



## Leadership Board

Tuesday, 19th July 2016 at 2.00 pm

Meeting to be held in a Committee Room, Northumberland County Council, County Hall, Morpeth, NE61 2EF

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# AGENDA

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Page No

1. **Apologies for Absence (Members)**

2. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

3. **Minutes of the Previous Meeting held on 21 June 2016**

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4. **Minutes of the Extraordinary Meeting held on 4 July 2016**

Members are requested to note the intention to circulate the above document on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.

5. **Appointment of the Thematic Leads of the Combined Authority, Appointment of Vice Chairs of the Leadership Board and Nomination of Vice-Chair of the North East Local Enterprise Partnership**

5 - 8

6. **Devolution Update**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

**7. Updates**

- (a) **Economic Development and Regeneration** 9 - 14
- (b) **Employability and Inclusion** 15 - 26
- (c) **Transport**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.

**8. Approval to submit a proposal for Transport for the North to become a statutory body**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.

**9. Large Local Major Schemes Fund**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.

**10. Development of the Metro and Local Rail Systems** 27 - 62

**11. Finance Update - 2016/17 Revenue Budget and Capital Programme** 63 - 70

**12. Finance Update - Outturn 2015/16** 71 - 78

**13. Date and Time of Next Meeting**

Tuesday, 20 September 2016 at Sunderland City Council.

**14. Exclusion of Press and Public**

Under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied.

**15. Confidential Minutes of the Previous Meeting held on 21 June 2016** 79 - 80

**16. Confidential Minutes of the Extraordinary Meeting held on 4 July 2016**

Members are requested to note the intention to circulate the above document on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.

**17. Local Growth Deal Round 3 Bid**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local

Government (Access to Information) Act 1985.

18. **Let's Grow Fund**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: [victoria.miller@northeastca.gov.uk](mailto:victoria.miller@northeastca.gov.uk)

**To All Members**

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## North East Combined Authority

### Leadership Board

21 June 2016

Meeting held: Durham County Cricket Club, Chester-Le-Street, DH3 3QR

#### Present:

Councillor S Henig (Chair)

Councillors G Davey, N Forbes, M Gannon, I Malcolm and P Watson and Mayor N Redfearn

#### **COUNCILLOR SIMON HENIG**

Councillor Henig, the outgoing Chair, addressed the Leadership Board outlining the key achievements of the Combined Authority since its establishment. Councillor Henig explained that it was always intended that the position of Chair of the Leadership Board would rotate and announced that he was now stepping down. Councillor Henig thanked Members and Officers for their support.

#### **1 APOLOGIES FOR ABSENCE**

An apology for absence was received from Mr A Hodgson.

#### **2 MEMBERSHIP OF THE LEADERSHIP BOARD**

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

Members considered the report which invited them to confirm the membership of the Leadership Board for the municipal year 2016/17 and approve other related matters.

#### **RESOLVED – That:**

- i. Councillor Paul Watson be appointed as Chair of the Leadership Board for the municipal year 2016/17;
- ii. The membership of the Leadership Board for the municipal year 2016/17 be confirmed as set out in Appendix A;
- iii. The appointment of Vice-Chairs of the Leadership Board for the municipal year 2016/17 be deferred;
- iv. Mr Andrew Hodgson be appointed as the non-voting Member of the Leadership Board representing the North East Local Enterprise Partnership during the municipal year 2016/17;

- v. Ms Gillian Hall be appointed as the Substitute Member for the Member of the Leadership Board who represents the North East Local Enterprise Partnership during the municipal year 2016/17; and
- vi. The appointment of Thematic Leads for the municipal year 2016/17 be deferred to enable further discussions.

### **COUNCILLOR PAUL WATSON**

Upon taking the chair Councillor Watson made introductions and thanked Councillor Henig for his leadership.

### **3 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **4 MINUTES OF THE PREVIOUS MEETING HELD ON 19 APRIL 2016**

The minutes of the previous meeting held on 19 April 2016 were approved as a correct record and signed by the Chair.

### **5 MINUTES OF THE EXTRAORDINARY MEETING HELD ON 17 MAY 2016**

The minutes of the extraordinary meeting held on 17 May 2016 were approved as a correct record and signed by the Chair.

### **6 APPOINTMENT OF COMMITTEES, AGREEMENT OF MEMBERSHIP AND APPOINTMENT OF CHAIRS AND VICE-CHAIRS**

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

Members considered the report which sought their agreement to the continued establishment of the committees of the North East Combined Authority (NECA) and appointment of Members, Chairs and Vice-Chairs for the municipal year 2016/17.

#### **RESOLVED – That:**

- i. The committees set out in Appendix A be appointed for the municipal year 2016/17;
- ii. The nominations for the membership of the committees, which had been received from the constituent authorities, as set out in Appendix A, be confirmed;
- iii. The appointment of Chairs and Vice-Chairs of the committees for the municipal year 2016/17 be delegated to the relevant committees where appropriate, as set out in paragraphs 1.6 to 1.9 of the report;
- iv. Agreement be given to allow Substitute Members for the Overview and Scrutiny Committee, as set out in paragraph 1.5; and

- v. The position in relation to the continued appointment of Mazars as the External Auditor of the NECA for 2016/17 be noted.

## 7 **PROGRAMME OF MEETINGS**

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

Members considered the report which invited them to agree the programme of meetings for the municipal year 2016/17.

**RESOLVED** – That the proposed programme of meetings, as set out in Appendix A, be agreed.

## 8 **THE GOVERNANCE REVIEW AND SCHEME FOR THE PROPOSED MAYORAL COMBINED AUTHORITY**

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

Members considered the report which provided an update on the progress in developing the Governance Review and Draft Scheme and sought agreement to the proposals for consultation and the next steps of the process.

**RESOLVED** – That:

- i. The report be noted;
- ii. The Governance Review and Draft Scheme be submitted to the Leadership Board on 4 July 2016 for approval prior to submission to the Secretary of State; and
- iii. The consultation approach for the Governance Review and Scheme set out in the report be endorsed.

## 9 **LOCAL GROWTH FUND - UPDATE**

Submitted: A joint report of the Head of Paid Service and Chief Finance Officer (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on the 2015/16 Local Growth Fund Programme (LGF) performance, the inclusion of new schemes in the LGF programme for 2016/17 and the timetable and process for submitting a bid for Round 3 of the Local Growth Fund.

**RESOLVED** – That:

- i. The good progress made in terms of the delivery of the 2015/16 Local Growth Fund (LGF) Programme and the current position of the 2016/17 LGF

programme, summarised in the report and set out in the confidential report on the agenda for this meeting, be noted;

- ii. The inclusion of up to £22m of additional projects in the Local Growth Fund programme for 2016/17 and future years as overprogramming, to ensure delivery of programme and the full use of the LGF grant in 2016/17, as outlined in section 2 of the report, be agreed;
- iii. The use of £7.5m LGF grant and up to £14.5m of Devolution funding to underwrite the funding for the new schemes, set out in section 2.3 and 6 of the report, be agreed;
- iv. Delegated authority be given to the Head of Paid Service in consultation with the Chair of the North East Combined Authority, the Monitoring Officer and Chief Finance Officer to complete any legal and grant agreements needed to enable the approved projects to proceed; and
- v. The timetable and process for the development and submission of the Round 3 Local Growth Fund Bid set out in section 3 of this report be noted.

#### 10 **DATE AND TIME OF NEXT MEETING**

The next ordinary meeting would be held on Tuesday, 19 July 2016 at 2pm at Northumberland County Council, County Hall, Morpeth.

**RESOLVED** – That an extraordinary meeting be held on 4 July 2016 for the purpose of consideration of further reports on (i) the Governance Review and Scheme for the proposed Mayoral Combined Authority and (ii) the Local Growth Fund.

#### 11 **EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** – That by virtue of Paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 press and public be excluded from the remainder of the meeting during the consideration of agenda items 13, 14 and 15 (Confidential Minutes of the Previous Meeting held on 19 April 2016, Confidential Minutes of the Extraordinary Meeting held on 17 May 2016 and Local Growth Fund – Update) because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.

## North East Combined Authority

### Leadership Board

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**DATE:** 19 July 2016

**SUBJECT:** Appointment of the Thematic Leads of the Combined Authority, Appointment of Vice Chairs of the Leadership Board and Nomination of Vice-Chair of the North East Local Enterprise Partnership

**REPORT OF:** Head of Paid Service

#### **EXECUTIVE SUMMARY**

The purpose of this report is to invite the Leadership Board to appointment the Vice Chairs of the North East Combined Authority (NECA), appoint the Thematic Leads for the thematic areas and to nominate Councillor Watson to be the Vice Chair of the North East Local Enterprise Partnership. The appointments will be for the municipal year 2016/17.

