also noted that the May 2022 ECML timetable changes had been delayed until at least 2023 and that the Transpennine Express will begin a new rail service between Newcastle and Edinburgh from December 2021 calling at a number of stations in Northumberland.

The Committee noted that increased connectivity within Northumberland was welcomed; officers also reported that patronage on the Northern Passenger Networks was increasing.

It was asked whether there had been and progress with the Leamside Line; the Committee were advised that an update on this from Government is expected soon.

RESOLVED:

- (i) The Committee noted the update from the report.

## **8. JOINT TRANSPORT COMMITTEE OVERVIEW AND SCRUITING WORK PROGRAMME**

The Committee received the work programme 2021/22 report. The Chair reminded the Committee that they are able to request additions to the work programme throughout the year as appropriate.

The Committee requested an update on the Transport Plan be scheduled for a future meeting.

RESOLVED:

- (i) The Committee noted the work programme.
- (ii) The Committee requested an update on the Transport Plan at a future meeting.



# North East Joint Transport Committee Overview and Scrutiny Committee

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**Date:** 16 December 2021

**Subject:** Integrated Rail Plan and the Leamside Line

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

## Executive Summary

This report provides an outline of the government's Integrated Rail Plan for the North and Midlands (IRP) which was published on 18<sup>th</sup> November 2021 and the impacts on future rail connectivity of the North East. This report also summarises the latest position regarding study work covering the East Coast Main Line (ECML) and the Leamside Line.

The outcome of the IRP for the region is very disappointing as the North East is no longer proposed to be connected to the UK's future high speed rail network. The IRP also rules out government investment in the Leamside Line as a means of adding capacity to the ECML.

The IRP does however discuss more limited potential improvements to the existing ECML route in our region, as well as committing to a £96bn package of major investments to upgraded and new railway routes elsewhere in the North and Midlands. It also suggests that the Leamside Line could be part of a "future city region settlement".

We are concerned about possible negative economic consequences for the region given that rail connectivity will be transformed between many English centres, but the North East will be almost untouched by these benefits.

The government has also recently published the Union Connectivity review (26th November). A detailed report will be brought to the January Committee, including what the review says on road, air and sea connectivity.

This report proposes a series of steps to continue both work to improve the capacity of the ECML in our region, and to reopen the Leamside Line using Metro and local rail services.

## Recommendations

- i) The Overview and Scrutiny Committee is recommended to note the report.

## 1. Background:

- 1.1 In the summer of 2019, the UK government commissioned an independent review on 'whether and how' to proceed with HS2. Then in February 2020 the review concluded that for Phase 2b of HS2 (the route from Birmingham to Manchester and Leeds) the Y-shaped network "was the right strategic answer for the country." However, the review also concluded that Phase 2b needed to be considered as part of an 'Integrated Rail Plan' which also includes Northern Powerhouse Rail (NPR), Midlands Rail Hub, and other major rail schemes "to ensure these are scoped, designed, delivered, and can be operated as an integrated network"
- 1.2 The government stated in November 2020 that once published the IRP "will inform the Department for Transport's planning for the long-term future of the East Coast Main Line (ECML)." Under the original plans, both HS2 and NPR services would serve the North East by joining onto the ECML, enabling the region to be connected to the UK's high speed rail network.
- 1.3 To this end TNE has been working on behalf of JTC with both TfN and Network Rail to develop the studies required to produce a preferred NPR network which was approved at the TfN Board. The reopening of the Leamside Line in full (to divert freight off the ECML to enable an uplift of 50% in passenger services capacity) was part of this preferred network, on to which local enhancements for Metro /local rail could be incorporated in the future.
- 1.4 In 2020 the UK Government asked Sir Peter Hendy CBE to undertake a detailed review into how transport connectivity across the UK can support economic growth and quality of life in England, Scotland, Wales and Northern Ireland. He was also asked to make recommendations as to whether and how best to improve transport connectivity between the nations of the UK. Members will recall that JTC submitted a response to the call for evidence as part of the review.

## **2. Summary of the reports' contents**

### **What does the IRP recommend?**

- 2.1 The IRP has cancelled the eastern leg of HS2 between Birmingham and Leeds, and as a result no HS2 services are now proposed to reach the North East. The government will now upgrade existing routes and build high-speed lines in some areas:
  - A 42-mile section between Birmingham and East Midlands Parkway, just south of Nottingham;
  - A second high-speed route will run south from Leeds for about 23 miles;
  - A third stretch will run for 33 miles from Crewe to Manchester, to complete the western leg of HS2.
- 2.2 The IRP has also downgraded plans for Northern Powerhouse Rail (NPR), the east-west rail line being developed by Transport for the North (TfN). NPR

is now truncated to a new line between Warrington and just into Yorkshire, plus a series of low-level upgrades and part of the Transpennine Route Upgrade (TRU). Again, the Leeds to Newcastle leg of the NPR network has been dropped.

- 2.3 Instead, the East Coast Main Line will ‘get digital signalling and also upgrade the power supply to allow longer and more frequent trains, increase maximum speeds up to 140mph in some places, improve the capacity of stations, and remove bottlenecks such as flat junctions’. This would enable for example, a 20-minute faster journey time between Newcastle and London, but only a 5 minute journey time improvement to Leeds as opposed to a 30 minute saving proposed by NPR.
- 2.4 The IRP also says, ‘North of York we will look to increase the number of paths for long distance high speed trains from 6 to 7 or 8 per hour’. This is subject to a future business case and is less than the proposed 9 trains per hour under the former HS2/NPR proposals and does not include the reopening of the Leamside Line. Elsewhere in the plan it states ‘We will ask Network Rail to now take forward these proposals, including considering any alternatives which may deliver better outputs and/or more cost-effective solutions’. Appendix 1 shows a map of the proposed new network which shows that the North East will no longer be connected to the UK’s proposed high-speed rail network, with rail services being kept on the existing ECML.

### **What does the UCR recommend?**

- 2.5 The review provides 18 recommendations the most relevant ones for the North East regarding rail are:
- Design and implement UKNET – a strategic transport network for the whole of the United Kingdom, and commit funding to improve the network, in particular, the parts that are not performing well;
  - Plan improvements to the network using multimodal corridors, which should be reviewed regularly and appraised on a wider economic basis in order to support government objectives such as levelling up and net zero
  - Seek to work with the Scottish Government to develop an assessment of the East Coast road and rail transport corridor from North East England to South East Scotland, including improvements on the East Coast Main Line and the A1

### **What does the IRP mean for the North East?**

- 2.5 The IRP means that the Eastern leg of HS2 will no longer go ahead as planned and North East will no longer be part of the HS2 network. The region is also no longer considered to be part of the NPR “core network” and east-west rail journey times will not be improved significantly. For example, Newcastle to Leeds future rail journey times will only be 5 minutes faster than today. Therefore, the plans to downgrade NPR diminishes the opportunity to

secure economic growth across the Pennines.

- 2.6 The removal of the North East's links to HS2 (2 trains per hour) and potential loss of direct NPR services (a further 2 trains per hour) means that there will be fewer future services than the 9 trains per hour previously planned on the ECML in the region, which has led the government to conclude that there isn't a major capacity problem to be solved. The IRP therefore only identified a need to deliver 7 or 8 train paths per hour, only marginally more than today and just enough to accommodate the additional London service that was proposed in the recent May 2022 timetable consultation.
- 2.7 There are some smaller-scale investments planned to release ECML capacity in our region including additional platforms at Newcastle, reinstating the Bensham curve and a third line north of Chester-Le-Street. The North East Joint Transport Committee is already part funding Network Rail to develop the business case for these improvements.
- 2.8 The reinstatement of the Leamside Line, which would enable the region's future capacity needs to be met between Northallerton and Newcastle, are now not being taken forward by central government, but the IRP suggests it 'would be best considered as part of any future city region settlement'.
- 2.9 The ECML in the North East will continue to consist of only two tracks – one in each direction already at full capacity (6 trains per hour in each direction), with minor upgrades to accommodate one or two extra trains in future. An additional consequence would appear to be that the plans for a HS2 train stabling depot in Heaton to store 11 HS2 trains, allowing HS2 services to start and terminate at Newcastle and serve the rest of the route has been cancelled by the government.
- 2.10 The primary reason for the downgrading of proposals to better connect the North East to a high-speed rail network seems to be based on a short term cost saving. It does not seem to consider the wider economic consequences of such a proposal and does not take account of the government's levelling up policy. It is still focused on serving London and the south east and does nothing to improve the North East's connectivity to Leeds and Manchester, which was downgraded even in the recent May 2022 timetable consultation. The IRP seems to miss the point that connectivity is not only about minor increases in journey times to London, but also about the frequency of services to other destinations and the reliability and resilience of those services – all of which require improved capacity. No consideration seems to have been given to the fact that with a mixed passenger and freight route and only a 2-track railway the ECML in our region is not fit for today's services never mind future growth.
- 2.11 By geography the North East is a long way from the other northern economic centres and thus any improvement work is likely to be more expensive on a cost-per-mile basis to the nearest large city (Leeds) than connecting other cities that are closer to each other. However, passengers from our region already pay higher fares to our nearest NPR city pair (Leeds) because of this distance.

2.12 The North East interventions which the government has asked Network Rail to look at in the IRP have been in plans for a decade without being progressed.

### **What does the UCR mean for the North East's rail services?**

2.13 Although a section of the report is focussed on connecting the North East (of England) with the South East of Scotland, disappointingly it proposes another 'assessment' for the East Coast corridor – of which there have already been many, whereas elsewhere in the review it proposes "investment" for the West Coast Main Line.

## **3. Options for moving forward**

3.1 The JTC has considered in the past the interventions which it believes will deliver a transformation to the North East connectivity as proposed in the NPR preferred network, including those intervention identified in the IRP plus the full reopening of the Leamside Line.

3.2 Work has been progressing on several fronts associated with plans to reopen the Leamside Line for rail / Metro use including

- a) The development work of an Umbrella Business case for interventions.
- b) Progressing engineering feasibility work and demand forecasting studies for the South Tyneside and Wearside loop.
- c) Submitting a Restoring your Railways bid and local MPs' proactive response.

### **Umbrella Strategic Outline Business Case**

3.3 There are a number of studies being looked at along the ECML/Leamside corridor. We are working to coordinate these various studies and assimilate them into a single coherent plan which maximises the benefits to the North East. Consultants have been engaged to prepare an Umbrella strategic outline business case. The delay to the publication of the governments Integrated Rail Plan for the North and Midlands (IRP) has hampered progress. However, progress has been made with a baseline report being completed and a skeleton structure for the document produced. This includes the development of the following objectives:

- **Inclusive Growth** - Connect communities with employment and education opportunities and reduce national and regional inequalities.
- **Low Carbon** - Incentivise a shift to more sustainable modes of transport and promotes decarbonisation and electrification.
- **Integrated and Multi-modal** - Provide improved choice and value for users through enhanced connectivity and integration

across the network and across modes (including active travel).

- **Resilient** - Ability to support a growing transport demand without compromising on performance or reliability.

