



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

Monday, 26th October, 2020 at 1.30 pm

Meeting to be held via Microsoft Teams

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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 Inquorate Meeting held on 1 October 2020</b>	<b>3 - 6</b>
4. <b>Tyne and Wear Levy and Nexus Medium Term Financial Strategy</b>	<b>7 - 22</b>
5. <b>Date of next meeting: 17 December 2020, 10am.</b>	

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

**DRAFT MINUTES FOR APPROVAL**

Thursday 10 October 2020, 10am

Meeting held virtually via Microsoft Teams

**Present:**

- D Taylor-Gooby – Chair
- A Clark – Vice Chair
- E Reynard - Gateshead Council
- G Armstrong – NECA
- M Barker - Gateshead Council
- M Gilbert – Go North East
- P Meikle – Transport North East
- S Gwilym – Durham County Council
- T Hughes – Transport North East
- Cllr G Roughead – Northumberland County Council
- M Mallam-Churchill – Gateshead Council (Minutes)

**Councillors:**

- Cllr I Patterson – Gateshead Council
- Cllr R Manchester – Durham County Council
- Cllr S Graham – North Tyneside Council
- Cllr R Crute – Durham County Council
- Cllr J Eagle – Gateshead Council
- Cllr G Stone – Newcastle City Council

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from the following:

- Cllr D Macknight – Sunderland City Council
- Cllr G Castle – Northumberland County Council

- Cllr M Clarke – Durham County Council
- Cllr P Stewart – Sunderland City Council
- Cllr R Glindon – North Tyneside 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 JUNE 2020**

Ahead of the minutes being reviewed the Chair noted his thanks on behalf of the Committee for Cllr G Sanderson's involvement with the OSC. Cllr G Roughead was then introduced to the Committee an observer of the meeting; Cllr G Roughead has been appointed to the OSC in place of Cllr G Sanderson and this appointment will be approved in due course.

RESOLVED:

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

## **4. OUR REGION'S BUS NETWORK**

The Committee received a report providing an overview of the region's bus network and the impact of Covid-19 on bus services.

Tobyn Hughes highlighted that the region has the highest bus usage per head outside of London in the country; the Committee were then reminded of the points raised within section 1.8 of the report noting that over half of journeys were for shopping or work purposes whilst leisure and socialising accounted for over a quarter and education a tenth.

It was further noted that the majority of passengers do not have access to a car and have little or no alternative means of travel. From the report, the Committee were provided with an additional update on the impact of Covid-19 on services.

It was reported that there had been a mild recovery as lockdown restrictions were eased but that the new local lockdown measures have impacted on ridership once again. It was noted that income has reduced dramatically for bus services and that the income received from fares had not been enough to cover operational costs.

From the report the Committee were advised that progress has been made with NE Bus, the association of all major and minor local bus companies in the region to put in place better consultative arrangements to foster greater understanding of the long-term issues facing the bus industry. It was noted that this collaborative

approach will offer a platform for joint working on shared messages to the government and other stakeholders in respect of the economic and social values of bus services.

Martijn Gilbert then provided the Committee with a presentation providing an update on bus services, plans and aims for the future. Martijn also noted his thanks to the various local authorities he has been working with in supporting this work.

The Committee noted it's thanks to Toby and Martijn as well as local authority officers for the work that they are doing to maintain bus services during the pandemic.

It was asked whether 'Rurality' could be noted as a matter of consideration under the implications section of all JTC reports. It was stated that within all JTC reports, matters such as the impacts on Equality and Diversity and Crime and Disorder are considered; Members who were present felt that the inclusion of Rurality in this regard would highlight the importance of the matter in transport provision and planning, given the rural nature of much of the JTC/LA7 area. The members acknowledged the challenges of meeting public expectation in the provision of public transport in rural areas and felt this change would have a positive impact in improving this.

A discussion also took place on the matter of public finances being used to support local bus travel services; Members present felt that, given the significant amount of public money being used to support bus services, it was essential that appropriate levels of transparency and accountability to the public are secured through the arrangements that the JTC puts in place. It was further noted that additional scrutiny from and accountability to the public should be factored into a bus strategy for the North East.