#### **RECOMMENDATIONS**

It is recommended that:

- i. The Leadership Board identify two members of the Board to be appointed Vice Chairs of the North East Local Enterprise Partnership;
- ii. The Leadership Board appoint the members of the Board to be the Thematic Leads for the Thematic Areas of Economic Development and Regeneration, Employability and Inclusion and Transport (and Digital Connectivity).
- iii. The Leadership Board nominate the Chair of the Leadership Board to be the Vice Chair of the North East Local Enterprise Partnership.

# North East Combined Authority

## Leadership Board

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### **1 Background Information**

- 1.1 The NECA's Constitution states that the Chair and Vice Chairs of the Leadership Board will be appointed annually from amongst its members. On 21 June 2016 Councillor Watson was appointed Chair of the Leadership Board. No appointment of Vice Chairs was made at that meeting. There is now a requirement for the members of the Leadership Board to appoint two of its members as Vice Chairs of the Board.
- 1.2 The Constitution also requires the Leadership Board to appoint annually Thematic Leads from amongst its members. The Thematic Areas are (i) Economic Development and Regeneration (ii) Employability and Inclusion and (iii) Transport (including Digital Connectivity). The Thematic Leads operate in accordance with the Constitution and amongst other things provide a strategic lead in their Theme area. At its meeting on 21 June 2016 the Leadership Board resolved to defer the appointment of the Thematic Leads to this meeting.
- 1.3 The previous Chair of the Leadership Board held the position of Vice Chair of the North East Local Enterprise Partnership (the LEP). The Leadership Board is now invited to nominate one of the Leaders/Elected Mayor of the Leadership Board to be the Vice Chair of the LEP. This role has to date been held by the Chair of the Leadership Board. Under the LEP Constitution the Chair of the LEP Board is a private sector member and the Vice Chair is a public sector member. The appointment to the role of Vice Chair will be formally made by the LEP at their next meeting in July 2016.

### **2 Proposals**

- 2.1 The Leadership Board is invited to make the appointments as set out in the recommendations above to enable the Authority to operate in accordance with its Constitution.

### **3 Next Steps**

- 3.1 If the Leadership Board makes the appointments as recommended then the Board will be acting in accordance with its Constitution and the appointments will take immediate effect for the remainder of the municipal year.

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

- 4.1 The appointments will enable the Authority to properly discharge its functions.

# North East Combined Authority

## Leadership Board

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### **5 Finance and Other Resources**

- 5.1 There are no specific financial implications arising from these recommendations.

### **6 Legal**

- 6.1 In accordance with NECA's Constitution the Leadership Board is required to appoint its Vice-Chairs and Thematic Leads from amongst its members. This decision was deferred from the Annual meeting.

The provisions of the LEP Constitution require that the Vice Chair of the LEP Board is a public sector member. NECA is the Accountable Body for the LEP. The Leadership Board is required to nominate Councillor Watson to be the Vice Chair of the LEP and for the LEP to formerly make that appointment on receipt of the nomination.

### **7 Other Considerations**

#### **7.1 Consultation/Community Engagement**

The proposals contained within the report have been subject to consideration by the Leaders and the Elected Mayor at appropriate points during the period leading up to the meeting.

#### **7.2 Human Rights**

There are no specific human rights implications arising from this report.

#### **7.3 Equalities and Diversity**

There are no equalities and diversity implications in relation to this report.

#### **7.4 Risk Management**

There are no specific risk management implications arising from this report.

#### **7.5 Crime and Disorder**

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

#### **7.6 Environment and Sustainability**

There are no specific environment and sustainability implications arising from this report.

# North East Combined Authority

## Leadership Board

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### **8 Background Documents**

8.1 The NECA Constitution

### **9 Links to the Local Transport Plans**

9.1 There are no implications in relation to the Local Transport Plans.

### **10 Appendices**

None.

### **11 Contact Officers**

11.1 Adam Wilkinson, Head of Paid Service

E-mail: adam.wilkinson@northeastca.gov.uk Tel: 0191 643 5689

### **12 Sign off**

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

## North East Combined Authority

### Leadership Board

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**DATE:** 19 July 2016

**SUBJECT:** Economic Development and Regeneration Theme Update

**REPORT OF:** Economic Development and Regeneration Thematic Lead

#### **EXECUTIVE SUMMARY**

This report provides an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority.

#### **RECOMMENDATIONS**

The Leadership Board is recommended to receive this report for information.

# North East Combined Authority

## Leadership Board

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### 1.0 Executive Summary

1.1 This report provides an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority.

The Leadership Board is recommended to receive the update for information.

### 2.0 Inward Investment

#### 2.1 Inward Investment – Summary of 2015/16 Investment Successes in the NECA Area

#### 2.2 Foreign Direct Investment

There were 71 investments leading to the creation of 1,966 new jobs, plus over a thousand safeguarded with the Nissan Juke contract being secured. Companies announcing significant investments included:

- TRW (Automotive)
- Thorn (Lighting)
- Akzo Nobel (Chemicals/Paint)
- Logicnow (Software)
- Accenture (ICT)
- HP (ICT)
- Piramal (Life Sciences)
- Nissan (Automotive)
- Amazon (Delivery Centre)

2.3 The investments were made by companies from USA (19 investments), Japan (7), Switzerland (5), Germany (4) and there were 36 investments from a range of other countries.

#### 2.4 Investments by UK-owned Companies from Outside of the Region

There were 36 investments leading to the creation of 1,402 jobs. Companies announcing significant investments included:

- Ambassador Theatre Group (Ticketing)
- Home Logic (Customer support centre)
- Itison (Digital)
- Icarus (Steel Fabrication)
- Urosens (Medical Testing)
- Dunlop (Advanced Manufacturing)

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- Rolls Royce (expansion) (Advanced Manufacturing)
- Mkodo (Digital)

2.5 In total, there were 107 investments, leading to 3,368 new jobs, with more than a thousand further jobs safeguarded.

### 2.6 2015/16 Investments - Sector Breakdown

Sector	FDI	UK Owned from Outside Region	Totals
Software / ICT (incl. Gaming)	13	5	18
FPBS (finance, professional & business services)	7	14	21
Oil/Gas/Offshore (incl. Marine)	5	2	7
Life Sciences	10	2	12
Automotive	10	2	12
Other Advanced Manufacturing (incl. Chemicals)	21	5	26
Other (incl. Distribution)	5	6	11
<b>Total</b>	<b>71</b>	<b>36</b>	<b>107</b>

### 2.7 Inward Investment - 2016/17 Successes

2.8 Successes for Quarter One are currently being compiled. Notably, a key investment has been made by the Hull-based company ResQ, which opened a new contact centre in June, at Spectrum Business Park, Seaham, creating 1,200 new jobs.

# North East Combined Authority

## Leadership Board

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### 3.0

#### **Invest North East England – Team Update**

### 3.1 Enquiries

There have been significantly fewer enquiries in the first half of 2016 than there were in the first half of 2015. UKTI referrals/enquiries in particular, have been lower than usual. A significant issue has been the EU Referendum with companies delaying investment enquiries and decisions. The Team is however, currently dealing with a number of enquiries in various sectors (automotive, digital, advanced manufacturing and FPBS).

### 3.2 Invest North East England Website

The website is currently being built and will present the key selling messages and other information contained in the Sector Proposition Toolkits which were completed earlier in the year. It is planned to launch the new website and other marketing collateral in September 2016.

### 3.3 MIPIM UK

The Team is organising an Invest North East England stand at MIPIM UK in London from 19-21 October, 2016. Private sector sponsorship is currently being sought to enable a joint private/public sector, North East presence at the property trade show.

### 4.0 UKTI/Northern Powerhouse

4.1 UKTI is currently developing a 'UKTI Northern Powerhouse Investment Team'. The new team should be in place by the end of the summer and will provide a northern-centric focus for UKTI.

4.2 A first 'summit', chaired by the Economic Development and Regeneration Thematic Lead, was held in April with central, senior level and local representatives from UKTI and colleagues from NECA and NELEP, to explore current capacity and opportunities to rationalise and focus investment services, to better promote and increase investment in the area.

4.3 Building on the summit, and further to the discussion and presentations at the EDRAB's last meeting in March, arrangements are being made to hold a workshop with relevant UKTI, NECA, NELEP and private sector representation, to explore the issues further, including developing a deeper understanding of the factors that underpin investors' decisions.

# North East Combined Authority

## Leadership Board

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### **5.0 Regional Investment Plan / Project Pipeline**

5.1 The Board has received previous updates on the development of a project pipeline and how work undertaken to date, has proved useful in informing bids and programmes for funding.

5.2 Information has been compiled on the type of investment, planned output/outcomes, any public investment required, delivery timescales, planning status and barriers to development, for each site (employment and housing).