3.4 An officer Programme Board is overseeing the work and includes representatives from DfT, Network Rail, TfN, the Northern Transport Acceleration Council and local authorities. Now the IRP has been published we will need to review the USOBC progress to date and aim to complete the work by the end of the year.

### **South Tyneside and Wearside Loop**

3.5 This a new Metro route that would use the north end of the Leamside Line to bring the Metro through Follingsby to Washington, over the River Wear, and then across to join up with the existing Metro terminus at South Hylton. This would provide a Metro connection between Washington and Sunderland. It could also have a direct route from Follingsby to Heworth using a bridge over the existing rail line in the Pelaw area, allowing South Tyneside to be joined to the new service.

3.6 As part of the programme of studies into corridors for potential Metro extensions, consultants have been working on the engineering feasibility and demand forecasting along sections of the South Tyneside and Wearside Loop. We have already updated Members on the result of feasibility work looking at the Northern end of the route, including:

- Pelaw Flyover
- Bowes Chord Grade Separated Junction (an alternative to Pelaw Flyover)
- Boldon Junction to Tyne Dock
- Boldon Chord Station
- Pelaw to IAMP
- A potential IAMP Station

Work is now nearing completion on the feasibility work on the southern section of the route, linking Washington through to Sunderland. A number of challenges present themselves along this section including:

- The Victoria Viaduct
- Access beneath the A19
- The level crossing at South Hylton and impacts on the station.

3.7 The report to assess the engineering feasibility and provide high level cost is expected imminently and a more detailed report is planned to be brought to JTC at the January committee. In parallel to the engineering feasibility work, demand forecasting is also been developed. This is exploring four service pattern scenarios and will also be complete at the end of November, beginning of December. Thus, a comprehensive update can be providing in

January.

- 3.8 Funding has been secured via the LEP (with a level of match funding from the Extension budget) to progress the findings of the two (Engineering and Demand) studies to an outline SOBC. More details of the SOBC will be reported in the January update.

### **Leamside heavy rail passenger services**

- 3.9 As part of the suite of projects being investigated involving the Leamside Line, a Restoring you Railways expression of interest bid for “Ideas funding” was submitted with the aim to help us progress the strategic outline business case for a local passenger service to operate from Newcastle, via Washington to connect Ferryhill. A separate bid had previously been accepted for a service from Ferryhill to Middlesbrough.
- 3.10 Following the comprehensive spending review and budget announcement, the Rail Minister informed the local MPs that our bid was unsuccessful. The covering letter attached cited that ‘*Our discussion and assessment found that your proposal did not set out the case sufficiently for it to be recommended for further funding. The scheme shows good potential in terms of transport and socio-economic benefits, however the overall cost of the re-instatement (circa £600m) remains prohibitive. I would advise that any future submission considers phasing the proposal so that any re-instatement of the line is done in a series of smaller, less costly proposals.*
- 3.11 Whilst this is obviously disappointing news it does acknowledge that reopening the Leamside would be a positive move in terms of socio-economic benefits. Local MPs reacted proactively by seeking recognition of the role the route should play in the Integrated Rail Plan around the capacity relief on the ECML and local connectivity. Despite intense lobbying by North East MPs including a joint letter to Ministers, along with JTC members, the LEP, the Chamber and the Northern Powerhouse Partnership (NPP) the published IRP does not see the Leamside Line as part of a wider strategic network but a potentially a local connectivity scheme.

## **4. Proposals**

- 4.1 Whilst it is disappointing that the IRP effectively rules out government investment in the Leamside Line as a means of adding capacity to the ECML, nevertheless the strategic case remains strong for the JTC to develop a business case for the route to be used for Metro and local rail services. Work is already underway in this regard, with budgetary provision already having been made for the Metro South Tyneside and Wearside Loop to be developed to SOBC.
- 4.2 Equally, although the government has decided not to accept our bid to the “Restoring Your Railways Fund” in relation to local heavy rail passenger services along the Leamside Line, we believe that there is a significant opportunity to improve the connectivity and social and economic outcomes for

communities along the line. We therefore propose to commission a study using our own budgetary provision for Metro and Local Rail services in the next financial year, subject to approval through the budget-setting process.

4.3 We have recently reported that work to examine a 7<sup>th</sup> path on the existing ECML to meet short-term needs is underway. The government had previously declined to fund this work and so it is currently being taken forward, funded jointly by the Joint Transport Committee, Transport for the North, and Network Rail. We will hold discussions with the Department for Transport over the implications of the IRP and whether the government now wishes to play a more active role in this work.

4.4 We do not accept the IRP's analysis that only 7 or 8 paths are required on the ECML in our region. This would meet the short-term need but does not allow for any future growth in services – passenger or freight – and it does not improve the resilience of the route. We will therefore continue to make the case to the government for future investment. We will also ensure that our work to progress the reopening of the Leamside Line for Metro and local passenger services allows, where possible, for its future use by long-distance freight and passenger services.

4.5 The Joint Transport Committee will also wish to continue to work with local, regional and national stakeholders to provide strong evidence (through business case development) of the need to significantly invest in rail connectivity within and between the North East and the other main economic and social hubs across the north and the rest of the UK.

## **5. Reason for the Proposals**

5.1 The above proposals are intended to ensure that the Joint Transport Committee continues to work to enhance the region's rail connectivity, both on the ECML as a national strategic route, and to better connect communities in the region.

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

6.1 The next step is to work with government, TfN and Network Rail to plot the best course for the future development of the North East connectivity and then develop strong cases for the incremental development of both the ECML and the Leamside line.

6.2 A further report will be brought to JTC in January outlining:

- i. the engineering and demand forecasting work on the South of Tyne and Wearside loop and the proposals for the SOBC.
- ii. the Umbrella SOBC report
- iii. Progress with the ECML 7<sup>th</sup> path SOBC

## **7. Potential Impact on Objectives**



7.1 There is no potential impact on objectives as a result of the proposals put forward by this paper. However, the removal of North East connections to both HS2 and NPR will have significant negative impacts on the strategic objectives of the Transport Plan, primarily reducing our ability to ‘Overcome inequality and grow our economy’.

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

8.1 There are no immediate direct financial and resource implications from this report.

## **9. Legal Implications**

9.1 There are no immediate direct financial and resource implications from this report.

## **10. Key Risks**

10.1 There are no key risks resulting from this paper, the key risk as a result of the IRP (and UCR) is that whilst other areas of the country will see improved high speed rail connectivity, the North East will not and thus the differential economic and social disparities are likely to widen even further.

## **11. Equality and Diversity**

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

## **12. Crime and Disorder**

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

## **13. Consultation/Engagement**

13.1 This report has been through the Heads of Transport and Transport Strategy Board in accordance with the governance of JTC reporting.

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

14.1 The impacts of the IRP are outlined in the body of the report.

## **15. Appendices**

15.1 Appendix 1 – IRP ‘core network’ map

## **16. Background Papers**

16.1 The Integrated Rail Plan for the North and Midlands.

[Integrated Rail Plan for the North and Midlands \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

**17. Contact Officers**

17.1 Derek Gittins, Head of Heavy Rail,  
Transport North East  
Email: [derek.gittins@transportnortheast.gov.uk](mailto:derek.gittins@transportnortheast.gov.uk)

**18. Sign off**

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

**19. Glossary**

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

IRP – Integrated Rail plan for the North and Midlands

NPR – Northern Powerhouse Rail

HS2 – High Speed 2

TfN – Transport for the North

JTC – Joint Transport Committee

NECA – North East Combined Authority

TNE -Transport North East

SOBC – Strategic Outline Business Case

ECML – East Coast Main Line

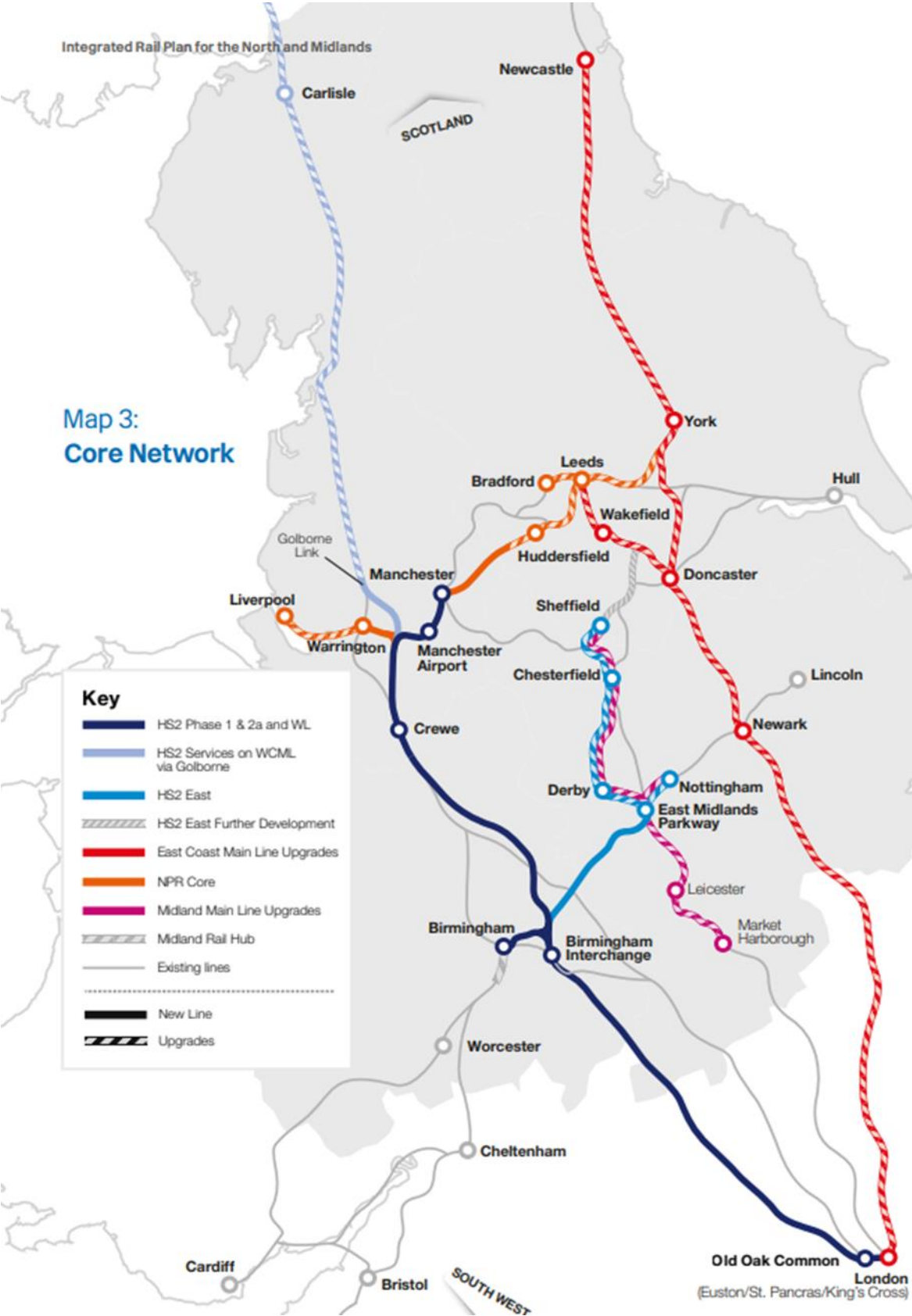
NPP- Northern Powerhouse Partnership

LEP – Local Enterprise Partnership

DfT – Department for Transport

UCR- Union Connectivity Review

Appendix 1 – IRP ‘core network’ map



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## **North East Joint Transport Committee Overview and Scrutiny Committee**

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**Date:** 16 December 2021

**Subject:** Joint Transport Committee Budget Proposals 2022/23

**Report of:** Chief Finance Officer

### **Executive Summary**

On 16 November 2021, the North East Joint Transport Committee (JTC) received a report setting out draft proposals for the transport levies and other budgets relating to the JTC. This report provides members of the JTC Overview and Scrutiny Committee with a full copy of the JTC report for discussion as part of the consultation process at Appendix 1.