Those present requested that the Chair write to the Chair of the Joint Transport Committee to consider these points. It was agreed that Melvyn Mallam-Churchill would draft the letter to be sent.

It was asked what is done with ridership data once it has been collected; the Committee were advised that these figures are reported to the Department for Transport.

**RESOLVED:**

- (i) The Committee noted the contents of the report and presentation.
- (ii) The Committee requested the issues of rurality and public financing be fed up to the JTC for consideration.

## **5. NORTH EAST TRANSPORT PLAN – NEXT STEPS**

The Committee received a report providing an update on the timescales for the North East Transport Plan.

Philip Meikle provided a verbal summary of the report highlighting that as part of the Transformation Plan development an informal engagement exercise termed 'The Big Transport Conversation' will take place in October. It was further noted that there will then be an eight-week consultation on the findings from 19 November 2020 to 14 January 2021.

The Committee were advised that the development of the Transport Plan and accompanying Implementation Plan will continue, and the consultation draft plans will be brought to the JTC in November for approval.

The Committee noted concern about the consultation running over the Christmas period; the Committee were assured that officers will be proactive in reaching out to the public and relevant groups, it was also highlighted that the consultation would be widely advertised in the local press.

The Committee also requested sight of the draft consultation before it goes to the JTC; it was suggested that this could be done as part of a future meeting or that an additional meeting of the OSC could be organised for this purpose.

RESOLVED:

- (i) The Committee noted the contents of the report.
- (ii) The Committee requested an opportunity to review the draft consultation ahead of it being viewed by the JTC.

## **6. JOINT TRANSPORT COMMITTEE FORWARD PLAN AND SCRUTINY WORK PROGRAMME**

The Committee received an overview of the Joint Transport Committee Forward Plan and Scrutiny Work Programme for 2020/21.

RESOLVED:

- (i) The Committee noted the work programme.

## **7. DATE AND TIME OF THE NEXT MEETING**

The next meeting is scheduled for 26 October 2020 at 1:30pm.

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

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**Date:** 26 October 2020

**Subject:** Tyne and Wear Levy and Nexus Medium Term Financial Strategy

**Report of:** Chief Finance Officer

### Executive Summary

On 20 October, 2020, the North East Joint Transport Committee (JTC) received a report setting out the Nexus financial performance, based on the position as at September 2020 together with forecasts to the year end to inform budget planning for 2021/22.

This report provides a copy of that report for discussion as part of the consultation process at Appendix 1 and 2.

The report demonstrates that the financial outlook for Nexus remains challenging.

Nexus has been and is still heavily dependent on continuation of Covid emergency financial support from central government and this is forecast to continue to be the case throughout 2021/22.

The challenges posed by the pandemic have accentuated an already difficult financial position for Nexus, where an emerging budget deficit in 2021/22 has previously been reported.

The report highlights that although at the time of compiling the report Covid emergency funding is only guaranteed until 26 October 2020, Nexus was working on the basis that Covid support from government will continue.

In terms of budget planning at this stage both the Tyne and Wear levy and (non-Covid) central government grants are assumed to be frozen at 2020/21 levels next year.

In accordance with the Transport Levying Bodies Regulations, the Tyne and Wear Levy for 2021/22 must be apportioned in line with the 2019 Mid-Year Population. The latest estimates show population increases in each Tyne and Wear council area except Gateshead, with increases in the relative population in Newcastle, North Tyneside and South Tyneside

Even with these assumptions there are underlying base budget challenges in 2021/22 and beyond that will need to be considered in due course to produce a sustainable balanced budget going forwards.

This report supports the development of the Transport Budget Proposals 2021/22, which will be presented to meeting of the Joint Transport Committee on 17 November 2020 and which will be subject to further consideration by this committee on 17 December 2020.

### **Recommendations**

The Committee is recommended to note the Nexus financial performance and Medium Term financial forecasts, and make any observations or recommendations on these, which will be considered by the JTC at its meeting on 17 November, 2020 alongside the wider Transport Budget Proposals 2021/22.