5.3 Most recently, the list of projects / sites and supporting 'spatial narrative' have helped inform the assembly of a set of significant infrastructure projects, to be considered for LGF Round 3 (which is the subject of a separate report elsewhere on this agenda).

### **6.0 Potential Impact on Objectives**

6.1 The report sets out issues that will support the Authority in meeting its objectives.

### **7.0 Finance and Other Resources**

7.1 There are no additional financial implications arising directly from this report.

### **8.0 Legal**

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

### **9.0 Other Considerations**

#### **9.1 Consultation/Community Engagement**

There are no issues arising from this report for consultation.

#### **9.2 Human Rights**

There are no specific human rights implications arising from this report.

#### **9.3 Equalities and Diversity**

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

# North East Combined Authority

## Leadership Board

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### 9.4 Risk Management

There are no specific risk management implications arising from this report.

### 9.5 Crime and Disorder

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

### 9.6 Environment and Sustainability

There are no specific environment and sustainability implications arising from this report.

## 10 Background Documents

10.1 North East Strategic Economic Plan – More and Better Jobs

## 11 Links to Plans in the Policy Framework

11.1 This report links to the Strategic Economic Plan and other plans in the Policy Framework.

## 12 Appendices

12.1 None.

## 13 Contact Officers

13.1 Beverley Poulter, [beverley.poulter@sunderland.gov.uk](mailto:beverley.poulter@sunderland.gov.uk), 0191 561 1150

## 14 Sign off

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

## North East Combined Authority

### Leadership Board

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**Date:** 19 July 2016

**Subject:** EMPLOYABILITY AND INCLUSION UPDATE

**Report of:** Thematic Lead for Employability and Inclusion

#### **EXECUTIVE SUMMARY**

This report provides an update as to the latest progress being made in delivering the Employability and Inclusion; and Skills themes of the Strategic Economic Plan (SEP) for the North East.

#### **RECOMMENDATIONS**

The Leadership Board is recommended to note the contents of the report.

# North East Combined Authority

## Leadership Board

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### 1 Employment Support

#### *Intelligence*

- 1.1 The Labour Market Intelligence (LMI) Portal for the North East has been redesigned to include real time access to Office for National Statistics data sets and now incorporates vacancy data available through the Labour Insight Tool. The data is available at NELEP/NECA and Local Authority levels at: <http://www.labourmarketnortheast.co.uk/>. The site has received almost 38,000 views by 9,000 unique users in the last 12 months and has 1,200 subscribers to a weekly e-bulletin.
- 1.2 The next stage of development is the design of a number of Careers Videos that will be developed to promote our key priority sectors. Denis Hall Associates have been appointed to develop the videos, which are expected to be available in the autumn 2016. They will involve local employers and younger employees (apprentices) who can talk about what it is like to work in a particular industry. The videos will be supplemented by information packs and lesson plans for teachers.
- 1.3 CfBT (the North East provider for the National Careers Service) is currently developing a programme for a North East LMI Conference to take place in November 2016. The conference will raise awareness of the availability and potential uses of LMI as well as including a number of sector-focused workshops to showcase current and future opportunities in particular sectors and industries.
- 1.4 Work is ongoing to support various initiatives with their LMI needs including the Good Career Guidance Benchmarks, development of Devolution proposals and support to ensure that ESF proposals meet our strategic priorities.

#### *DWP European Social Fund (ESF) Opt-In for the North East*

- 1.5 The DWP 'Opt-In' programme utilising £6m European Social Fund (ESF) will test a locally designed programme to help long term unemployed residents into work, targeting residents who have completed the DWP Work Programme without finding sustained work and who have a mental or physical health condition acting as a barrier to work.
- 1.6 NECA officers designed a service specification which was issued by DWP as a commercial Invitation to Tender, closing at the end of April. A good number of bids were received and NECA officers have been involved in assessment and scoring of tenders. A single prime provider will be awarded the contract but will be required to work with a local supply chain and to demonstrate

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## Leadership Board

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integration with other public services, particularly mental and physical health services. The contract will be awarded in July and the programme operational by November 2016 for a three year period, with a target to support 2,500 participants.

- 1.7 NECA officers will continue to work with DWP to ensure the contract is delivered effectively at a local level and is well integrated with other local provision. Performance management arrangements will be established between DWP, NECA and the prime provider. Integration Boards composed of a range of providers who deliver services to the cohort will be established in each LA area to support the process. The programme will be co-ordinated with current and future programmes (including Generation North East, the NE Mental Health Trailblazer, and Work and Health programmes) to ensure a comprehensive package of support is available across programmes to effectively make a difference to the volumes of NE residents moving in to work.

### *Mental Health Trailblazer*

- 1.8 Leadership Board has received updates on the development of a North East Mental Health Trailblazer, one of four national pilots to improve job outcome rates for unemployed people with mental health conditions. It will implement the Individual Placement and Support (IPS) model of intensive employment support co-ordinated with psychological therapy, in partnership with Increasing Access to Psychological Therapies (IAPT) services commissioned by Clinical Commissioning Groups (CCGs). The aim is to test the IPS model on a large enough scale to provide robust evidence using a Random Control Trial (RCT) trial to inform government investment in mental health services. The pilots will be overseen by the DWP / DH Work and Health Unit. DCLG investment is being matched by ESF to total a £2.2m two year programme supporting 1,500 participants across the NECA area.
- 1.9 Northumberland County Council (NCC) is project managing and employing delivery staff on behalf of NECA, working with IAPT providers in all seven local authority areas to host staff in clinical delivery teams. The first phase of recruitment for delivery staff began has been concluded and appointments will start in early July.
- 1.10 The programme was due to be operational in early 2016 year but has been significantly delayed for two key reasons: a) delay in the ESF approval process and b) delay in DWP approval of the Random Control Trial (RCT) trial methodology managed by the Behavioural Insights Team (BIT). The delay was escalated to the Head of Labour Markets and Skills at Cities and Local Growth Unit and discussions in early June between BIT, DCLG and the DWP Minister for Welfare Reform have largely resolved the issue. Assurances have

# North East Combined Authority

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been received of ministerial commitment to ensuring trailblazers are supported to begin delivery as soon as possible.

- 1.11 Processes for implementation are currently being worked out with DWP and IAPT teams around data sharing and referral mechanisms. Engagement work is taking place with local Jobcentre Plus offices to identify suitable referrals, and Jobcentre staff will undergo training to be able to better identify and assess the needs of claimants with mental health conditions and make suitable referrals. The Trailblazer employment coaches, to be co-located with IAPT teams, will undertake specialist IPS training by the Centre for Mental Health. The programme is scheduled to have staff in place from mid-July with delivery to begin in August.

## 2 Youth employment

### *Generation NE*

- 2.1 Generation NE is now fully operational and the programme has exceeded its 2000th young person participating, of which 965 have moved into employment and over 200 have gained work experience to date, 500 of those gaining employment have now sustained employment for 6 months or more.
- 2.2 The programme is continuing to deliver very good value for money compared to original expectations and this has been highlighted in a 'mid-term review' of the programme; a full report of the review findings will be prepared for Leadership Board in September.
- 2.3 Delivery of Generation NE will extend to the full NECA geography by August 2016, with the programme manager involved in an active dialogue with officers and Jobcentre Plus representatives to facilitate this.
- 2.4 Generation NE as a programme stemmed from devolved funding, and was intended to test the ability of localities to develop and deliver interventions to tackle youth unemployment at scale and with comparable impact to national initiatives. The programme has delivered a significant impact to date and has also delivered many lessons learned, used to shape other programmes such as the Mental Health Trailblazer and DWP ESF Opt-in.
- 2.5 Since June 2014 and the start of Generation NE the number of young people claiming Jobseekers Allowance and Universal Credit has reduced and the programme has delivered a significant impact on this group. However, there are still significant numbers of young people who are claiming benefits due to ill health and importantly from a productivity perspective the number of young people that are unemployed but not making any claim to benefit at all has remained stubbornly high.

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- 2.6 Generation NE is demonstrating the impact that can be achieved through a programme that is locally led, both strategically and operationally and that can impartially 'make sense' of a complex and fragmented system. In order to continue to contribute to tackling our local economic challenges it is suggested that Generation NE should be extended and widen its focus, delivering support for those young people that do not claim benefit and are generally ineligible for much of the mainstream government support.
- 2.7 Funding is currently available to support this extension under Investment Priority 1.2 of the European Social Fund. It is recommended that the principle of aligning some of this available funding to Generation NE should be further explored, which will allow the lifetime of the programme to be extended for up to 3 years and also the impact of the programme to be broadened to support a wider cohort of young people outlined above. Support will continue to be delivered to the existing eligibility group of young people who claim Jobseekers Allowance and Universal Credit. The rationale for this approach will be developed as part of the subsequent report to the Leadership Board in September.