The report to the JTC provides an update on the Forecast of Outturn for 2021/22 and sets out draft proposals for 2022/23, which can be summarised as follows:

- A forecast deficit for Nexus of circa £20.8m next year, resulting primarily from the withdrawal of Covid-19 funding for Metro operations;
- In lieu of the grant funding being extended, for which significant lobbying is taking place, the budget strategy next year would need to entail: a reduction of £7.5m in the budget used to fund Concessionary bus travel reimbursement in Tyne and Wear; efficiency savings and additional stretched income targets for Nexus of £3.6m and the use of £5.6m of Nexus' reserves; and, as a last resort, a levy for 2022/23 for Tyne and Wear of £65.225m, representing an increase of 6.75%, or £4.125m year on year increase. These proposals will be revised to reflect any new grant funding announcements and any increases in patronage on Metro beyond the latest estimates.
- An initial estimate of the levy and transport grant for Durham County Council of £15.583m and £15.573m respectively, which is subject to further development of budget proposals.
- An initial estimate of the levy and transport grant for Northumberland County Council of £6.357m and £6.347m respectively, which is subject to further development of budget proposals.
- A breakeven position is forecast on the Tyne Tunnels in 2021/22 and again in 2022/23 with a rise in the tolls for Class 3 vehicles built into the budget proposals for next year as a result of the levels of Retail Price Index inflation. This will be subject to confirmation by the Tyne and Wear Sub Committee in January.

- It is proposed to continue the contribution of £10,000 per authority towards Transport North East which is retained from the Durham and Northumberland levies. The contribution from the Tyne and Wear levy to fund central activity next year will be £2.100m, (in line with current allocations) which is mainly used to meet costs relating to the former Tyne and Wear Integrated Transport Authority, namely charges for historic debt.
- It is proposed that as a minimum, funding for Transport North East from the Local Transport Plan Integrated Transport Block is continued at £500,000, (£62,500 per council and Nexus). This does not preclude growth in this budget being agreed and further proposals may be presented at a later stage.

## **Recommendations**

The Overview and Scrutiny Committee is recommended to note the report and make any observations or recommendations on the content, which will be factored into the final budget report to be considered by the JTC at its meeting on 18 January 2022.

## **Guiding Principles for Scrutiny Members:**

The below are the key guiding principles to support the Overview and Scrutiny Committee Members in reading the report in advance of the meeting to:

- consider any added value that Scrutiny can bring
  - promote effective discussion and consider the information in the report
1. The impact the matter has on individuals in the community and across the North East Combined Authority
  2. Focus on the efficiency and effectiveness of the proposals, next steps and any potential changes
  3. Consideration to any risks that may occur
  4. Scrutiny focusing on any performance management or quality assurance

## **1. Background Information and current context**

- 1.1 At its meeting on 16 November 2021, the North East Joint Transport Committee (JTC) received a report setting out the draft proposals for the transport levies and other transport budgets in 2022/23, with some indicative estimates for future years. The final proposals on the levies and other aspects of the transport budget will be recommended to the JTC for approval at its meeting on 18 January 2022.
- 1.2 This report is attached as Appendix 1. The Overview and Scrutiny Committee is invited to provide comment and make any recommendations to the JTC which will be taken into account in developing the detailed proposals for the Transport Budget 2022/23.

## **2. Proposals**

- 2.1 The report at Appendix 1 provides an updated forecast of outturn for the current year, which shows a small overspend against the transport grant for Durham, a small underspend for Northumberland and a lower than forecast deficit against the transport grant for Nexus. Any over or underspends are managed within the reserves of the respective organisations, with the transport levies and grants fixed for the year.
- 2.2 Expenditure for Transport North East is forecast to total £9.018m against the original budget of £2.660m, with the increase being due to the continuation of various Covid-19 grants paid to the local authorities and Nexus, the inclusion of Active Travel Fund revenue activity and the Bus Services Improvement Plan and Enhanced Partnership development work. In the main Transport North East budgets there is a small underspend forecast on staffing as a result of vacancies in the team during the year.
- 2.3 The forecast deficit for 2022/23 for Nexus resulting from the withdrawal of Covid-19 funding for Metro operations is proposed to be met through measures including: a reduction of £7.5m in the budget used to fund Concessionary bus travel reimbursement in Tyne and Wear; efficiency savings and additional stretched income targets for Nexus of £3.6m and the use of £5.6m of Nexus' reserves; and, as a last resort, a levy for 2022/23 for Tyne and Wear of £65.225m, representing an increase of 6.75%, or £4.125m year on year increase. These proposals will be revised to reflect any new grant funding announcements and any increases in patronage on Metro beyond the latest estimates.
- 2.4 The initial estimate of the levy and transport grant for Durham County Council is £15.583m and £15.573m respectively, which is subject to further development of budget proposals.
- 2.5 The initial estimate of the levy and transport grant for Northumberland County Council is £6.357m and £6.347m respectively, which is subject to further development of budget proposals.
- 2.6 A breakeven position is forecast on the Tyne Tunnels in 2021/22 and again in 2022/23 with a rise in the tolls for Class 3 vehicles built into the budget proposals for next year as a result of the levels of Retail Price Index inflation. This will be

subject to confirmation by the Tyne and Wear Sub Committee in January.

2.7 It is proposed to continue the contribution of £10,000 per authority towards Transport North East which is retained from the Durham and Northumberland levies. The contribution from the Tyne and Wear levy to fund central activity next year will be £2.100m, (in line with current allocations) which is mainly used to meet costs relating to the former Tyne and Wear Integrated Transport Authority, namely charges for historic debt.

2.8 It is proposed that as a minimum, funding for Transport North East from the Local Transport Plan Integrated Transport Block is continued at £500,000, (£62,500 per council and Nexus). This does not preclude growth in this budget being agreed and further proposals may be presented at a later stage.

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

3.1 The information in this report is provided to the Committee as part of the consultation process on the budget, as set out in the NECA Constitution (in its role as Accountable Body for the JTC). The Committee is invited to provide comment and make any recommendations to the JTC which will be factored in to the final report setting out budget proposals for 2022/23 which will be recommended to the JTC at its meeting on 18 January 2022.

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

4.1 This report is presented for information and comment.

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

5.1 Comments raised by the committee will be factored in to the final report setting out budget proposals for 2022/23 which will be recommended to the JTC at its meeting on 18 January 2022.

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

6.1 The Transport Budget Proposals 2022/23 will seek to achieve the Transport policy objectives of the JTC.

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

7.1 Financial and other resources implications are set out in the report attached at Appendix 1.

### **8. Legal Implications**

8.1 There are no legal implications arising directly from the recommendations in this report. The Transport budget and levies must be agreed unanimously by the JTC once finalised.

### **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 This report forms part of the consultation on the 2022/23 budget proposals, as set out in the NECA Constitution (in its role as Accountable Body for the JTC).

**13. Other Impact of the Proposals**

13.1 There are no other impacts arising from this report.

**14. Appendices**

14.1 Appendix 1: JTC Report 16 November 2021 – Revenue Budget Proposals 2022/23 and Updated Forecast of Outturn 2021/22

**15. Background Papers**

15.1 JTC Budget 2021/22, [\(Public Pack\)Agenda Document for North East Joint Transport Committee, 19/01/2021 14:30 \(northeastca.gov.uk\)](#)

**16. Contact Officers**

16.1 Eleanor Goodman, NECA Finance Manager,  
[Eleanor.goodman@northeastca.gov.uk](mailto:Eleanor.goodman@northeastca.gov.uk), 0191 433 3860

**17. Sign off**

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

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## North East Joint Transport Committee

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**Date:** 16 November 2021

**Subject:** Updated Forecast of Outturn 2021/22 and Revenue Budget Proposals 2022/23

**Report of:** Chief Finance Officer

### Executive Summary

This report provides the North East Joint Transport Committee (JTC) with an updated forecast of outturn for the transport revenue budgets for 2021/22, based on the position to 30 September 2021 and a summary of the draft transport budget and levies for 2022/23.

The transport levies and grants to Durham, Northumberland and Nexus are fixed for the current year so the outturn is in line with the original budget allocations.

Durham County Council are currently forecasting an overspend against their grant of £0.048m due to increases in costs of subsidised services. Budgets for 2022/23 are still being developed by Durham County Council but an initial estimate of £15.583m has been included in this report, representing a year-on-year increase of £0.116m.

Northumberland County Council are forecasting an underspend against their grant of £0.319m due mainly to savings on Concessionary Travel. Budgets for 2022/23 are still being developed by Northumberland County Council but an initial estimate of £6.357m has been included in this report, representing a year-on-year increase of £0.029m.

As previously reported to this committee, for Nexus, the impact of Covid-19 has been profound. The drop in passenger revenue on Metro has been managed in 2021/22 through the provision of grant support from government, and the updated forecast for 2021/22 indicates a deficit of £1.728m after receipt of Covid-19 funding, to be funded from reserves, an improvement of £0.952m against the original budget for the year agreed by the JTC.

The government has advised that for Covid-19 funding for Metro operations will be withdrawn at the end of 2021/22 but patronage on the Metro will not have returned to pre-pandemic levels by that point and this leads to a major financial challenge. Whilst the Joint Transport Committee may wish to make further representations to government, the budget

strategy contained in this report sets out the measures that are proposed in the absence of a positive response to those representations in order to set a balanced budget next year.

These measures include: a reduction of £7.5m in the budget used to fund Concessionary bus travel reimbursement in Tyne and Wear; efficiency savings and additional stretched income targets for Nexus of £3.6m and the use of £5.6m of Nexus' reserves; and, as a last resort, a a levy for 2022/23 for Tyne and Wear of £65.225m, representing an increase of 6.75%, or £4.125m year on year increase. The alternative to the increased levy would be cuts to Nexus services to the value of £4.125m. These proposals will be revised to reflect any new grant funding announcements and any increases in patronage on Metro beyond the latest estimates.

The forecast for Transport North East is for expenditure to total £9.018m against the original budget of £2.660m, with the increase being due to the continuation of various Covid-19 grants paid to the local authorities and Nexus, the inclusion of Active Travel Fund revenue activity and the Bus Services Improvement Plan and Enhanced Partnership Development work. In the main Transport North East budgets there is a small underspend forecast on staffing as a result of vacancies in the team during the year.