## **1. Background Information**

- 1.1 At its meeting on 20 October 2020, the North East Joint Transport Committee (JTC) received a report setting out the Nexus financial performance, based on the position as at September 2020 together with forecasts to the year end to inform budget planning for 2021/22. That report is attached at Appendix 1.

## **2. Proposals**

- 2.1 The report presented to the 20 October 2020 meeting of the JTC is attached at Appendix 1 to this report.
- 2.2 The report demonstrates that the financial outlook for Nexus remains challenging and that Nexus is still heavily dependent on continuation of Covid emergency financial support from central government and this is forecast to continue to be the case throughout 2021/22.
- 2.3 The challenges posed by the pandemic have accentuated an already difficult financial position for Nexus, where an emerging budget deficit in 2021/22 has previously been reported.
- 2.4 The report highlights that although at the time of compiling the report Covid emergency funding is only guaranteed until 26 October 2020, Nexus was working on the basis that Covid support from government will continue.
- 2.5 In terms of budget planning at this stage both the Tyne and Wear levy and (non-Covid) central government grants are assumed to be frozen at 2020/21 levels next year.
- 2.6 As members will be aware, the majority of the Tyne and Wear levy is paid as a revenue grant to Nexus for the delivery of public transport services in Tyne and Wear. In accordance with the Transport Levying Bodies Regulations, the Tyne and Wear Levy for 2021/22 must be apportioned in line with the 2019 Mid-Year Population. The latest estimates show population increases in each Tyne and Wear council area except Gateshead, with increases in the relative population in Newcastle, North Tyneside and South Tyneside
- 2.7 Even with these assumptions there are underlying base budget challenges in 2021/22 and beyond that will need to be considered in due course to produce a sustainable balanced budget going forwards.

## **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 taken into account in developing the Transport Budget 2021/22, to be presented to meeting of the Joint Transport Committee on 17 November 2020 and which will be subject to further consideration by this committee on 17 December 2020.

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

4.1 The challenges posed by the pandemic have accentuated an already difficult financial position for Nexus, where an emerging budget deficit in 2021/22 has previously been reported.

4.2 In terms of budget planning both the Tyne and Wear levy and (non-Covid) central government grants are assumed to be frozen at 2020/21 levels next year. Should this not prove to be the case, then the financial challenges for Nexus will increase and require careful consideration of the services delivered.

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

5.1 The JTC will receive a report to its meeting on 17 November 2020 providing the draft Transport Budget Proposals 2021/22 and feedback from this meeting of the Overview and Scrutiny Committee.

5.2 There will be a further meeting of the Overview and Scrutiny on 17 December 2020 to consider the Transport Budget Proposals 2021/22 as part of the consultation process, with a view to recommending the budget for formal approval at the JTC meeting on 19 January 2021.

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

6.1 The Transport Budget Proposals 2021/22 will seek to achieve the Transport policy objectives of the JTC.

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

7.1 Financial and other resources implications for Nexus, together with the updated position in terms of the Tyne and Wear Levy 2021/22 is 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 disorder 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 2021/22 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 20 October 2020 – Tyne and Wear Levy and Nexus Medium Term Financial Strategy

**15. Background Papers**

15.1 JTC Report 20 October 2020 – Tyne and Wear Levy and Nexus Medium Term Financial Strategy

**16. Contact Officers**

16.1 Paul Darby, NECA Deputy Chief Finance Officer,  
[NECA.PaulDarby@Durham.gov.uk](mailto:NECA.PaulDarby@Durham.gov.uk)

**17. Sign off**

- 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:** 20 October 2020

**Subject:** Tyne and Wear Levy and Nexus Medium Term Financial Strategy

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

### Executive Summary

This report provides an update in relation to Nexus financial performance, based on the position as at September 2020 together with forecasts to the year end to inform budget planning for 2021/22.

The report demonstrates that the financial outlook for Nexus remains challenging. Nexus has been and is still heavily dependent on continuation of Covid emergency financial support from central government and this is forecast to continue to be the case throughout 2021/22. The challenges posed by the pandemic have accentuated an already difficult financial position for Nexus, where an emerging budget deficit in 2021/22 has previously been reported.