### *Durham Youth Employment Initiative (DurhamWorks)*

- 2.8 The approval of the Youth Employment Initiative for County Durham was received from DWP in mid-March. The £17.04m "DurhamWorks" programme, made up of £12.78m of YEI/ESF funding and £4.26m of match funding, commenced in April and is expected to run until July 2018, delivering the following outputs:
- 5830 unemployed, long-term unemployed, inactive participants engaged;
  - 4910 participants who are in education or training; gain a qualification or are in employment, including self-employment upon leaving;
  - 542 participants who receive an offer of employment, continued education, Apprenticeship, Traineeship upon leaving.
  - 875 participants in continued education, training programmes leading to a qualification, an Apprenticeship or a Traineeship six months after leaving.
  - 2157 participants in employment, including self-employment, six months after leaving.
- 2.9 Significant progress has already been made, as follows:
- Service Level Agreements are in place with 20 Delivery Partners
  - A Subcontractor Framework has been established which enables the procurement of specialist and targeted provision to enhance the DurhamWorks Programme as and when required.

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- A data management system (Hanlon) has been procured which will support performance management of the DurhamWorks Programme.
- 2.10 The current number of participants engaged on the DurhamWorks Programme (as at 23 May 2016) is 356 (with verified paperwork). A greater proportion of current participants are in the 16-18 age category. In terms of gender, 57% of participants are male and 43% are female.
- 2.11 A project inception meeting has taken place with the Department for Work and Pensions (Managing Authority for ESF / Youth Employment Initiative) and the feedback in relation to DurhamWorks systems and processes was very positive. Further guidance and clarification of eligibilities and output reporting arrangements has now been received and implemented.
- 2.12 A Strategic Partnership has been established to oversee delivery of the DurhamWorks Programme, with representatives from Jobcentre Plus, Federation of Small Businesses, The Wise Group (Talent Match), Newcastle City Council (Generation NE), Durham Community Action (voluntary sector), Bishop Auckland College (FE sector) and Durham County Council.
- 2.13 An Operational Group has also been formed, consisting of Delivery Partners. This will initially meet on a monthly basis and its role is to review performance, identify mechanisms to improve delivery, and develop /disseminate best practice.to inform future scheme development.

### *Good Career Guidance Benchmarks*

- 2.14 From June 2015 and in partnership with The Gatsby Foundation, North East LEP has been supporting the application of the Good Career Guidance benchmarks. This provides the opportunity to test the benchmarks in action; lead the development of practice which will have local impact and national profile; and improve the quality of provision and opportunity for young people.
- 2.15 The 16 schools and colleges involved piloting the Good Career Guidance Benchmarks are currently re-benchmarking to showcase their progress. This will be complete by August 2016 and initial analysed and reported in September 2016. Action planning for year 2 is already underway, with each school and college allocated up to £3000 to support the implementation of their actions.
- 2.16 Initial auditing in October 2015 evidenced that no school/college fully achieved more than 3 of the 8 benchmarks, with the vast majority fully achieving somewhere between 0 and 2 benchmarks. 8 schools and colleges fully achieved 0/8 benchmarks.

# North East Combined Authority

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- 2.17 Key indicators suggest schools and colleges are making good progress. These key indicators include an increase in the number of careers or business governors, the emergence of new structures to improve careers education, the re-allocation of existing finance and resource, an increase in the number of careers related activities, wider collaboration, improved careers websites, clear action plans with specific outcomes and measurable targets and the formation of new strategic relationships with employers. As the pilot progresses impact on student outcomes, career readiness and impact on wider school/college culture (including leadership, governance, finance and stakeholder engagement) are all being monitored.
- 2.18 The Independent monitoring and evaluation of the Good Careers Guidance Benchmarks Pilot is being led by the International Centre for Guidance Studies. They have designed the data collection systems and processes and have completed their school/college site visits. The evaluation team are also financially auditing careers education provision in each of the schools and colleges to produce a robust financial assessment of the cost/benefit of providing good careers guidance. All students will complete a career readiness survey tool, designed uniquely for this pilot. A range of external stakeholder focus groups and interviews have also been scheduled.
- 2.19 Within this context, 48 case studies of good practice have already been captured and will be shared as part of the evaluation and dissemination plan. In addition, every school and college in the pilot has been matched with an Enterprise Adviser (see below), a senior business leader who is working, strategically, with the school/college to ensure that the careers programme enables young people to make more informed decisions about their future and that they are better prepared for the workplace.
- 2.20 In addition to the core work of the pilot, four working groups have been established to address key issues. These are exploring destinations data; labour market information; opportunities not determined by geography; and a “joined approach”. Two further work streams are also emerging with regard to Careers Education provision for SEND students and the introduction of the Good Career Guidance Benchmarks at an earlier age - at primary level.
- 2.21 An Innovation Day took place on 30 June to inspire idea generation, new ways of thinking and innovative approaches to the careers agenda. Partnership working, collaboration, wider benefit, replication and potential scalability was the focus of the session facilitated by the North East LEP Skills and Innovation Team and led collaboratively by Juicebox, Talentino and the MDI team from Northumbria University.
- 2.22 Finally, the Pilot has attracted significant national interest and the North East LEP has been recognized as nationally leading this area. The Department of

# North East Combined Authority

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Education have recognized the benchmarks as 'transformative'. The benchmarks will become central to the new National Careers Strategy in England (due to be published by DfE in summer 2016) and will heavily influence the updated statutory guidance.

### *Enterprise Advisors*

- 2.23 This key Government-backed initiative was initiated in September 2015. The Careers & Enterprise Company (CEC) is an employer-led organisation that has been set up to inspire and prepare young people for the fast-changing world of work. Its role is to take an umbrella view of the landscape of careers and enterprise, supporting programmes that work, filling gaps in provision and ensuring coverage across the country.
- 2.24 The North East LEP has taken the opportunity to shape and adapt the original CEC model to enhance the opportunities for school and business engagement. A dedicated co-ordinator was recruited in November 2015 and another in May 2016 and to date there are currently 47 Enterprise Advisors supporting the initiative, 18 schools and 3 colleges are actively involved and a further 9 schools are in the process of completing the self-assessment document against the Gatsby Good Careers Guidance benchmarks
- 2.25 By using the benchmarks we can identify three areas where businesses can support schools and colleges directly. Enterprise Advisors are volunteers from the world of work (businesses and the public sector, organisations of all sizes included the self-employed). Working directly with school and college leaders, they are responsible for helping schools and colleges build employer engagement plans drawing on their own local business networks.
- 2.26 The Enterprise Advisors are provided with training and have simple tools available to lay out the range of programmes available to schools and colleges nationally and locally, for example speakers in schools, CV and skill building, work experience. The Enterprise Advisor network will help 'join the dots' at a local level and increase coverage across the country.

### **3 Apprenticeships**

- 3.1 A written submission has been made to the Apprenticeships Inquiry currently being undertaken by the Parliamentary Committee on Education, Skills, and the Economy.
- 3.2 The response emphasises that the North East has a strong and active part to play in meeting the Government's target of three million apprentices by 2020. However, there is also a recognition that there is still much to be done to

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deliver the stretching targets that the region has set itself within the Strategic Economic Plan (SEP).

- 3.3 Given this background, a desire has been expressed to the Parliamentary Committee within the context of devolution and localism to explore the scope for ensuring how the structural changes being generated by the introduction of the Apprenticeship Levy can be tailored to the specific needs of the North East with a view to maximising the number of apprenticeships starts. This is based on the premise that whilst a simple and clear approach is welcome, one size may not fit all. The North East has a high dependency upon smaller businesses with low numbers of larger, independent employers. Therefore the Combined Authority is keen to influence local solutions and flexibilities that deliver greater outcomes for all our employers, including our smaller employers and individuals.
- 3.4 The Parliamentary Committee has therefore been requested to explore the scope to build in local flexibilities to the national framework for the Apprenticeship Levy – which could obviously be enshrined in subsequent Devolution Agreements. Within this the Combined Authority’s submission indicated that the North East are prepared to act as a pilot in exploring such options and as such would be happy to participate and inform any debates or further work the Parliamentary Committee undertakes with regard to this issue.
- 3.5 The Apprenticeship Growth Partnership (AGP) reports to the North East LEPs Employment and Skills board and it’s remit is primarily to support businesses, to encourage the development of apprenticeship vacancies, to promote higher level apprenticeships and to engage sector groups to develop standards and liaise and promote the development of high quality apprenticeship provision which businesses value.
- 3.6 The AGP will engage with employers gathering feedback about the reforms, concerns and the challenges employers foresee and experience, collating these and feeding them back through boards to Government.
- 3.7 The AGP will continue to engage with all sectors to encourage the development of apprenticeship standards for their own sectors, and to especially promote the development of higher and degree level apprenticeships, raising the skills levels across the North East.