A breakeven position is forecast on the Tyne Tunnels in 2021/22 and again in 2022/23, with a rise in the tolls for Class 3 vehicles built into the budget proposals for next year as a result of the levels of Retail Price Index inflation. This will be subject to confirmation by the Tyne and Wear Sub Committee in January.

It is proposed to continue the contribution of £10,000 per authority towards Transport North East which is retained from the Durham and Northumberland levies and which funds the work of the JTC accountable body role, and contributions to the post of Managing Director, Transport North East, and the wider Transport Strategy Unit. The contribution from the Tyne and Wear levy to fund central activity next year will be £2.1m (in line with current allocations), which is mainly used to meet costs relating to the former Tyne and Wear Integrated Transport Authority, namely charges for historic debt.

It is proposed that, as a minimum, funding for Transport North East from the Local Transport Plan Integrated Transport Block is continued at £500,000 (£62,500 per council and Nexus). This does not preclude growth in this budget being agreed and further proposals may be presented at a later stage.

## **Recommendations**

The North East Joint Transport Committee is recommended to:

- Receive the report for information and comment;
- Note the updated forecast of outturn for the 2021/22 Transport budget as set out in the report;
- Agree to write to the government, formally requesting that Covid-19 support for the Tyne and Wear Metro be continued over at least the next financial year;
- Consider the budget assumptions/proposals set out in the report, forming the basis of consultation on the 2022/23 Transport budget:

- a. That £5.6m of Nexus' reserves are utilised in 2022/23 to help balance the budget next year;
  - b. That the Nexus budget for bus concessionary travel reimbursement in Tyne and Wear is reduced by £7.5m next year in line with government guidance, with funding redirected towards Nexus to help offset funding pressures with the Metro;
  - c. That Nexus be tasked with achieving efficiency savings of £2.4m and additional income of £1.2m to assist in balancing the budget in 2022/23;
  - d. That as a last resort the 2022/23 Transport Levy for Tyne and Wear is indicatively to be set at £65.225m, which represents an increase of £4.125m compared with the current year, but subject to a positive response to from the government in relation to Covid-19 support, and subject to further revision should passenger numbers on the Tyne and Wear Metro improve beyond forecast levels;
  - e. That the revenue grant to Nexus for 2022/23 is indicatively proposed to be set at £63.125m which represents an increase of £4.125m compared with the current year;
  - f. That the alternative to an increased Tyne and Wear levy would be cuts to other Nexus services to the value of £4.125m;
  - g. That a minimum contribution of £500,000 to Transport North East be top sliced from the Local Transport Plan Integrated Transport Block grant received by the JTC in 2022/23;
  - h. That the JTC Tyne and Wear Sub Committee give consideration to increasing the Tyne Tunnels tolls for Class 3 vehicles next year in line with Retail Price Index inflation as set out in the concession contract and the agreed approach to the funding of the Tyne Tunnels (Note: the final decision will be taken by the Tyne and Wear Sub Committee in January 2022);
- Note that the budget proposals for Transport will be subject to a consultation process including reports to the JTC Overview and Scrutiny Committee, relevant officer groups and the Leadership Board of NECA and the NTCA Cabinet;
  - Note the intention to approve the budget and agree the Transport levies at the meeting of the JTC on 18 January 2022, after considering any comments received on the proposals and decisions reached by the Tyne and Wear Sub Committee in January 2022.

## **1. Background Information**

- 1.1 The Joint Transport Committee (JTC) receives funding from a variety of sources including the levies on Durham, Northumberland and Tyne and Wear councils, Tyne Tunnels tolls income, grant funding and interest income. This funding is used to deliver the transport objectives of the Committee through the provision of revenue grants to Durham and Northumberland councils and Nexus for the delivery of public transport services, the funding of the Tyne Tunnels and the central strategic support provided by Transport North East.
- 1.2 In line with the Transport Levying Bodies Regulations 1992, the transport levies must be issued by 15 February preceding the commencement of the financial year in respect of which they are to be issued.
- 1.3 This report provides an update on the budget assumptions and proposals for the levies and other budgets relating to the JTC and sets out initial proposals for these budgets in 2022/23. The proposals contained in this report are in lieu of lobbying of government in terms of funding for the continued impacts of Covid-19 beyond April 2022.
- 1.4 The budget proposals will be further developed and consulted upon in the coming months, and decisions on the levies and other aspects of the Transport budget for 2022/23 will be taken by the JTC on 18 January 2022. Decisions on the Tyne Tunnels tolls will be taken by the Tyne and Wear Sub Committee (TWSC) in January 2022.

## **2. Proposals**

### **Transport Levies 2021/22 and Indicative Levies 2022/23**

- 2.1 As the transport levies and revenue grants are normally fixed for the year there is no change in the levies payable and the grants payable between the original budget and the forecast outturn, and minimal change in the retained transport levy budget. 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 that organisation.
- 2.2 A proportion of the levies is retained to support the work of the JTC and to meet historic costs relating to the former Tyne and Wear Integrated Transport Authority (TWITA). This area of the budget is expected to underspend slightly in the current year due to interest costs on historic TWITA debt decreasing over time and the forecast underspend will be transferred to the JTC unallocated reserve at the year end.
- 2.3 The updated forecast of outturn for the current year, together with the initial budget proposals for 2022/23 are set out in table 1 below, with further explanations provided in the sections that follow.

Table 1: 2021/22 Forecast and Indicative 2022/23 Transport Levies and Grants

	<b>2021/22 Original Budget</b>	<b>Spend to date (to 30 Sept 2021)</b>	<b>2021/22 Forecast Outturn</b>	<b>2021/22 Forecast Variance</b>	<b>2022/23 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total Levy Income	<b>(82.895)</b>	<b>(41.448)</b>	<b>(82.895)</b>	<b>0.000</b>	<b>(87.165)</b>
Grant to Durham	15.457	7.734	15.467	0.000	15.573
Grant to Northumberland	6.318	3.164	6.328	0.000	6.347
Grant to Nexus	57.813 <sup>1</sup>	28.907	57.813	0.000	63.125
Nexus contribution to Metro Futures Planning Studies budget (2021/22 only)	1.187	1.187	1.187	0.000	0.000
Retained levy budget	2.120	1.001	2.015	(0.105)	2.120
<b>Total Expenditure</b>	<b>82.895</b>	<b>41.993</b>	<b>82.790</b>	<b>(0.105)</b>	<b>87.165</b>
<b>Contribution (to) / from JTC reserves</b>	<b>0.000</b>	<b>0.545</b>	<b>(0.105)</b>	<b>(0.105)</b>	<b>0.000</b>

### Tyne and Wear Levy

- 2.4 The majority of the Tyne and Wear levy is paid as a revenue grant to Nexus for the delivery of public transport services. Initial budget proposals include an increase in the levy on Tyne and Wear Councils from £61.100m to £65.225m, an increase of £4.125m or 6.75%. This would increase the grant paid to Nexus for the provision of public transport services from a baseline of £59.000m to a proposed £63.125m. The centrally retained budget of £2.100m – retained to fund Tyne and Wear transport costs (primarily relating to the former TWITA) and contribute to the central TNE budget would be held at the current level.

### Nexus Revenue Budget

#### Updated Forecast of Outturn 2021/22

- 2.5 The 2021/22 budget was set using pre-Covid service levels on the basis that government support would continue in the form of Light Rail Revenue Restart Grant (LRRRG) and Local Authority Coronavirus Bus Services Support Grant (LACBSSG). The original budget included £21.944m of Covid support with the remaining shortfall between income and expenditure of £2.680m being funded

<sup>1</sup> The base grant of £59.000m agreed for 2021/22 was reduced on a one-off basis by £1.187m to affect the transfer to Transport North East of remaining budget relating to Metro and Local Rail Studies.

from reserves.

- 2.6 In July 2021 the DfT confirmed that a final tranche of LRRRG support would be available to the end of the financial year and then it would be discontinued. LRRRG is now expected to be in excess of the original budget and is currently envisaged to be sufficient in order to cover Metro's expected fare and commercial revenue losses over the remainder of the current year.
- 2.7 Elsewhere within the budget, there are positive vacancies which means that the call on reserves is currently forecast to be £0.952m better than the original budget. A summary of the forecast outturn is set out below:

*Table 2: Nexus summary of forecast outturn 2021/22*

	<b>2021/22 Original Budget</b>	<b>Spend to date (to Period 6)</b>	<b>2021/22 Forecast Outturn</b>	<b>2021/22 Forecast Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Travel	38.604	17.274	37.792	(0.812)
Subsidised Bus Services	14.833	7.083	14.790	(0.043)
Metro	24.103	11.764	24.530	0.427
Other	4.897	2.163	4.780	(0.117)
Projected COVID-19 Support	(21.944)	(10.938)	(22.351)	(0.407)
Transport Levy Grant	(57.813)	(27.085)	(57.813)	(0.000)
	<b>2.680</b>	<b>0.261</b>	<b>1.728</b>	<b>(0.952)</b>
<b>Reserves</b>	<b>(2.680)</b>	<b>(0.261)</b>	<b>(1.728)</b>	<b>0.952</b>

### **Metro**

- 2.8 The fare and commercial revenue that has been generated to the end of P6 is £13.443m, which represents a 56% recovery rate (against an evenly profiled pre-COVID budget).
- 2.9 In addition, investment income to the end of P6 is £0.035m which is a shortfall on budget of £0.060m. There were also Covid costs of £0.086m in relation to PPE, cleaning materials, IT equipment and licences incurred during this period.
- 2.10 The total LRRRG required to balance the Metro budget to the end of P6 is £10.378m.
- 2.11 Energy markets are in a very volatile position at the present time, with significant increases in energy prices and demand being higher than expected, green energies not producing at expected levels over recent months and increased international demand for gas. All these factors are distorting the market and



resulting in high price increases for both gas and electricity.

- 2.12 NEPO advise that the average price of HV Power could be up to 20% higher than budget provision. At this stage the market remains unstable, and prices could still increase further. The estimated budget pressure is currently being worked through but given the size of this budget, it is likely to be in excess of £1.0m. In the current year, this will be accommodated from within the overall Metro operating budget.

### **Concessionary Travel**

- 2.13 In line with government supplementary guidance, bus operators were given notice that from 19 July 2021, concessionary fares would be reimbursed based on the number of services operating, rather than at pre-COVID budgeted levels. To the end of period 6, service levels have been on average around 7% less than pre-COVID and deductions amount to £0.812m. Given the uncertainty around levels of service provision, the forecast for the year at this stage assumes no further deductions although to the extent that services do not recover to pre-COVID levels, further savings in this budget may be possible.