The report highlights that although Covid emergency funding is, at this stage, only guaranteed until 26 October 2020, Nexus proposes to work from a scenario in which Covid support from government continues. In terms of budget planning at this stage both the Tyne and Wear levy and (non-Covid) central government grants are assumed to be frozen at 2020/21 levels next year.

Even with these assumptions there are underlying base budget challenges in 2021/22 and beyond that will need to be considered in due course to produce a sustainable balanced budget going forwards.

This report underpins the development of the Transport Budget Proposals 2021/22, which will be brought to the next meeting.

### Recommendations

The North East Joint Transport Committee is recommended receive this report for consideration and comment, which will inform the Transport Budget Proposals 2021/22 report from the NECA Chief Finance Officer to the next meeting of this committee.

## 1. Background

- 1.1 The Tyne and Wear Levy for 2020/21 was agreed by the JTC at its meeting in January 2020. The levy agreed was £61.1m, of which £59m formed the revenue grant to Nexus and £2.1m was retained to fund Tyne and Wear transport costs (primarily relating to the former Tyne and Wear Integrated Transport Authority). The following table shows Nexus' original budget for 2020/21, including its gross expenditure requirement for individual service areas together with fare and commercial revenues and government grant:

	Gross Expenditure £m	FUNDED BY:			% of T&W levy
		Commercial Revenue £m	Government Grant £m	T&W Levy £m	
CT - Statutory	35.8	0.1	-	35.7	61%
CT - Discretionary	3.3	0.5	-	2.8	5%
Metro	104.5	48.1	53.6	2.8	5%
Ferry	1.7	0.5	-	1.2	2%
Local Rail	0.5	-	0.2	0.3	-
Bus Services	15.9	2.2	1.2	12.5	21%
Bus Infrastructure	3.5	1.2	-	2.3	4%
Public Transport	1.5	0.1	-	1.4	2%
<b>TOTAL</b>	<b>166.7</b>	<b>52.7</b>	<b>55.0</b>	<b>59.0</b>	<b>100%</b>
<b>Proportion of Gross Expend.</b>		<b>32%</b>	<b>33%</b>	<b>35%</b>	

- 1.2 Whilst 35.4% of the gross expenditure by Nexus is funded by the Tyne and Wear Levy, the majority of this funding underpins statutory concessionary travel (61%) and subsidised bus routes and bus infrastructure (25%), with a smaller proportion funding discretionary concessionary travel (5%), the Metro (5%) and local ferry / rail services.

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

	2020/21 £m	2021/22 £m	2022/23 £m
Forecast (Surplus) / Deficit before use of reserves	0	3.7	6.5
Planned use of reserves	0	(3.7)	(3.3)
<b>Estimated Savings Required</b>	<b>0</b>	<b>0</b>	<b>3.2</b>

- 1.4 Common with other public sector bodies, Nexus is legally obliged to set a balanced budget, hence the need to have a sustainable MTFs that does not rely on the use of reserves as a long-term measure. The Covid-19 outbreak has exacerbated the financial challenges Nexus has and the underlying budget deficit remains, even before the effects of Covid-19 are considered.