## **4 Skills – capital investment**

- 4.1 2015/16 was the first full year of the North East Growth Deal LGF Capital Programme. Ensuring the annual budget was effectively committed was a

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major challenge and through the efforts of delivery partners 96% of budget was spent which is regarded by Government as a positive achievement.

- 4.2 Most projects in the programme still remain at the pipeline or construction phase; however two skills projects were fully completed in 2015/16. It is not until later years of the programme that contracted outcomes are forecast to increase and targets for 2015/16 were largely met.
- 4.3 Government has confirmed that the £4.275bn remaining from the £12bn national Growth Fund budget 2015-21 will be allocated as follows:
- Housing and Communities Agency (HCA) - £2bn to support, via loans, infrastructure investment for major housing schemes – developments of over 2,500 homes.
  - DoT Large Local Transport Scheme - £475m – of which £150m is pre-allocated.
  - Growth Deal Round 3 - £1.8bn – includes a non- ring fenced £500m Access Fund.
- 4.4 Proposals for the Growth Fund Round 3 and Large Transport Scheme will be submitted in mid-July 2016. Our objectives for LGF 3 are, therefore:
- To prepare a compelling and credible case for a significant award of Local Growth Funding to a North East programme, taking account of the increased competition from other LEP areas.
  - To build on the North East narrative, strategic priorities and investments, reflecting the success of previous investments.
  - To link the North East priorities to the emerging themes and evidence being developed through the SEP Refresh process, by the Northern Powerhouse, and the national priority of increasing productivity.
  - To bring forward examples of credible, deliverable but ambitious projects which would be attractive to BIS and National Departments and Agencies, given their strategic themes.
- 4.5 Consultation with a wide range of strategic partners has been undertaken to achieve this and Skills Capital is a high priority for the region.

## 5 Potential Impact on Objectives

- 5.1 The work being taken forward is consistent with the Combined Authority's stated objectives

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### **6 Finance and Other Resources**

6.1 Financial plans will be developed and reported to the Board as appropriate.

### **7 Legal**

7.1 The legal implications of the work will be considered as delivery progresses.

### **8 Other Considerations**

#### **8.1 Consultation/Community Engagement**

No consultation or community engagement has been undertaken at this stage in the work programme.

#### **8.2 Human Rights**

There are no specific issues arising from this report.

#### **8.3 Equalities and Diversity**

There are no specific issues arising from this report.

#### **8.4 Risk Management**

Appropriate risk management arrangements will be put in place as delivery progresses.

#### **8.5 Crime and Disorder**

There are no specific issues arising from this report.

#### **8.6 Environment and Sustainability**

There are no specific issues arising from this report.

### **9 Background Documents**

9.1 None

### **10 Links to the Local Transport Plans**

10.1 Accessibility to employability, inclusion and skills provision is a key challenge for the North East that is appropriately reflected in the emerging Local Transport Plan.

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### 11 Appendices

11.1 None

### 12 Contact Officers

12.1 Janice Rose, Policy Manager, Northumberland County Council  
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01670 624747

### 12 Sign off

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

## North East Combined Authority

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**DATE:** 19<sup>th</sup> July 2016

**SUBJECT:** Development of the Metro and Local Rail Systems

**REPORT OF:** Managing Director (Transport Operations)

#### **EXECUTIVE SUMMARY**

This report seeks approval for a new Metro and Local Rail Strategy; summarises the outline business cases for Metro fleet renewal and associated infrastructure and the continuation of essential renewal of the Metro infrastructure; sets out the key features of the draft specification for the new Metro fleet; and considers the broad options for future operating arrangements to deliver the Metro service.

#### **RECOMMENDATIONS**

It is recommended that the Leadership Board:

- a) Approves the proposed 'Metro and Local Rail Strategy';
- b) Adopts the outline business cases for the replacement of the Metrocar fleet and associated infrastructure, and for the continuation of the programme of essential renewal of the Metro infrastructure; and
- c) Notes progress towards the development of a specification for the new Metrocars, along with the identification of future operating models.

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### 1. Background Information

#### 1.1 The North East Devolution Agreement commits to:

“The Combined Authority producing a business case, for consideration by Government, for investment in the Metro network to 2030, including the upgrade of the Metro fleet, potential expansion, and future integration of the Metro with the rail network”.

### 2. Metro and Local Rail Strategy

#### 2.1 At its meeting on 17 May 2016 the Leadership Board approved the objectives of a new Metro and Local Rail Strategy. These are:

- (a) To provide Metro and Local Rail services that are reliable, accessible and comfortable with high levels of customer satisfaction, within available resources;
- (b) To grow the Metro and Local Rail network and their modal share as part of an integrated public transport network; and
- (c) To achieve value for money.

#### 2.2 The Metro and Local Rail Strategy considers the future expansion of rail services in the North East by combining the Metro system with Local Rail services, and operation over a more extensive network of local railway lines. It also sets the context for the current investment need in the Metro system, including a new fleet of Metrocars and arrangements for operating them, and continuation of the programme of essential renewal of the Metro infrastructure.

#### 2.3 The new Metro fleet is a key enabler of longer-term ambitions for expansion. This is because the current fleet can only operate where lines are electrified to 1500V DC (i.e. the current Metro network), and requires a method of signalling protection between Sunderland and Pelaw that constrains Network Rail’s line speeds and capacity. Nexus plans to specify a more versatile fleet for the future to overcome these limitations.

#### 2.4 Nexus has recently produced a brochure entitled ‘Metrofutures: the combined future of Metro and local rail in the North East’, as a prelude to the strategy. The brochure was developed in consultation with Heads of Transport from all seven constituent councils.

#### 2.5 This brochure is attached at **Appendix A**. The full strategy expands on the contents of the brochure and is available to view at: [www.nexus.org.uk/businesscases](http://www.nexus.org.uk/businesscases).

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- 2.6 The Leadership Board is recommended to approve this strategy and to use it to guide further development of local rail services. Should this approval be granted, officers will carry out further work regarding the identification of suitable options for expansion in liaison with local planners, and will commission feasibility and economic appraisal work.
- 2.7 The Transport North East Committee (TNEC) will be invited to review the proposed strategy at its meeting on 15<sup>th</sup> July, and feedback from TNEC will be provided verbally to the Leadership Board at its meeting.

### 3. Outline business cases

- 3.1 Outline business cases have been developed for the replacement of the Metrocar fleet and associated infrastructure, along with the continuation of funding for essential renewal of the Metro infrastructure. The outline business cases set out the strategic importance that Metro plays within the region and make the argument that without investment the system will begin to fail, with negative impacts on the local economy and the NECA's objectives.
- 3.2 For fleet replacement there is an investment need of an estimated £536.7m to cover the cost of a new fleet and upgrading associated infrastructure. As well as improved reliability and an upgraded passenger environment, this will allow the benefits of regenerative braking to be realised together with the provision of new depot facilities in order to allow more efficient and effective maintenance regimes to be implemented.
- 3.3 For the essential renewal of the Metro infrastructure there is an investment need of an estimated £518.5m over 15 years, although it should be noted that 37% of this relates to new signalling, necessary to allow the safe movement of trains across the network.
- 3.4 Economic appraisal work indicates initial adjusted benefit-to-cost ratios (BCRs) of 2.22 for fleet renewal, and 6.09 for the essential renewal of the Metro infrastructure. Both of these BCRs are considered to represent high value for money.
- 3.5 An executive summary of the outline business cases can be found at **Appendix B**, and the strategic outline business cases themselves can be viewed at [www.nexus.org.uk/businesscases](http://www.nexus.org.uk/businesscases).
- 3.6 The Leadership Board is recommended to adopt these outline business cases. If that is the case the government will be formally provided with the outline business cases and asked to respond to them. Nexus will then work with the Department for Transport (DfT) to produce final business cases with a view to achieving a high level of understanding over funding options for fleet replacement and the continuation of essential renewals by December 2016.