### **Bus Services**

- 2.14 Commercial revenue on Nexus' secured bus services to the end of P6 is £1.082m which is £0.412m higher than budget. The LACBSSG required was budgeted to be £0.511m to the end of P6, however as revenue is £0.412m higher than budget, this brings the fare loss support required to £0.099m.
- 2.15 The bus shuttle service to the Nightingale vaccination centre in the Sunderland area is set to run until 19 October. The costs to date are £0.227m and as this service is a direct result of Covid-19 the costs will be claimed from LACBSSG.
- 2.16 Covid costs of £0.004m in relation to IT licences have been identified year to date. In addition, £0.358m has been claimed as a pass-through, on behalf of small operators who do not have access to LACBSSG funding.
- 2.17 This brings the total LACBSSG required to support Bus Services to £0.688m.
- 2.18 Additional scholars' services for the summer term (April to July) cost £0.741m and have been funded from a specific grant made available by the Department for Education. At this time there are no further additional services arranged for the new school term.
- 2.19 Taxi Card membership continues to be lower than budget with net savings of £0.043m identified to the end of period 6.

### **Other**

- 2.20 Ferry revenue to the end of period 6 is £0.161m which is £0.049m higher than budget but remains £0.032m (21%) lower than pre-covid levels. The MHCLG scheme is available for the first quarter of the financial year and a claim has been prepared which is expected to be in the region of £0.030m. Thereafter, any revenue shortfall will be borne by Nexus, which is reflected in the forecast in the

table below.

- 2.21 Salary savings from vacancies are currently forecasting a positive variance of £0.140m in 2021/22 which is reflected in the forecast under the category 'Other'.

### **Nexus Budget Proposals 2022/23**

#### **The Impact of Covid-19**

- 2.22 The Covid-19 pandemic has had a hugely detrimental effect on Nexus' financial situation. The nationwide lockdown in March 2020 led to patronage on the Tyne and Wear Metro immediately declining by around 95%. Following the lifting of the national lockdown, customers started to gradually return to the Metro from summer of 2020, however, the reimposition of lockdown restrictions in early 2021, coupled with government messaging to continue working from home where possible with social distancing requirements remaining in place until July 2021, has meant that as we have only now rebegun the gradual recovery. Metro patronage is (YTD) around one-third less than its pre-pandemic levels.
- 2.23 More than £50m of government financial support, the main beneficiary of which has been the Tyne and Wear Metro, has been provided between March 2020 and March 2022 to ensure Nexus' services have continued to operate. In July 2021, Nexus was advised that the major component of this emergency support, Light Rail Revenue Restart Grant (LRRRG) for Metro operations, will be withdrawn at the end of 2021/22.
- 2.24 The recovery plan for Metro that Nexus was required to produce in January 2021 emphasised the fact that growing the customer base back to pre-pandemic levels is the best way of achieving recovery and that the introduction of the new fleet of Metrocars and the delivery of the Metro Flow project are instrumental to this.
- 2.25 However, the profound changes in society brought about by the pandemic are likely to prevent customer journeys returning to pre-pandemic levels, certainly in the short-term / immediate aftermath of the pandemic. This makes balancing the budget over the medium term a significant challenge and based on the Medium-Term Financial Plan agreed by the Committee in January 2021, assuming Metro revenues recover to 80% of pre-pandemic levels next year, means a deficit of £19.2m was initially being forecast for 2022/23, with the impact disproportionately greater in Metro operations than other parts of Nexus' budget, because of the significant reliance Metro places on customer revenues.
- 2.26 In essence, Nexus' significant financial challenges are because of the Covid pandemic and are clearly exacerbated by government Covid-19 support being withdrawn before recovery is complete. Various representations have been made to the government on an informal basis, but it is proposed that the Joint Transport Committee formally writes to Ministers to make the point in the clearest possible terms that it is essential for the Tyne and Wear Metro to continue to receive Covid-19 support through the next financial year, in order to avoid cuts to public transport services and an increased financial burden on local authorities.

2.27 A combination of interventions was discussed with the Joint Transport Committee in September 2021, including use of reserves as a temporary measure, the delivery of further efficiency savings, a redirection of the concessionary fares budget to compensate revenue losses and an increase in the Tyne and Wear transport levy.

2.28 Without these interventions, sizeable reductions in service provision will be necessary, although given the scale of the financial challenge, cuts of the magnitude required in Metro services will be wholly counterproductive. By way of example, a reduction of timetabled services by 40% would achieve a limited saving of around £3.7m, but would lead to revenue losses of more than the amount saved. Reducing services in this way would therefore require additional subsidy or in all likelihood, lead to the closure of the system.

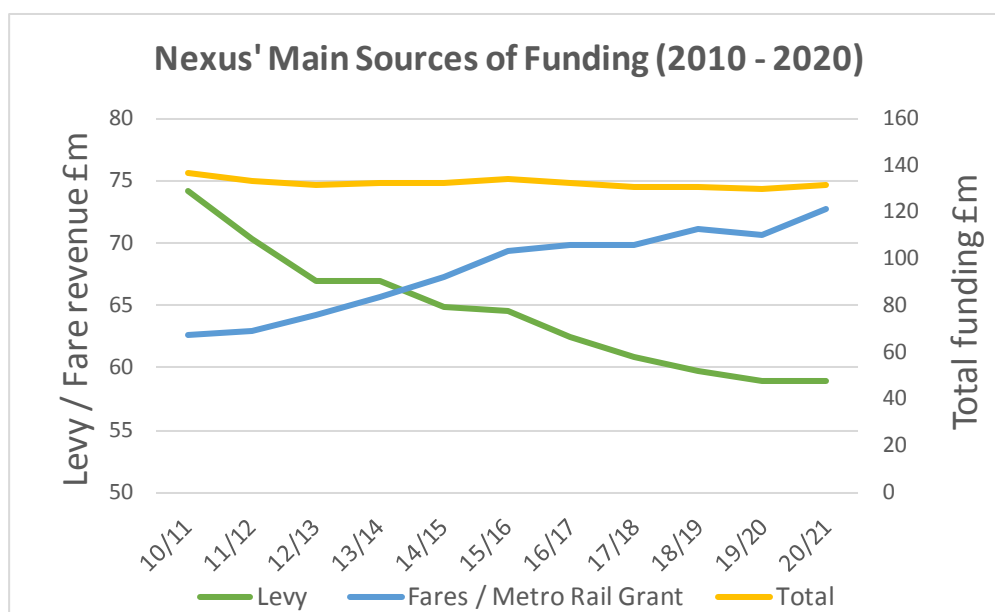
### **Financial Context pre-Covid**

2.29 Nexus' main sources of funding have reduced by £5.1m, from £136.0m to £130.9m between 2010 and 2020 (in real terms, this reduction is estimated at around £45.0m):

- The Tyne and Wear transport levy has reduced from £74.2m to £59.0m (£15.2m or 20%; had it increased in line with inflation, it would now be more than £100.0m);
- By contrast, funding for Tyne and Wear Metro has increased, although not by enough to fully compensate for the reduction in the levy. In the decade prior to Covid, Metro fare revenue had grown by £8.6m (or 23%) whilst Metro Rail Grant (MRG) from the Department for Transport (DfT) had increased by £1.5m (or 6%). Consequently, by 2020, only £3.3m of Nexus' Tyne and Wear transport levy funding was directed towards meeting Metro's operating costs, even though Metro's gross budget is in the order of £115.0m.

2.30 The support for Metro provided by the levy effectively compensates for revenue forgone in the provision of the Gold Card. However, previous estimates show that £3.3m is only around half of what would be required under the 'no better, no worse' requirement for reimbursing third parties i.e., commercial bus operators. Whilst Nexus has maintained non-Metro services during this period, it is fair to say that the relative buoyancy of Metro's funding has been a contributory factor in enabling this to happen.

2.31 The following graph illustrates Nexus' change in funding since 2010:



2.32 As previously indicated, over this time, Nexus has not reduced its service output. Moreover, it has had to contend with significant financial pressures on services that are funded in their entirety by the Tyne and Wear transport levy e.g., growth in concessionary fares reimbursement, and secured bus service contractual inflation.

2.33 In terms of Metro, investment in upgrading the infrastructure has led to an increase in certain costs, especially following the introduction of digital assets e.g., new ticket vending machines, gatelines and smartcard technology, a new rail traffic management system (RTMS), and a new radio system. Recently, funding has also been required to invest in a revised Train Crew Agreement, necessary because of the introduction of another replacement asset i.e., the new fleet (although addressing significant attrition in the driver establishment was also a factor). In addition, measures to extend gate line operations to address anti-social behaviour and ticketless travel have recently been introduced.

2.34 Against a backdrop of shrinking levy funding and growth in Metro funding (but which has been re-invested to meet increasing costs) Nexus has also:

- Reduced headcount by 20% (a saving of 200 posts, reducing the employee cost base by around £10.0m per annum);
- Reduced external debt, despite unprecedented investment in its asset base, by £26m (over 40%) since 2010, which has led to a reduction of £2.0m per annum in debt charges;
- Provided a £3.2m 'rebate' to Tyne and Wear Councils (£2.0m in 2013/14 and £1.2m in 2021/22) in lieu of the levy being frozen (not cut) in those years;
- Set aside £25.0m to provide the local contribution required by DfT for the new fleet; and
- Increased usable reserves by over £10.0m since 2014, which are available to support frontline services.

## **Budget Preparation 2022/23 to 2024/25**

- 2.35 The table at paragraph 2.41 outlines the latest forecast for 2022/23. It demonstrates that, unless the government continues to provide Covid-19 support to the Tyne and Wear Metro through the next financial year, in order to balance the budget in 2022/23 it will be necessary to apply a reduction of £7.5m in the budget used to fund Concessionary bus travel reimbursement in Tyne and Wear; efficiency savings and additional stretched income targets for Nexus of £3.6m and the use of £5.6m of Nexus' reserves; and, as a last resort, a levy for 2022/23 for Tyne and Wear of £65.225m, representing an increase of 6.75%, or £4.125m year on year increase. The alternative to the increased levy would be cuts to Nexus services to the value of £4.125m. These proposals will be revised to reflect any new grant funding announcements and any increases in patronage on Metro beyond the latest estimates.
- 2.36 The position presented to the Committee in September 2021 used the budget estimates included within year 2 of the medium-term financial plan that was presented to the Committee in January 2021, updated to reflect the full withdrawal of central government emergency support for Covid and a revised estimate of Metro revenue (expressed as a percentage of the revenue generated in the last full year before the Covid pandemic). It has been necessary to make an adjustment to the estimate of Metro revenue since this was reported to the Committee, because the last full year before Covid had disruptions to the revenue generated by Metro both in terms of Covid itself (lockdown commenced in mid-March 2020), industrial action that was taken during December 2019 and two major overhead line failures. Accordingly, the estimate for Metro revenue has been revised upwards by £0.8m (but is still referred to as 80% of the pre-Covid revenue).
- 2.37 Since the development of the medium-term financial plan, it is evident that a range of unforeseen pressures have arisen. These include inflationary pressures over and above those previously anticipated e.g., in employers' national insurance contributions (for the social care levy), high voltage power, the Metrocar fleet maintenance contract, construction materials, general utilities and secured bus contracts. In addition, with interest rates remaining at record lows, investment income is now forecast to be less than previously estimated. Taking these additional pressures into account means that the deficit for 2022/23 is now forecast at £20.8m, an increase of £1.6m on that previously notified to the Committee in September 2021.
- 2.38 The proposals submitted by Nexus would fully protect the services it provides and proposals require a combination of further efficiency savings, funded from a pay freeze in the current year, renegotiating key contracts and containing other cost pressures from within existing budgets.
- 2.39 In addition, Nexus proposes a redirection of concessionary fares funding to underwrite its revenue losses. There has been a significant reduction in concessionary pass holders using the English National Concessionary Travel Scheme (ENCTS), with uptake only recovering to circa 60% at this point. Despite this, and in line with government policy, Nexus has continued to reimburse

commercial bus operators at pre-Covid levels. This means that an estimated £40.0m overpayment will have been made by Nexus during 2020/21 and 2021/22. Whilst this has helped ensure the viability of the bus network in Tyne and Wear during the pandemic, the withdrawal of Covid emergency support from government from next April means that Nexus can no longer justify making these payments at pre-Covid levels.