## **2. Proposals / Updated Position**

### **The effects of the Covid-19 outbreak**

- 2.1 The effect of the nationwide lockdown led to patronage on the Metro immediately declining by around 95%. The nature of Metro's operation is such that many of its costs are fixed and cannot be reduced at short notice. Therefore, during the lockdown period, the system was operating at a loss of approximately £0.9m per week, excluding costs associated with making the system Covid secure e.g. deep cleaning of trains and stations. A more recent partial recovery has seen this reduce to a loss of approximately £0.5m per week, although the recovery has since stalled because of the imposition of local restrictions in late September 2020.
- 2.2 In-depth discussions were held with the government over a number of months alongside transport authorities who were in a similar predicament caused by severe losses on their light rail systems. As a result, the government introduced a new short-term emergency grant called "Light Rail Revenue Restart Grant (LRRRG)". This grant covers all of Metro's Covid-related net losses. The grant provided to Nexus has been paid in three tranches, covering the period 16 March to 26 October. In total, £23.5m has been provided in LRRRG and this is subject to an audit process.
- 2.3 Given the partial recovery experienced to date, it is anticipated that the grant will cover Nexus' net losses in full up to 26 October 2020. The audit process established by DfT will help determine whether any grant needs to be clawed back. However, further support will be required after 26 October and representations are being made to government to extend this grant for as long as the Metro's fare and commercial revenues are negatively impacted by Covid-19 and social distancing requirements.
- 2.4 Bus services were similarly impacted by the national lockdown, and a government grant called "Coronavirus Bus Services Support Grant (CBSSG)" has been provided to commercial bus operators on a broadly similar basis to the light rail funding, although unlike LRRRG, CBSSG is now open-ended with a 10-week notice period and an explicit link to social distancing measures, meaning bus funding for commercial operators will definitely continue beyond 26 October 2020.
- 2.5 CBSSG was also predicated on an assumption made by government that local transport authorities (in this case Nexus) would continue to make payments for Concessionary Travel and Secured Bus Services at pre-Covid levels, even though those services were not being provided (as demand for them had evaporated). The JTC and TWSC have been briefed on this matter on several occasions over the last six months and for as long as LRRRG is being paid to

Nexus, were broadly satisfied that such payments were necessary and could be justified, given the extraordinary circumstances.

- 2.6 A separate bus grant aimed at local authorities to cover lost fare income on secured bus services was implemented at the same time, called “LACBSSG”. To date, Nexus has attracted £1.2m in LACBSSG to assist with fare revenue losses.
- 2.7 Nexus has however also had to contend with increased costs arising when various secured bus service contracts were renewed earlier in the year, together with the need to introduce additional buses for schools returning in the Autumn. The pressure that has arisen is around £0.6m in the current year, although part of this is being funded from grant allocated to the region by the Department for Education and from an earlier, pre-Covid grant support known as the ‘Better Bus Fund’.

### Nexus Updated Forecast Outturn and MTFs Impacts

- 2.8 Nexus revenue monitoring and forecasts to year end (estimated at September 2020), shows the following:

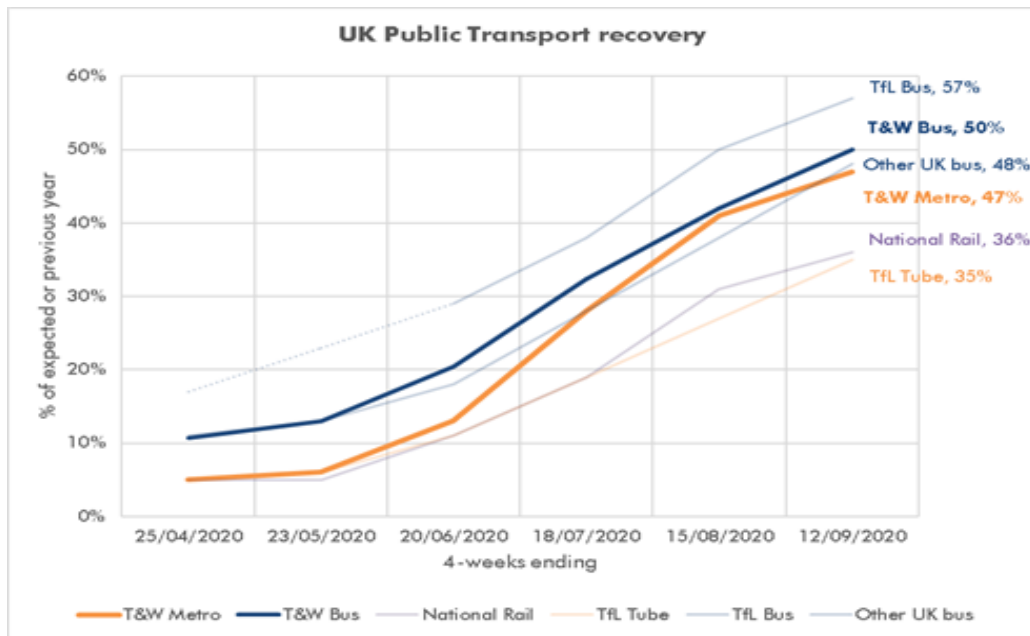
	ACTUAL to Sep			FORECAST to Year End		
	Budget £m	Forecast <sup>1</sup> £m	Variance £m	Budget £m	Forecast <sup>2</sup> £m	Variance £m
Metro	1.284	1.284	-	2.840	7.740	4.900
Bus Services	6.729	7.077	0.348	14.885	15.833	0.948
Other	18.659	18.807	0.148	41.275	41.575	0.300
<b>Net Position</b>	<b>26.672</b>	<b>27.168</b>	<b>0.496</b>	<b>59.000</b>	<b>65.148</b>	<b>6.148</b>
Levy / JTC	26.672	26.672	-	59.000	59.000	-
<b>Variance</b>	<b>-</b>	<b>0.496</b>	<b>0.496</b>	<b>-</b>	<b>6.148</b>	<b>6.148</b>