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### 4. Metrocar Fleet Specification

- 4.1 Work has commenced on the development of a specification for the new fleet. In December 2014 consultants were appointed to develop a high level specification which takes account of the unique nature of the Metro system, such as the voltage used for traction energy, the height of tunnels and bridges, weight restrictions that are placed on some structures and the alignment of the track which in places exhibits tight bends and curves.
- 4.2 The intention is that the Metrocars will continue to draw traction energy using the current 1500V DC system, but will be 'future proofed' with dual voltage capability to allow operations at 25kV AC (the common form of overhead electric traction on Network Rail's system).
- 4.3 The fleet will remain 'high floor' and will meet Rail Vehicle Accessibility Regulations (RVAR) for the 'step-gap' between the platform and the train. The trains will be designed to meet Network Rail's crashworthiness standards to operate between Pelaw and South Hylton, and this is likely to include a driver's cab which spans the full width of the Metrocar.
- 4.4 Whereas today's Metrocars normally operate in pairs with no ability for passengers or staff to move between the two cars, it is possible that in future the train will be connected by open gangways from end to end. This is a common feature in modern 'Metro'-style rolling stock, and can increase perceptions of security and comfort.
- 4.5 Subject to achievement of funding for the upgrading of overhead line equipment and electrical sub-stations, it is also proposed that the new fleet should benefit from regenerative braking. This allows waste energy generated when braking to be recycled into traction energy, thus reducing operational costs and improving Metro's environmental credentials.
- 4.6 The specification can be viewed at [www.nexus.org.uk/businesscases](http://www.nexus.org.uk/businesscases), and will be further developed over the next few months and will be subject to a consultation in the autumn where the public will be asked for their views on design options such as temperature, accessibility requirements, safety and security features, seating configuration and luggage (and bicycle) storage space.
- 4.7 The supply market, in particular train manufacturers and operators, will also be asked to input into development of the specification in order to benefit from experience elsewhere in the world, which has the potential to reduce production costs and increase innovation.

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### 5. Operating model

- 5.1 The current concession agreement with DB Regio Tyne and Wear Limited will end on 31 March 2017, after which all aspects of the Metro's operation will be performed directly by Nexus until March 2019. In order to deliver Metro services in future, Nexus is focusing on two broad options for future operating arrangements from 2019:-
- A 'design, build and maintain' arrangement with a rolling stock manufacturer, with all other functions delivered by Nexus; and
  - An arrangement with a train operating company through which rolling stock is supplied, maintained and operated.
- 5.2 The guiding principle that Nexus has used in order to reach these options, is that, rather than adopting any existing pre-determined template for an operating model, the public and private sectors should each carry out the activity that they are best placed to perform. Nexus has carried out a review of the operation of the Metro system using its own experience in order to reach these two options. There are however likely to be variations on the above options, and potentially wholly new options that should be considered.
- 5.3 It is intended that engagement with interested parties (including the supply market, Metro's workforce, and the government) will take place over the remainder of this calendar year, in order to help inform these and other options for the shape of the future operating model. The way in which funding is secured both for the replacement of the fleet and to underpin future operations will have a significant influence.
- 5.4 The final decision over the shape of the future operating model, along with the scope of any related future contractual arrangements will be for the Leadership Board to take.

### 6. Next Steps

- 6.1 The government will be formally provided with the outline business cases and asked to respond to them. Nexus then will work with the Department for Transport (DfT) to produce final business cases with a view to achieving a high level of understanding over funding options for fleet replacement and essential renewals by December 2016.
- 6.2 Consultation with passengers, stakeholders and the market will take place over coming months to help inform the development of the fleet specification.
- 6.3 Engagement with interested parties (including the supply market, Metro's workforce, and the government) will take place over the remainder of this

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calendar year, in order to help determine the shape of the future operating model.

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

- 7.1 The Metro and Local Rail Strategy, and the business cases for investment to deliver aspects of it, support the priorities set out in the Strategic Economic Plan and the North East Devolution deal.
- 7.2 The strategy and business cases further develop NECA's objectives for Metro and local rail as set out in the Transport Manifesto "Our Journey – A 20 year Transport Manifesto for the North East", in particular the section entitled "Local Rail and Metro – driving economic growth".
- 7.3 The Metro and Local Rail strategy is designed to achieve a wide range of objectives by improving local connectivity to generate economic growth and improve equality of opportunity, as well as achieving modal shift to sustainable transport choices.

### **8. Finance and Other Resources**

- 8.1 Taken together, the outline business cases require a significant package of investment in the order of £1bn in the Metro system through to 2035. Around two-thirds of this investment is to replace significant assets i.e. the trains and the signalling system, both of which will be in excess of forty years old at the time of their replacement and therefore well beyond their intended design life.
- 8.2 Whilst significant financial support is sought from central government, at this point in time it is unclear how much the government is prepared to commit to. However both outline business cases exhibit strong, positive benefit-to-cost ratios and represent high value for money.
- 8.3 It is likely that a local funding contribution will be required, but the extent to which this will be required is not clear at this stage in discussions with DfT. Various scenarios will need to be investigated, including the scope for private sector investment, capital contributions from the Single Pot devolution fund, as well as the potential for creating headroom in Metro's operational budget in order to service debt charges and/or other forms of investment.
- 8.4 Further updates will be provided as negotiations with DfT progress. The submission of the outline business cases is the start of this process.
- 8.5 In relation to further work regarding the identification of suitable options for expansion of the Metro and local rail network and the commissioning of feasibility and economic appraisal work, Nexus will accommodate any costs arising as far as it can from within existing budgets and earmarked capital reserves. Bids for funding to assist with meeting these costs will be made as and when funding opportunities arise.

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### **9 Legal**

- 9.1 Aspects of the Metrocar specification will be governed by legislative and regulatory requirements and rail standards which pertain to the operation of a rail system.

### **10 Other Considerations**

#### **10.1 Consultation/Community Engagement**

Consultation with the rolling stock supply market and train operating companies will formally commence over the summer to help inform the specification.

A formal period of public consultation on the specification will take place in the autumn, and will include passengers, Trades unions, and other relevant stakeholders.

The Metro and Local Rail strategy has built on previous work carried out for the 'Metro 2030 Strategy', which involved public consultation.

#### **10.2 Human Rights**

There are no human rights impacts of this report

#### **10.3 Equalities and Diversity**

The new fleet of Metrocars will be compliant with the Rail Vehicle Accessibility Regulations 2010(RVAR).

#### **10.4 Risk Management**

There are significant risks associated with not progressing this work. Work undertaken by SNC Lavalin (formally Interfleet) suggested without significant investment the current fleet of Metrocars would be unable to operate the peak service by 2021, with declines in service provision thereafter. Additionally assessments undertaken by Nexus indicate that without investment in track and signalling, speed restrictions would need to be introduced in early 2020's with partial closures of sections of Metro in the mid-2020s.

The management of the commercial arrangements relating to the procurement of these significant assets is a significant challenge. The approach has however been documented and is set out within the outline business cases.

The level of local funding required to support this work is currently unclear and may have implications on other Nexus/NECA budgets.

Management of risk for both projects will be in accordance with Nexus established risk management processes. Nexus corporate risk register is considered quarterly by the Tyne and Wear Sub-Committee.

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### 10.5 Crime and Disorder

Aspects such as CCTV and other safety interventions will be incorporated as appropriate into the Metrocar specification to assist in limiting crime and disorder on the Metro network.

### 10.6 Environment and Sustainability

Subject to funding the new fleet of Metrocars will be able to achieve greater energy efficiency through exploiting regenerative braking capabilities common on new fleets.

### 11 Background Documents

The outline business cases referred to in this report can be found at [www.nexus.org.uk/businesscases](http://www.nexus.org.uk/businesscases)

### 12 Links to Plans in the Policy Framework

These outline business cases reflect priorities set out in the Transport Manifesto and the Strategic Economic Plan.

### 13 Appendices

Appendix A: Metrofutures brochure

Appendix B: Executive Summary of Outline Business Cases

### 14 Contact Officers

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

### 15 Sign off

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

# **METRO**FUTURES

The combined future of  
Metro and local rail in the North East

Welcome to this brochure, which sets out the aims and objectives of the North East Combined Authority's forthcoming Metro and Local Rail Strategy - as well as exploring how expansion of our region's networks could be achieved.

The Combined Authority's vision for transport has been sent out in 'Our Journey', a 20-year transport manifesto for the North East. Here we provide a broader policy context for part of that vision: the business cases for a new Metro fleet and the next phase of essential network renewals. It is important that those two projects be seen alongside the larger possibilities to develop our railways they form a part of.

This brochure has been developed by Nexus in consultation with local authorities within the Combined Authority. It provides a pre-cursor to the full Strategy, which will be considered by the North East Leadership Board in summer 2016.

If you would like to provide feedback on the development of our Strategy up to now and the possibilities we suggest to extend the reach of local rail and Metro into more communities, please get in touch. You can find contact details on the back page.



**Tobyn Hughes**  
Managing Director, Transport Operations  
North East Combined Authority

Our area's identity was shaped by railways. Not very long ago coal, iron and steel were transported between mines, factories, shipyards and ports using one of the densest networks of rail lines in the world. The same railways transported workers to jobs and knit previously disparate rural communities together to form a distinctive North East identity.

Over the past four decades the local rail network in the North East has developed in two very different ways. Much of the rail network in Tyne and Wear was converted into the Metro system and has continued its role at the heart of the local economy, transporting tens of thousands of people by rail to work, education and other activities each day.

The remainder of the local rail network has soldiered on through decades of closures and cutbacks, maintaining some connectivity but characterised by poor quality rolling stock and low frequencies.