2.40 Nexus is therefore proposing a redirection of £7.5m (20%) of this budget. This measure will likely affect commercial bus routes, and the Committee need to be cognisant of this. Further work will be necessary to assess the impact and whether there are knock-on effects for the bus services that Nexus secures. In addition, the Bus Service Improvement Plan (BSIP) being developed by Transport North East on behalf of the region has made the case for additional subsidy in order to compensate. In this regard, it is worth noting that such an invidious policy choice does not exist in travel concession authority areas that do not operate light rail systems.

2.41 Given the magnitude of the financial challenge, Nexus is also proposing that £5.6m of reserve funding is used in 2022/23 to help underpin the revenue budget. This, alongside setting a stretch target to achieve an additional 2.5% of Metro revenue in 2022/23 (expressed as a percentage of pre-Covid revenue and amounting to an additional £1.2m) will still leave a funding shortfall of £4.1m, which if fixed through the Tyne and Wear transport levy will require a 6.75% uplift on the 2021/22 level (after adjusting for changes in population estimates). The following table shows the budget position outlined above in summary form:

*Table 3: Nexus levy requirement 2022/23*

	£m	£m
<b>MTFP position for 2022/23 (with removal of Covid support)</b>		<b>19.200</b>
Income Adjustment: Metro Fare Revenue at 80% of pre-Covid levels		(0.800)
		<b>18.400</b>
<b>Cost pressures not previously recognised in MTFP:</b>		
NIC for social care	0.400	
HV Power	0.900	
Investment income	0.200	
Other inflation	0.900	2.400
<b>2022/23 revised position</b>		<b>20.800</b>
<b>Options to eradicate 2022/23 deficit:</b>		
Efficiency savings	(2.400)	
Redirection of concessionary fares funding	(7.500)	
Reserves	(5.600)	
Metro revenue (target increasing to 82.5% of pre-Covid levels)	(1.200)	(16.700)
<b>2022/23 revised position</b>		<b>4.100</b>
<b>Increase in Tyne &amp; Wear transport levy (6.75%)</b>		<b>(4.100)</b>

2.42 The table below shows the impact on the Tyne and Wear Councils from a proposed 6.75% increase in the levy:

*Table 4: Tyne and Wear Levy Apportionment 2022/23*

	<b>2020 Population</b>	<b>Levy (after population change)</b>	<b>Proposed Increase (6.75%)</b>	<b>2022/23 Proposed Levy</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
Gateshead	201,950	10.761	0.726	11.487
Newcastle	306,824	16.350	1.104	17.454
North Tyneside	208,871	11.130	0.751	11.881
South Tyneside	151,133	8.053	0.544	8.597
Sunderland	277,846	14.806	1.000	15.806
<b>Total</b>	<b>1,146,624</b>	<b>61.100</b>	<b>4.125</b>	<b>65.225</b>

2.43 Further work is being undertaken in relation to the development of budgets for 2023/24 and 2024/25 and these will be brought to the Committee for consideration in January 2022. It is anticipated that further increases in the Tyne and Wear transport levy in both 2023/24 and 2024/25 will be required given Nexus cannot place reliance on reserves indefinitely. Whilst Nexus will be able to use an additional £2.6m of reserves in 2023/24 as part of the medium-term financial plan, at this point it will have reduced the level of reserves earmarked to help underpin the revenue budget to £1.5m, leaving very little scope for addressing any additional budgetary pressures that might arise.

2.44 In relation to the +2.5% stretch target for Metro revenue, it should be noted that Nexus' assessment of its ability to generate revenue at this level reflects how successful it has been in attracting customers back to the Metro and the fact that to date, it has outperformed other light rail operators elsewhere. Should Nexus outperform this target, any decision to increase the levy in 2022/23 (and any subsequent increases thereafter) would necessarily be revisited.

### **Durham**

2.45 The Q2 forecast of outturn for 2021/22 shows a projected overspend of £0.048m when compared with the budget. Any projected over or underspend at the year-end will be retained by Durham County Council.

2.46 *Table 5: Durham County Council Forecast of Outturn 2021/22 and Initial Draft Budget 2022/23*

	<b>2021/22 Original Budget</b>	<b>Spend to Date (to Sept 2021)</b>	<b>2021/22 Forecast Outturn</b>	<b>2021/22 Forecast Variance</b>	<b>2022/23 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	11.932	1.329	11.932	0.000	11.889
Subsidised Services	2.556	1.725	2.671	0.115	2.688
Bus Stations	0.177	0.903	0.078	(0.099)	0.177
Bus Shelters	0.019	0.029	0.066	0.047	0.019
Passenger Transport Information	0.088	0.020	0.074	(0.014)	0.088
Staffing	0.685	0.343	0.685	0.000	0.712
Share of NECA Transport Costs	0.010	0.000	0.010	0.000	0.010
<b>Net Expenditure</b>	<b>15.467</b>	<b>4.349</b>	<b>15.516</b>	<b>0.049</b>	<b>15.583</b>

2.47 The projected outturn for 2021/22 is largely in line with the budget, with a small overspend of £0.049m forecast. Additional costs of £0.115m are forecast on Subsidised Services, projected to begin from September. There is a forecast saving of £0.099m on Bus Stations due to the closure of Durham Bus Station for redevelopment work. There have been additional maintenance costs on Bus Shelters largely offset by additional advertising income but leading to a net overspend forecast of £0.047m.

2.48 Proposals for 2022/23 are currently being developed and indicative estimates are shown in the table above.

### **Northumberland**

2.49 The forecast outturn position for 2021/22 is currently estimated to be a £0.319 million underspend. Further guidance is awaited from the Department for Transport on ongoing payments to operators at pre-pandemic levels and if any post Covid-19 recovery funding will be made available to both operators and local transport authorities.

2.50 In common with Northumberland's approach to funding supported services in 2020/21, Northumberland has continued to fund supported services at pre-Covid-19 levels with the majority of these services now returning to pre-Covid-19 frequency having operated at reduced frequency. These supported services include instances of services running commercially at popular and peak times, but where support is given to maintain journeys at other times for example early mornings or late evenings.

2.51 Northumberland County Council also makes payments to operators under the Government's English National Concessionary Travel Scheme (ENCTS) which



entitles pass holders to free off-peak travel after 9.30 on local bus services. ENCTS scheme journeys are still significantly reduced due to the ongoing implications of the Covid-19 pandemic and subsequent messaging regarding only travelling for essential purposes. During the early part of 2021/22 the Council has reduced payments to those operators not running pre Covid mileage in line with government advice, those operators are currently being reimbursed based on the proportion of mileage currently being operated when compared with pre covid mileage, any shortfall is claimable by operators as part of the commercial CBSSG claim, which means despite the reduction in concessionary travel payment operators are no worse off.

2.52 All other operators continue to be reimbursed at pre-pandemic levels to ensure the viability of routes and operators is maintained, in line with the Cabinet Office Procurement Policy Note 02/20 – Supplier Relief due to Covid-19, for at least the period of the outbreak to enable the resumption of socially necessary services afterwards.

2.53 The draft budget and levy for public transport activity in Northumberland is £6.357m for 2022/23. This compares with a budget of £6.328m for 2021/22. The reason for the small increase is due to an allowance for some inflation. The Council is currently developing its 2022/23 budget proposals, and these will be included in the report to the JTC in January 2022. Initial estimates are shown in the table below.

2.54 *Table 6: Northumberland County Council Forecast of Outturn 2021/22 and Initial Draft Budget 2022/23*

	<b>2021/22 Original Budget</b>	<b>Spend to Date (to Sept 2021)</b>	<b>2021/22 Forecast Variance</b>	<b>2021/22 Forecast Variance</b>	<b>2022/23 Initial Draft Budget</b>
	£m	£m	£m	£m	£m
Concessionary Fares	4.903	1.594	4.613	(0.290)	4.932
Subsidised Services	1.230	0.297	1.201	(0.029)	1.230
Bus Services	0.026	(0.002)	0.026	0.000	0.027
Passenger Transport Information	0.025	0.000	0.025	0.000	0.025
Staffing	0.134	0.067	0.134	0.000	0.133
Share of NECA Transport Costs	0.010	0.000	0.010	0.000	0.010
<b>Net Expenditure</b>	<b>6.328</b>	<b>1.956</b>	<b>6.009</b>	<b>(0.319)</b>	<b>6.357</b>

### **Transport North East**

2.55 Since its creation in 2018 the Transport North East (TNE) team has been working at capacity to develop and lead on the delivery of a very broad and

ambitious transport programme on behalf of the region. NECA and NTCA together form one of the largest areas in the county by both population and geographical size. TNE acts as the strategic transport body that supports both Combined Authorities (via the JTC).

- 2.56 Forecast expenditure for TNE in 2021/22 is estimated to be £9.018m compared with the original budget of £2.66m, primarily as a result of the additional costs of the Bus Services Improvement Plan and Enhanced Partnership Development (£1.646m), Covid-19 grants payable to constituent local authorities and Nexus, and additional Active Travel funding from the government (£2.477m). Since the last budget report to the committee, funding from DfT to support the development of the EP has been confirmed and the local authority funding which had been agreed is no longer required and will not be drawn down. The work will be funded through DfT grant (£1.413m) and the contribution from JTC unallocated reserves previously agreed.
- 2.57 The TNE team is funded through contributions from the Transport Levies which are retained to support JTC activity and a top slice of the Local Transport Plan Integrated Transport Block grant which is awarded to the JTC plus external contributions to fund specific posts and external grants for specific pieces of work.
- 2.58 Following initial discussions with constituent local authorities, at this point in time estimates for 2022/23 assume that contributions from the levies and LTP are held at the same level as 2021/22. An initial budget of £2.681m would allow business-as-usual activity to continue during 2022/23 but will not address existing issues around capacity and short-term funding streams. The ability of the team to attract future grant funding through competitive bidding processes will be limited. The initial draft budget on the employee costs line is lower for 2022/23 as certain posts are now shown in the Metro Futures Planning Studies and Rail Development lines. Higher expenditure than in the current year is forecast for TCF Programme Management due to the likely timing of work in finalising grant funding agreements and business cases review, as well as a higher volume of claims and quarterly monitoring reports to be managed.
- 2.59 *Table 7: Transport North East Forecast of Outturn 2021/22 and Initial Draft Budget 2022/23*