- 2.9 The above table shows a deficit of £496,000 to the end of the reporting period. In the event Covid emergency funding is withdrawn after 26 October 2020, a deficit for the year of £6.1m is forecast. A combination of the continuation of Covid emergency funding beyond this date, curtailing all non-essential expenditure and use of reserves in-year means Nexus will be able to balance its budget in 2020/21. Clearly, the major risk is that Covid emergency funding, particularly LRRRG does not continue after the third tranche of this funding expires on 26 October 2020.
- 2.10 The uncertainty of the shape of the UK recovery that lies ahead, together with government messaging about only using public transport where essential, makes projections and forecasts equally uncertain.
- 2.11 The following graph shows Nexus’ experience against other UK based operators, which shows how well Metro is doing in attracting back customers, even with local restrictions<sup>3</sup>:

<sup>1</sup> Including £16.4m Metro and £1.0m Bus emergency funding for COVID-19 applied to date

<sup>2</sup> Including £23.5m Metro and £1.2m Bus emergency funding for COVID-19 up to 26 October

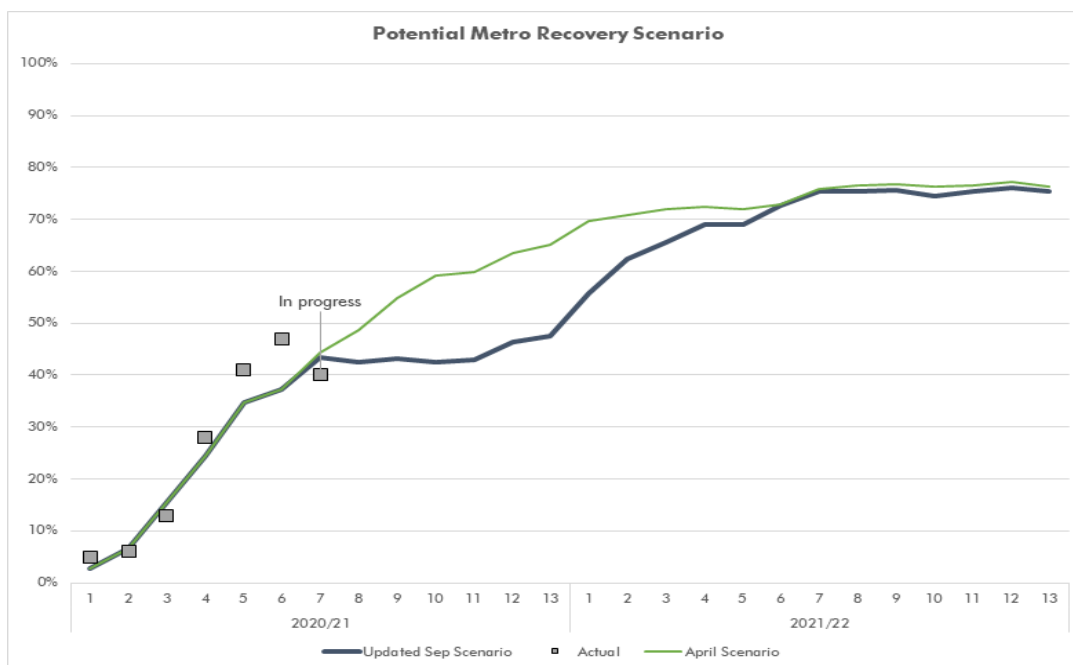




2.12 The imposition of local restrictions in September has adversely affected recovery to the extent that passenger demand for Metro fell back to around 40% in late September, having broken through the 50% mark earlier in the month. Nonetheless, Nexus has identified potential scenarios based on current experience and from what is occurring elsewhere. Given this forecast is based more on a judgement than what has been observed in the past (because of the unprecedented situation that Covid has brought about), the forecasts will need to adapt as more information is available.

2.13 A likely scenario for the recovery in Metro patronage has been developed and is set out in the graph below. It shows the difference in the forecast having observed the reaction to the imposition of local restrictions in September:

<sup>3</sup> Up to the point that local restrictions were imposed in September. The analysis broadly shows Metro's experience lags European Metro systems but is broadly in line with North and South American Metro systems



- 2.14 Including all other sources of fare and commercial revenues, this would mean a potential gap in Nexus' income of between £16.5m and £22.0m per annum if patronage only reached between 60% and 70% of pre-Covid levels averaged across the year.
- 2.15 In the current year, the Tyne and Wear transport levy is £59m whilst a combination of ongoing (not Covid related) Metro Rail, Bus Service Operator and Rail Administration grants amount to £28.4m (of which the majority, £27.1m relates to Metro).
- 2.16 It is envisaged that at least this level of central government grant will still be available in 2021/22, although this is still dependent on the Spending Review outcome. It is uncertain however whether central government Covid emergency funding in the form of LRRRG and LACBSSG, will continue