Through the area's Strategic Economic Plan we aim to reclaim our place as one of the most successful economic and cultural centres within a resurgent North. To do that we need to connect people to jobs and education, ease road congestion, and make the North East an easy and attractive place to do business.

Transport for the North is working collectively to transform rail connectivity across key northern economic centres. To maximise the North East

economic benefits it is therefore time to transform our entire local rail network up to an equally high standard. The area's social and economic needs have changed enormously, but the need for fast, reliable, affordable and sustainable transport links has never been greater.

We are working on an updated transport plan for the North East, and we have recently published our draft Manifesto. In it we set out the following ambitions for Metro and local rail services:

- *Replace outdated Pacer trains and deliver an essential new fleet for the Tyne and Wear Metro;*
- *Create a regional express network, with high quality, faster trains and more routes electrified;*
- *Open new local stations on current lines, re-open key disused lines, consider more Park and Ride stations, upgrade freight-only sections to passenger use and build new routes;*
- *Devolve greater control to the region, so local rail and Metro can be managed together to deliver a higher standard for stations, information and customer service; and*
- *Work with rail industry partners to address overcrowding and improve cycle access on trains.*

This Metro Futures document addresses a number of these ambitions: a new Metro fleet; re-opening routes and stations; and managing Metro and local rail together as one network.

In 2014 Nexus published a draft Metro Strategy which considered how the system could develop to meet the area's future needs. We are currently updating the draft strategy to reflect the latest thinking and opportunities, as well as to integrate planning over the Combined Authority's wider geography, and we will shortly publish it alongside a business case for a new Metro fleet and for on-going investment in existing Metro infrastructure. We will broaden its scope to cover local rail services.

The draft Metro Strategy explored a number of potential extensions to the Metro network, and we have been considering ways in which extending the network can best be achieved.

The region contains a legacy of disused rail corridors, curves, junctions and spurs and some freight-only lines. Some of these could allow for the expansion of the local passenger rail network, linking to the Metro network in places, at a fraction of the cost of new-build railway or tram lines.

In some cases Metro extensions identified in the draft Metro Strategy could be delivered using this approach. It also gives rise to new options, not previously considered - including to parts of the area that are currently a long way from the existing Metro system.

The passenger trains that would run on this expanded network will be influenced by a number of significant developments over coming years, which if combined could achieve a transformational result:

- *The existing fleet of Metro trains is life-expired and needs to be replaced. The new trains will be designed to be flexible enough to travel on the local rail network as well as the dedicated Metro network, providing the opportunity to serve new destinations using Metro trains. Nexus expects to replace the Metro train fleet in the early 2020s. As of 1 April 2016, the Northern and TransPennine rail franchises that provide local passenger rail services in our area will be managed in partnership by the DfT and 'Rail North', a local authority organisation of which the NECA is a member. Through this arrangement we will develop an option to take direct responsibility for the franchising of local rail services from 2025/6 onwards. This would allow local rail and Metro services to work alongside each other with a common set of passenger standards and ticketing arrangements. It could also potentially see some routes transferred between Metro and local rail or vice versa, or wholly new journey opportunities created.*

- *Continuation of Network Rail's electrification provides an opportunity for diesel-only routes in the area to be electrified, and conversion of the Sunderland-Pelaw section to the national standard of 25kv AC. A new Metro fleet that could operate at different electrification standards would be able to provide a wide range of local rail links sustainably and efficiently, with the same high service standard throughout.*

We intend to consider the Metro network, the local rail network, and the passenger trains that operate on both of them as a single local rail system when developing expansion plans for the future. The intention is to create a locally-managed network of passenger services that is integrated and provides a common high standard of service to passengers.

In the future, parts of the network's infrastructure will be provided by Nexus through the locally-owned Metro system, whereas other parts will be owned and managed by Network Rail. Some local passenger services will be provided by Metro trains operated by Nexus, but others in future may be provided by franchised heavy rail operators. However, all passenger services covered by this document will form part of a single North East rail network.

It is important to note that local passenger rail connectivity is served in a number of different ways, for example by long-distance trains serving local

traffic flows within the area. These services are out of scope for this document. Also, in our wider plans we will take account of the need for freight movement. The precious few rail lines that exist in our area today are already congested with a mix of freight and passenger services. Achieving economic success will create a greater need for movement of goods by rail – to, from, through and within our region. As we plan to expand our local rail system we will work with our partners to make sure that the potential for improved rail freight can be maximised.

We will also work with our colleagues in the Tees Valley Combined Authority, with whom we share many aspirations for improved rail services, to ensure that each area's plans enhance and complement the other.

By growing the local passenger rail system to provide faster and more sustainable links to employment, training and other social and economic activity, we can help stimulate the economic growth needed to take the area forward.

This brochure is a statement of intent, to inform key stakeholders in advance of a combined 'Metro and Local Rail Strategy' being produced during summer 2016. Its aim is to set the context for the publication of business cases for Metro fleet replacement and essential renewals.

# The Metro network: centrepiece of our local rail system

With 60 stations, around 40 million passenger trips per year and trains running up to 19 hours a day, the Metro network has made a major contribution to the area since 1980.

Thanks to government funding under the 'Metro Reinvigoration' programme to renew the existing infrastructure, much of the network is being renewed so that it can continue as part of Tyne and Wear's fabric.

Phase 1 of Metro Reinvigoration saw the introduction of a new ticketing system and some station improvements.

Phase 2 concerns large-scale renewal of ageing infrastructure such as track, electrical and communications equipment and stations, between 2010 and 2021.

Phase 3 will see us take Metro into the future, developing Metro and local rail services together to enable the North East to thrive economically and socially.

To guide us in this we propose three clear policy objectives:

1. To provide Metro and local rail services that are affordable for passengers, reliable, accessible and comfortable with high levels of customer satisfaction, within available resources;
2. To grow the Metro and local rail network and their modal share as part of an integrated public transport network; and
3. To achieve value for money.

To help achieve these policy objectives we will need to:

- a) Specify, procure and introduce a replacement train fleet;
- b) Design new operating models and procure suppliers;
- c) Continue our essential renewal works for the period 2020-2030;
- d) Expand the Metro and local rail network;
- e) Secure short and long-term financial arrangements; and
- f) Improve integration.



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Metro is badly in need of a new fleet of trains. The current 90-car fleet was constructed in the late 1970s and many components are life-expired. This is contributing to a very unstable operating environment, with train failures leading to delays and trains being withdrawn from service.

An outline business case for investment in a new train fleet has been prepared and will be presented to the Combined Authority for its approval in July 2019 along with a draft specification for new rolling stock. The target date for the introduction of a new fleet is the early 2020s.

The cost of a fleet capable of replicating the current timetable is estimated to be in the region of £300 million. An associated upgrade to the signalling system may cost an additional £100 million, updated depot facilities could cost in the order of £50 million, and upgrades to the electrification equipment could add a further £100 million. The total cost of new fleet could therefore be around £550 million.

The rolling stock specification will focus on providing a new fleet of Metro cars which will provide a step change in customer experience and be future proofed to provide reliable and affordable Metro services for the next 30 years. In order to achieve our policy objectives we must achieve high levels of reliability and comfort in order to build passenger satisfaction with the system. We will also aim to reduce Metro's carbon footprint.

However given the Metro system's reliance on public subsidy and, because of the important role Metro plays in underpinning the local economy our desire to maintain fares at affordable levels, we also need to keep on-going operating costs to a minimum and deliver value for money.

This involves specifying a Metro fleet that shares as many common features with other fleets as possible, basing our design features on customer feedback and lessons learned by other Metro systems, and examining the potential for new technology to deliver operating efficiencies.

We will also future proof the fleet for future developments, including specifying dual voltage to allow for running on lines electrified to Network Rail's UK standard, non-electric variants to allow for running on non-electrified lines, and the ability to procure additional vehicles to support route extensions.

Both First TransPennine and Arriva Rail North have ordered new and refurbished 'as new' train fleets as part of their current franchise obligations. These trains are due to come into service from 2020.



# Future operating model

The future arrangement for Metro operations is likely to be built around the acquisition and deployment of a new fleet of trains, to be operational in the early part of the 2020's. This is likely to be a very different proposition to the one in place today, in which the operator is responsible for delivering a wide range of operational and customer-related activities.

The OJEU process to procure a new operator effective from 1 April 2019 would need to commence around June 2017, by which time funding for the new fleet and on-going revenue support would need to be confirmed. An outline business case for investment in a new train fleet has been produced in draft form, and we are now working with the government and the North East Combined Authority to identify funding options.

The current concession arrangement is proposed to end in March 2017. Nexus is developing an interim arrangement to cover the period April 2017 to March 2019, which will involve Nexus managing the Metro system directly. During the two year period of direct management, the Metro business will be re-shaped so that it is ready for the introduction of new trains.