	<b>2021/22 Original Budget</b>	<b>Spend to date (to 30 Sept 2021)</b>	<b>2021/22 Forecast Outturn</b>	<b>2021/22 Forecast Variance</b>	<b>2022/23 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Employee costs	0.758	0.379	0.637	(0.121)	0.579
Transport Plan / Strategy Work	0.070	0.000	0.051	(0.019)	0.050
Research and Development	0.100	0.023	0.039	(0.061)	0.030
Travel and Miscellaneous	0.013	0.012	0.017	0.004	0.021
IT / Equipment /	0.011	0.002	0.009	(0.002)	0.011

Accommodation					
	<b>2021/22 Original Budget</b>	<b>Spend to date (to 30 Sept 2021)</b>	<b>2021/22 Forecas t Outturn</b>	<b>2021/22 Forecas t Varianc e</b>	<b>2022/2 3 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Go Ultra Low – Revenue	0.000	0.002	0.002	0.002	0.000
TCF Tranche 2 programme management	0.361	0.096	0.270	(0.091)	0.621
Covid-19 grants	0.000	3.022	3.022	3.022	0.000
Active Travel Planning	0.000	0.221	2.477	2.477	0.000
Metro Futures Planning Studies	1.187	0.123	0.581	(0.606)	1.133
BSIP/ Enhanced Bus Partnership	0.160	1.094	1.646	1.486	0.000
Rail Development	0.000	0.072	0.222	0.222	0.236
Zero Emission Bus Regional Areas (ZEBRA) bid	0.000	0.000	0.045	0.045	0.00
<b>Total Expenditure</b>	<b>2.660</b>	<b>5.046</b>	<b>9.018</b>	<b>6.358</b>	<b>2.681</b>
LTP funding - TSU	(0.500)	(0.250)	(0.500)	0.000	(0.500)
Retained Transport Levy	(0.187)	(0.187)	(0.187)	0.000	(0.187)
External funding for specific posts	(0.216)	(0.029)	(0.155)	0.061	(0.166)
Go Ultra Low – Revenue grant	(0.000)	(0.002)	(0.002)	(0.002)	(0.000)
TCF Tranche 2 income	(0.361)	(0.096)	(0.270)	0.091	(0.621)
Covid-19 grants	(0.000)	(3.022)	(3.022)	(3.022)	(0.000)
Government grants – other	(0.000)	(0.221)	(2.477)	(2.477)	(0.000)
BSIP DfT grant	(0.000)	(1.094)	(1.406)	(1.406)	(0.000)
Metro Futures contribution	(1.187)	(0.126)	(0.581)	0.606	(1.133)
Rail Administration Grant	(0.000)	(0.072)	(0.256)	(0.256)	(0.236)
<b>Total Income</b>	<b>(2.451)</b>	<b>(5.099)</b>	<b>(8.856)</b>	<b>(6.405)</b>	<b>(2.843)</b>
<b>Net Expenditure to be funded from Reserves</b>	<b>0.209</b>	<b>(0.053)</b>	<b>0.162</b>	<b>(0.047)</b>	<b>(0.162)</b>
<b>Use of Reserves</b>					
JTC unallocated reserves	(0.160)	0.053	(0.162)	(0.002)	0.000
Regional Transport Team reserves	(0.005)	0.000	0.000	0.005	0.162
Go Smarter legacy funds –	(0.044)	0.000	0.000	0.000	0.000

Transport Plan					
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## Tyne Tunnels

- 2.60 The Tyne Tunnels are accounted for as a ring-fenced account within the JTC budget, meaning that all costs relating to the tunnels are wholly funded from toll income received and Tyne Tunnels reserves, with no call on the levy or other local or national government funding.
- 2.61 The JTC receives all the toll income from the vehicle tunnels, and a payment under the contract with TT2 Ltd (the concessionaire) is determined based on traffic levels. The balance retained by the JTC is to meet other costs associated with the Tunnels namely interest and principal repayments on borrowing taken out to fund the New Tyne Crossing project and client costs associated with the management of the contract with the concessionaire.
- 2.62 The 2021/22 tolls income budget included an increase in tolls for Class 2 vehicles to £1.90. This was applied in May 2021.
- 2.63 Traffic flows through the Tyne Tunnels are reviewed daily by TT2 and TNE. Following a significant reduction in traffic using the tunnels in March 2020 during the first Covid-19 lockdown, for the rest of 2020 and early 2021, traffic levels were around 60/70% of normal expected levels. This means that for most of the last 18 months traffic and toll revenue has been significantly below pre-pandemic levels. TT2 has suffered borne the loss from the reduced toll income rather than the JTC, as the JTC share of income is protected by the nature of the Project Agreement which sees JTC retain the first share of traffic income while TT2 takes its income from the additional traffic over that level. This means that TT2 takes the main financial risk on any reduction in traffic levels.
- 2.64 During July and August 2021 traffic had been gradually increasing and just tipped above expected levels in September due to Great North Run traffic, however during October, traffic levels have dropped down again slightly to around 95% of pre-pandemic levels. This seems to have been a direct result of the fuel shortage and increase in fuel prices which has resulted in reduced journey numbers.
- 2.65 The forecast outturn position for the Tyne Tunnels includes updated forecasts of tolls income and payments to TT2 taking into account traffic levels to date and forecasts for the remainder of the financial year.
- 2.66 Taking into account the latest published RPI data (September 2021) an increase in the tolls for Class 3 vehicles to £3.90 is possible next year, which would be applied at the beginning of the 2022/23 financial year. The indicative budget for 2022/23 is shown in the table below and includes an assumed increase in Class 3 tolls to £3.90 and an increase in the 'shadow toll' payment to TT2 Ltd (which is also in line with inflation but calculated on a slightly different basis in line with the Project Agreement) to £2.00 from 1 January 2022.
- 2.67 The position in relation to Class 2 vehicles will be kept under review and proposals brought to the Tyne and Wear Sub Committee once an increase is

possible. This may be during 2022/23 as inflation levels are currently higher than they have been for many years.

2.68 *Table 8: Tyne Tunnels Forecast of Outturn 2021/22 and Indicative 2022/23 Budget*

	<b>2021/22 Original Budget</b>	<b>Spend to date (to 30 Sept 2021)</b>	<b>2021/22 Forecast Outturn</b>	<b>2021/22 Forecast Variance</b>	<b>2022/23 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Tolls Income	(30.004)	(16.460)	(29.091)	0.913	(31.499)
TT2 Contract	21.707	9.337	21.642	(0.065)	24.322
Employees	0.093	0.034	0.110	0.017	0.142
Pensions	0.054	0.025	0.050	(0.004)	0.050
Premises	0.021	0.000	0.021	0.000	0.014
Support Services	0.129	0.004	0.155	0.026	0.155
Supplies & Services	0.095	0.019	0.086	(0.009)	0.195
Financing Charges	8.195	0.000	7.333	(0.862)	6.926
Interest /Other Income	(0.050)	(0.008)	(0.050)	(0.000)	(0.065)
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	(0.240)	0.000	(0.240)
<b>(Surplus)/Deficit on Tyne Tunnels revenue account</b>	<b>0.000</b>	<b>(7.289)</b>	<b>0.016</b>	<b>0.016</b>	<b>0.000</b>

### JTC Reserves

2.69 The JTC holds reserves to fund future activity and to manage financial risk associated with its activities. A summary of the reserves as of 1 April 2021, forecast to 31 March 2022 and the estimated position to 31 March 2023 is shown in the table below.

2.70 *Table 9: Summary of JTC Reserves*

	<b>1 April 2021</b>	<b>Forecast 31 March 2022</b>	<b>Movement in Year 2021/22</b>	<b>Forecast 31 March 2023</b>	<b>Movement in Year 2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
JTC unallocated	(0.833)	(0.776)	0.057	(0.776)	0.000
Tyne Tunnels	(9.222)	(8.422)	0.800	(8.422)	0.000
Metro Reinvigoration	(9.271)	(8.071)	1.200	(8.071)	0.000

Metro Fleet Renewal	(10.127)	(10.127)	0.000	(10.127)	0.000
Go Smarter legacy	(0.044)	(0.044)	0.000	(0.044)	0.000
	<b>1 April 2021</b>	<b>Forecast 31 March 2022</b>	<b>Movement in Year 2021/22</b>	<b>Forecast 31 March 2023</b>	<b>Movement in Year 2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Regional Transport Team	(0.141)	(0.141)	0.000	(0.303)	(0.162)
Metro and Local Rail Studies	(0.754)	(1.360)	(0.606)	(0.227)	1.133

2.71 The JTC unallocated reserve is forecast to reduce by £0.057m, being the net of the surplus of £0.105m forecast on the retained levy budget and the contribution to the Bus Partnership development work of £0.162m. The Tyne Tunnels reserve is forecast to reduce by £0.800m as contributions are made to fund capital works on the Tyne Pedestrian and Cycle Tunnels. The Metro Reinvigoration reserve will reduce by £1.200m as the planned one-off rebate from Nexus was made earlier this financial year. The Regional Transport Team reserve is forecast to increase in 2022/23 with the funds held to support activity in future years when temporary grant funding sources have ended. The Metro and Local Rail Studies reserve will increase by £0.606m this year being the net of the £1.187m contribution from Nexus and the costs incurred in year of £0.581m. The majority of the reserve is forecast to be drawn down in 2022/23 to support work in this area.

2.72 The level of reserves forecast to 31 March 2022 and 31 March 2023 is considered to be prudent to manage risk associated with the activities of the JTC, taking into account that separate reserves are held by Nexus as set out in section 2.42 and that any under or overspends by Durham and Northumberland against their transport grant are managed through their own reserves.

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

3.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The information included in this report is presented to update the JTC on the preparation of the 2022/23 Transport budgets. The report also provides updated forecasts for the current year based on the latest information available.

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

4.1 The updated forecasts and indicative budget proposals presented in this report are intended to inform the JTC of work on the preparation of the 2022/23 Transport budget and begin the formal budget consultation process in line with the process set out in the NECA constitution in its role as Accountable Body for Transport.

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

4.3 Option 2 – the North East Joint Transport Committee may suggest amendments or alternative proposals to be considered.

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

5.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The draft proposals will be subject to consultation with the Overview and Scrutiny Committees, relevant officer groups and constituent councils. Comments raised as part of the consultation process will be considered in the preparation of the final reports. Feedback from the JTC Overview and Scrutiny Committee that took place on 16 October 2021 is included in paragraphs 12.3 to 12.5.

5.2 Proposals are at an initial stage and work will be ongoing in developing these further over the coming weeks. Decisions on the levies and other aspects of the Transport budget will be taken by the JTC on 18 January 2022.

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

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

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

7.1 The financial and other resource implications are summarised in detail in the body of the report where they are known. Further details which are developed as part of the budget development and consultation process will be identified in the January 2022 report to the Committee.

## **8. Legal Implications**

8.1 The JTC must approve the transport budget and levies unanimously. It will be recommended to make this decision at its meeting in January 2022.