- 2.17 The following table shows a potential worst and best case scenario for 2021/22, starting from the premise that in the best case scenario, all government emergency support continues to be paid throughout the year and the recovery in terms of patronage is at the higher end of current modelling, the previously agreed deficit of £3.7m will broadly remain<sup>4</sup>.
- 2.18 The table also shows the impact, in the event that LRRRG and LACBSSG does not continue in its current guise, the recovery in terms of patronage is at the lower end of current modelling and there is cut in local / central grants to Nexus,, of a savings gap of circa £30.1m. This would necessitate the consideration of difficult savings options to ensure the budget could be balanced. Given the scale of savings required, it is likely that they would

<sup>4</sup> Nexus is undertaking analysis as part of its budget work for 2021/22 to determine whether this earlier forecast remains robust. Some of its fare and commercial revenue losses are not covered by government emergency support e.g. the ferry service between North and South Shields.

impact significantly on service provision.

	<b>Worst Case £m</b>	<b>Best Case £m</b>
<b>Nexus MTFS Underlying deficit 2021/22</b>	<b>3.7</b>	<b>3.7</b>
Fare/Commercial losses	<b>22.0</b>	<b>16.5</b>
Local and central grants change (-5% or flat)	<b>4.4</b>	<b>0.0</b>
Covid emergency funding	<b>0.0</b>	<b>-16.5</b>
<b>Nexus Revised deficit</b>	<b>30.1</b>	<b>3.7</b>

- 2.19 Although Covid emergency funding is at this stage only guaranteed until 26 October 2020, Nexus is preparing its initial budget proposals for 2021/22 from the best case scenario in which Covid support from government continues and both the Tyne and Wear levy and (non-Covid) central government grants are assumed to be frozen at 2020/21 levels. This would make the projected deficit for 2021/22 broadly similar to the level previously forecast.
- 2.20 This planning assumption clearly demonstrates the importance of Covid emergency funding continuing, without which the consequences for Nexus' budget will be catastrophic (as shown in the worse case scenario above).
- 2.21 This (best case) budget planning assumption has been discussed with the Transport Strategy Board and subject to endorsement by the JTC, it will be used as the basis for developing the NEXUS budget for 2021/22 and the medium-term financial strategy.
- 2.22 In the absence of increased income, this will necessarily include consideration of efficiency savings and planned use of reserves. Savings proposals, likely to include service reductions will need to be developed although these will only be implemented in 2021/22 if the best-case planning scenario does not transpire. Options will most likely include a review of concessionary fares reimbursement and secured bus services, together with a review of the Metro and ferry timetables and the provision of public transport information and key facilities.

### **Population Updates – Tyne and Wear Levy Distribution**

- 2.23 In accordance with the Transport Levying Bodies Regulations, the Tyne and Wear Levy for 2021/22 must be apportioned in line with the 2019 Mid-Year Population. The latest estimates show population increases in each Tyne and Wear council area except Gateshead, with increases in the relative population in Newcastle, North Tyneside and South Tyneside. On a cash freeze basis, this would give the following apportionment for the 2021/22 Levy:

	<b>2018 Population</b>	<b>2019 Population</b>	<b>2020/21 Levy</b>	<b>2021/22 Levy</b>	<b>Movement</b>
Gateshead	202,508	202,055	10,888,380	10,815,502	-72,877
Newcastle	300,196	302,820	16,140,834	16,209,202	68,368
North Tyneside	205,985	207,913	11,075,330	11,129,066	53,737
South	150,265	150,976	8,079,396	8,081,370	1,974

Tyneside					
Sunderland	277,417	277,705	14,916,061	14,864,859	-51,202
<b>Tyne and Wear</b>	<b>1,136,371</b>	<b>1,141,469</b>	<b>61,100,000</b>	<b>61,100,000</b>	<b>0</b>

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

- 3.1 Discussions will continue with Government with regards to continuation of the Covid grant support that is currently being received and for (non-Covid) central government grants to at least be frozen at 2020/21 levels.
- 3.2 The financial forecasts will be updated as further Government announcements, particularly the outcome of the Comprehensive Spending Review, are made and more detail will be presented to the JTC at its meeting on 17 November 2020, with a view to recommending formal agreement to the budget and levies in January 2021.

### **4. Potential Impact on Objectives**

- 4.1 The budget assumptions presented in this report is designed to support the achievement of the Transport policy objectives of the JTC in the Tyne and Wear area.

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

- 5.1 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 reports to the November 2020 and January 2021 reports to the JTC.

### **6. Legal Implications**

- 6.1 The JTC must ultimately approve the transport budget and levies unanimously.

### **7. Key Risks**

- 7.1 Appropriate risk management arrangements are put in place in each budget area. Should Covid emergency support from central government not be maintained there is a significant risk that Nexus' services will need to be reduced. Reserves are maintained to help manage financial risk, but the application of these to balance the budget is not a sustainable long-term solution and can only be considered as a temporary measure whilst savings or other efficiencies / sources of income are secured to ensure the base budget deficit position is addressed.
- 7.2 It is recognised that there are significant financial challenges facing local government too, which places pressure on the ability of the Tyne and Wear authorities to maintain let alone increase the levies for transport.

### **8. Equality and Diversity**

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

## **9. Crime and Disorder**

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

## **10. Consultation/Engagement**

10.1 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. Nexus' budget proposals will feature as part of these proposals alongside the other Transport related revenue and capital budgets. This paper underpins the Transport Budget for 2021/22.

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

11.1 There are no other impacts arising from this report at this stage.

## **12. Appendices**

12.1 N/A

## **13. Background Papers**

13.1 N/A

## **14. Contact Officers**

14.1 John Fenwick, Director of Finance and Resources, Nexus – 07500 993588  
[john.fenwick@nexus.org.uk](mailto:john.fenwick@nexus.org.uk)

## **15. Sign off**

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

## **16. Glossary**

LACBSSG – Local Authority Coronavirus Bus Services Support Grant

LRRRG – Light Rail Revenue Re-start Grant

MTFS – Medium Term Financial Strategy

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