## **9. Key Risks**

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

## **10. Equality and Diversity**

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

## **11. Crime and Disorder**

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

## **12. Consultation/Engagement**

- 12.1 The NECA Constitution (in its role as accountable body for the JTC) requires that consultation on its budget proposals be undertaken at least two months prior to the budget being agreed.
- 12.2 The extent of public consultation will be proportionate to the impact that the proposals would have on services to the public. Proposals will be published on the website for comment and included in any budget consultation undertaken by constituent authorities.
- 12.3 The JTC Overview and Scrutiny Committee met on 14 October 2021 to consider the report presented to the JTC on 21 September 2021. Members recognised that current forecasts of deficits in the Nexus budget arising from the removal of emergency Covid-19 support from April 2022 resulted in a serious position for the JTC and a set of stark choices around service reductions or levy increases. The Committee would welcome further engagement on detailed proposals.
- 12.4 Members expressed concerns about the impact of any reduction in public transport on the green agenda, noting that this was a priority for the authority which must be taken into account in making any decisions.
- 12.5 Members also requested further engagement on the impact of any proposals for reductions in funding to bus operators as a result of lower concessionary pass usage, and how this would impact on services provided.

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

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

## **14. Appendices**

- 14.1 None

## **15. Background Papers**

- 15.1 JTC Budget 2021/22 – Report to JTC 19 January 2021 ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 19/01/2021 14:30](#) ([northeastca.gov.uk](http://northeastca.gov.uk))

## **16. Contact Officers**

- 16.1 Eleanor Goodman, NECA Finance Manager,  
[eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk), 0191 433 3860

## **17. Sign off**

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



## 18. Glossary

CBSSG – Coronavirus Bus Services Support Grant

DfT – Department for Transport

ENCTS – English National Concessionary Travel Scheme

JTC – Joint Transport Committee

LRRRG – Light Rail Revenue Restart Grant

LTP – Local Transport Plan

MHCLG – Ministry of Housing, Communities and Local Government

MRG – Metro Rail Grant

NECA – North East Combined Authority

NTCA – North of Tyne Combined Authority

RPI – Retail Price Index

TCA – Travel Concession Authority

TCF – Transforming Cities Fund

TfN – Transport for the North

TSU – Transport Strategy Unit

TT2 – TT2 Ltd, Tyne Tunnels Concessionaire

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## North East Joint Transport Committee, Overview and Scrutiny Committee

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**Date:** 16 December 2021

**Subject:** Joint Transport Committee Forward Plan and Scrutiny Work Programme

**Report of:** Policy and Scrutiny Officer

### Executive Summary

The purpose of this report is to provide an update on the suggested work programme for 2021/22 for the Joint Transport Overview and Scrutiny Committee.

### Recommendations

The Overview and Scrutiny Committee is recommended to:

- i. Review and comment on the suggested work programme.

## **1. Background Information**

- 1.1 The Joint Transport Committee (JTC) Forward Plan is a document which the Joint Transport Committee is required to maintain under the Combined Authorities (Overview and Scrutiny, Access to Information and Audit Committees) Order 2017. The Forward Plan for the Joint Transport Committee, and its Subcommittees is published on both the North East Combined Authority's website and on the North of Tyne Combined Authority's website. It lists the decisions that the Joint Transport Committee and its Officers intend to take in the coming months and must include all decisions to be made in the next 28 days. The JTC Forward Plan template contains specific information relating to each decision, including the date the decision will be made, a brief explanation of the topic, the consultation to be undertaken, and contact details of the author. The JTC Forward Plan template has recently been updated and includes further information including if the decision is a 'Key Decision' and if an item will be discussed in private.
- 1.2 Details of each decision are included on the JTC Forward Plan 28 days before the report is considered and any decision is taken. This supports the transparency of decision making across the Joint Transport Committee and allows members of the public to see the items that will be discussed. There are special procedures for circumstances where publication for the full 28 clear day period is impractical or where there is special urgency. Both of these procedures involve the Chair of the Overview and Scrutiny Committee and would be reported to the committee at the next meeting.

### **Role of Overview and Scrutiny**

- 1.3 The Joint Transport Committee, Overview and Scrutiny Committee has been established in accordance with Schedule 2 (4) of The Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018.
- 1.4 The Joint Transport Committee, Overview and Scrutiny Committee can examine any decisions of the Committee – be that by the JTC itself or a subcommittee, constituent authority, or officer holding delegated authority. This Scrutiny occurs in public and ensures democratic and public accountability.
- 1.5 One of the main functions of this Committee is the review and scrutiny of 'Key Decisions' made by the Joint Transport Committee and its Officers. The relevant regulations set out a test for what should be considered a Key Decision – being those which are most significant in financial or other terms. This is explained in the Decision-Making Protocol of the North East Combined Authority that was adopted by the Joint Transport Committee for its use at its inaugural meeting in November 2018.

### **Requests for Special Urgency/General Exception**

- 1.6 In accordance with the Decision Making Protocol, it was agreed by Members that the request of any Short Notice Procedure that involved the Chair of the Overview and Scrutiny Committee would be reported at the next Committee. The table below

shows the number of requests made since the last meeting was held:

Type of Short Notice Procedure	Number of Requests since previous Committee
Requests for Special Urgency	0
Request for General Exception	0

Details of requests for Special Urgency and General Exception can be found at this website <https://northeastca.gov.uk/decision-making/forward-plan/special-notice-and-urgency-provisions/>.

### **Annual Work Programme – Approach for ongoing overview and scrutiny of Transport Plan**

- 1.7 A JTC OSC working group was set up in March 2021 to discuss an approach for ongoing oversight and scrutiny of the Transport Plan when it comes into effect and recognised that that the Transport Plan gives the OSC clarity of the policy framework it is operating within and focus for the future.
- 1.8 At the 25 March OSC meeting members discussed and agreed that the Transport Plans objectives and policy statements can provide structure to the OSC’s Work Programme over the next few years, by enabling it to focus on a particular area in each meeting. The committee also discussed an approach to structuring future meetings which involved receiving and debating an overview on progress being made on the Transport Plan and its objectives, planned future actions, and then providing the opportunity to scrutinise particular areas of the plan in more detail.
- 1.9 The scheduling of these areas of would be informed by whichever is the most advanced in the development of its delivery plan. This would provide the OSC the opportunity to have an effective and productive input into the delivery of the Plan. By the end of each meeting, the OSC should understand the Objective and its delivery plan so it is then able to monitor it and assist in providing ideas/proposals to support delivery or overcome obstacles (e.g. by identifying alternative actions for consideration by the JTC).
- 1.10 On 1 December the Committee received a letter from the JTC Audit and Standards Committee requesting that the Committee looks into the availability of bus drivers and service performance provision provided by the region’s commercial bus operators. While acknowledging that this is an issue which may be considered in performance discussions at a future Bus Partnership Board; but as the bus partnership is not yet live so the Audit and Standards Committee wondered if the Committee would like to examine the matter further as disruption experienced by bus passengers is contrary to our regional objective of ‘Appealing sustainable transport choices’. If the committee agrees to look into this issue it will be added to the forward plan and discussed at the March 2022 meeting.

- 1.11 There is the opportunity to use, where appropriate, external input into the OSC meetings when considering the objectives and specific issues that may be of interest to certain groups.

- 1.12 The most recent version of the work programme (appendix two) has been compiled to allow the Overview and Scrutiny Committee the opportunity to consider items that will be of regional importance to the Joint Transport Committee, the JTC forward plan and items previously raised by Members. A link to the current forward plan can be found [here](#).

It should be noted that the work programme covers items that will be discussed at the meetings. It does not preclude 'deeper dives' providing more focused scrutiny of particular topics by a sub-group of the committee outside of these meeting dates. These topics can be raised with the Chair and Scrutiny Officer at any time

## **2. Annual Work Programme – Update**

- 2.1 The Committee is asked to review and discuss the suggested work programme.

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

- 3.1 To provide an opportunity for Committee members to input on any additional items as part of continued planning for the Work Programme for 2021/22.

- 3.2 The work programme will be refreshed and updated at each meeting of the Committee throughout the year.

## **4. Alternative Options Available**

- 4.1 There are no alternative options available.

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

- 5.1 Development of a work programme and review and scrutiny of decisions in the JTC Forward Plan will contribute towards the development and implementation of the policy framework of NECA, NTCA, Nexus and the North East LEP as well as providing appropriate challenge to decisions taken.

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

- 6.1 No financial or other resource implications are identified at this stage.

## **7. Legal Implications**

- 7.1 There are no specific legal implications arising from these recommendations.

## **8. Key Risks**

- 8.1 There are no key risks associated with the recommendations made in this report.

## **9. Equality and Diversity**

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

## **10. Crime and Disorder**

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

## **11. Consultation/Engagement**

11.1 On-going consultation takes place with Officers and Scrutiny Members across the local authorities that make up the Joint Transport Committee, in regard to the items for the Annual Work Programme as Appendix One.

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

12.1 The proposals consider the wider impact and take into account the Principles of Decision Making. They allow Members consideration of the items on the JTC Forward Plan and allow them the opportunity to have an overview of all performance, decision making and developments across the Joint Transport Committee structure.

## **13. Appendices**

13.1 Appendix One – Annual Work Programme

## **14. Background Papers**

14.1 None.

## **15. Contact Officers**

15.1 Gavin Armstrong, Policy and Scrutiny Officer  
Email: [gavin.armstrong@northeastca.gov.uk](mailto:gavin.armstrong@northeastca.gov.uk)  
Telephone Number: Tel No: (0191) 4247537

15.2 Mike Barker  
email: [mikebarker@gateshead.gov.uk](mailto:mikebarker@gateshead.gov.uk)  
Telephone: (0191) 433 2100

## **16. Sign off**

- 16.1
- The Proper Officer for Transport: ✓
  - Head of Paid Service: ✓
  - Monitoring Officer: ✓
  - Chief Finance Officer: ✓

**17. Glossary**

- 17.1 NECA - North East Combined Authority
- North East LEP - North East Local Enterprise Partnership
- NTCA – North of Tyne Combined Authority



**Joint Transport Committee: Overview and Scrutiny Work Programme  
December 2021**

**Standing Items for each Committee Meeting:**

- Declaration of Interest
- Minutes of Previous Meeting
- JTC Forward Plan and Work Programme Report

**Source of work programme and items of importance:**

The Overview and Scrutiny Committee obtains work programme items from the following sources:

- a) Items submitted by Members of the Committee (and including items referred by other members of the Combined Authorities);
- b) Suggestions from Officers
- c) The Budget and Policy Framework; Transport Plan
- d) The JTC Forward Plan;
- e) The Proper Officer for Transport
- f) Evidence for any policy review work regarding Transport

**Suggested Work Programme 2021-2022**

Meeting Date	Subject
March 2022	<ul style="list-style-type: none"> <li>• Making the cost of public transport accessible</li> <li>• Engagement Strategy</li> <li>• Bus Partnership Update</li> <li>• Availability of bus drivers and service performance provision provided by the region's commercial bus operators</li> </ul>
June 2022	<ul style="list-style-type: none"> <li>• Transport Plan – year in review</li> </ul>

It should be noted that the work programme covers items that will be discussed at the meetings. It does not preclude 'deeper dives' providing more focused scrutiny of particular topics by a sub-group of the committee outside of these meeting dates. These topics can be raised with the Chair and Scrutiny Officer at any time.

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