Local rail services in the North East are provided by a franchise operator, currently Arriva Rail North. Through the process of devolution, this rail franchise (along with TransPennine Express) is jointly managed through a formal partnership arrangement between the Department for Transport (DfT) and Rail North Ltd (RNL). Rail North Ltd is a new body made up of 25 local transport authorities in the North of England, including the NECA. It is expected that over the next seven years control over decision-making and financial risk will progressively pass from the DfT to RNL through this arrangement.

A further devolutionary step has been agreed for the North East of England, which is that Arriva will create a Business Unit dedicated to the area, and this will have a strong interface with a North East Rail Management Unit (NERMU) representing the NECA, the Tees Valley, Cumbria and North Yorkshire. The purpose of this arrangement is to have local accountability for operational performance, and to create a strong local focus for further investment.

As part of the formation of Transport for the North as a statutory sub regional transport body, it is proposed to seek the full devolution of franchising powers from the Secretary of State to Rail North and by inference the North East Rail Management Unit. As we look into the future therefore we believe that Rail North and the NERMU hold the potential for the North East to take full control of its local rail services by direct management of the franchise arrangement beyond 2025. This would allow local rail and Metro services to work alongside each other with a common set of passenger standards and ticketing arrangements. It could also potentially see some routes transferred between Metro and local rail or vice versa, or wholly new journey opportunities created. This would be particularly facilitated by the introduction of a new Metro fleet that could operate in various different modes, including different electrification and signalling standards and on non-electrified routes.

# Essential renewals 2020-2030

We are currently mid-way through 'Phase 2' of the Metro Reinvigoration programme, and through this we are renewing and rebuilding many parts of the Metro system. Track, embankments, signalling, ducting, bridges, tunnels, stations, IT and communication systems and many other features all make up the fabric of the Metro system. Many of them were built and installed during the 1970s although large parts of the system are much older than that, including structures that were built by the Victorians over 150 years ago.

The Metro Reinvigoration programme is designed to progressively replace and renew life-expired assets to reduce the risks of infrastructure failure, to improve operational reliability and efficiency, and to ensure that the system can keep operating long into the future.

Our current arrangement with the government has seen over £200 million invested since 2010, out of a total £350 million programme, to be delivered through to 2021. This however is far from the end of the story. The investment need will remain, on an on-going and permanent basis if we are to keep the Metro's fabric in a suitable condition to operate a reliable train service.

We are therefore preparing a business case to obtain government funding in the Metro infrastructure owned by Nexus, for a further ten-year period. This investment will continue to be based on asset condition, as it has been throughout the renewal programme so far.



Our industrial heritage has left behind it a network of disused railways that thread across the region. Some are former passenger lines, although many are freight routes connecting mines and factories to ports. As new developments take place around them some will once again become important transport arteries, helping to move people around the North East along unobstructed, uncongested route corridors.

Most disused routes remain free from intrusion along their path, although in some cases new roads and buildings cross the alignments and would require a business case as to the costs of restoring a route versus the expected benefits.

Nexus believes that existing and disused local rail corridors can be combined with the Metro network to create a single Metro and local rail network, at a lower cost than new-build railways. There are also a number of areas where the existing Metro network can be upgraded to create a more effective service.

This will only happen if a strong blueprint is developed by the NECA and its partners, and used to co-ordinate land use and transport planning actions by a wide range of players over the forthcoming years and decades: economic and strategic plans for housing, business and industrial growth; investment decisions by Network Rail, Nexus and local authorities; funding plans from the NECA, the national government, the

NELEP, the EU, and local businesses; and train service developments by Nexus, Rail North, Train Operating Companies and Freight Operating Companies.

The following sections describe opportunities to grow the Metro and local rail system. Some of these are relatively simple to introduce and could be achieved within five years if funding were to be made available. Others will take many more years to plan and achieve because of their cost and complexity.

Nexus is preparing a combined 'Metro and local rail strategy', bringing together all of these elements. We expect to have this ready for publication by the summer, after which work should start immediately to assess the feasibility of these options and to create the plans necessary for them to be funded and built.

## Routes to the Airport

Newcastle International Airport is a hugely important strategic transport asset for our area, and high quality, sustainable transport links to it are integral to our area's future economic success, as is the expansion of its catchment area. The existing Metro service provides a fast, frequent and direct link to Newcastle and Sunderland city centres. Many of the opportunities described elsewhere in this document could provide new rail links to serve the Airport - for example to Washington and Belmont in Durham, and to South Tyneside.

Three further opportunities are worthy of exploration:

- *expanding the 'depot avoiding line' at the current Metro depot in South Gosforth, so that direct services could be provided between the Airport and North Tyneside, and potentially to South East Northumberland;*
- *reinstating a disused curve at Benton to connect the west-facing Metro line to the East Coast Main Line*
- *considering whether the current airport line could be extended to serve Ponteland.*

### The 'Leamside line'

The disused Leamside alignment is important for a number of the NECA's ambitions for rail-based connectivity. The current alignment runs from Pelaw Junction to Ferryhill in County Durham, and passes through a number of locations that currently lack rail services, in particular Washington. Another disused alignment, running west from the current Metro terminus at South Hylton, joins the Leamside alignment just south of the river Wear. Acting together, these two alignments offer potential to provide:

- A 'Wearside loop' Metro-style service connecting Sunderland and Washington (described below);
- Local rail links between Durham (Belmont), Sunderland, South Shields and Newcastle (described below);
- Along with an upgraded Durham Coast line, additional capacity for passenger and freight services to relieve pressure on the East Coast Main Line; and
- In the longer term, a potential route for a high speed rail link from the North East to Yorkshire and beyond.

The Leamside alignment remains in Network Rail's ownership and is free from obstructive development, although much of its condition is not currently known to any great degree.



*Pelaw: The mothballed Leamside line (centre right) meets busy Metro and rail routes from South Shields and Sunderland*

### South East Northumberland

Restoring passenger train services to the Blyth, Bedlington and Ashington areas is an agreed priority for the NECA because of its potential to regenerate the area it serves by connecting people to a wide range of jobs, services and training. Northumberland County Council is currently leading a project with Network Rail to examine re-opening the route for passenger traffic by 2020.

The project would upgrade an existing freight-only route which begins in Woodhorn (with an option to extend north to Newbiggin-by-the-Sea) and then passes through Ashington, Bedlington, Bebside, Newsham (for Blyth), Seaton Delaval and Seghill,

before arriving at Northumberland Park where an interchange station would enable easy access to the Metro system. The route then joins the East Coast Main Line five miles north of Newcastle city centre.

The line is a mixture of single and double-track and is not electrified, but over the longer term Nexus believes that it should be double-tracked and electrified to the Network Rail standard of 25kv AC, as well as there being a physical link to the Metro being constructed in the Northumberland Park area.

This would allow the line to be served by dual-voltage Metro trains and link onto the Metro system, in addition to the initial offering of conventional rail services to Newcastle Central Station - and possibly further, for example to the Metrocentre and Hexham. It would also increase freight capacity and offer efficient diversionary routes via Choppington or Butterwell to the East Coast Main Line.



*Northumberland Park: The current freight-only line to Ashington curves away to the left of Metro tracks*

### Sunderland re-electricification

Nexus and the NECA believe that the full Durham Coast line should be electrified to the Network Rail standard of 25kv AC.

A key part of the Metro system provides services in Sunderland, using track and infrastructure owned and operated by Network Rail. This section was opened in 2002, is electrified using Metro's 1500v DC overhead power standard, and has stations that are managed by Metro (except Sunderland itself). All other aspects of the section, including signalling and operating standards, are in line with normal Network Rail practices.

Nexus believes that the best long-term approach is to convert the electrification of this line to the Network Rail standard of 25kv AC. This should make it easier and more cost effective for Network Rail to maintain and manage, and may have wider benefits by enabling the Durham Coast line (including the section from the south side of the High Level Bridge in Gateshead to Pelaw Junction) to be electrified in the longer term.

Electrification south from Sunderland, through Ryhope and Seaham towards the Horden/Peterlee area, would allow these centres of population and business to be served by a Metro-style service. It could also facilitate better long-distance links from cities and towns along the Durham Coast line to other parts of the North.

The re-electricification of the Sunderland line would require Metro trains to be dual-voltage, so they could run on both Metro and Network Rail infrastructure. Therefore Nexus will specify that the replacement Metro fleet should have dual voltage capability.

### South Tyneside 'Track Dualling'

Despite operating at very high frequency throughout the day, the Metro system has a lengthy section of single track at the core of its operation between Jarrow and Pelaw. This limits the timetable that can be offered, severely hampers recovery of the operation when disruption occurs, and limits growth – for example new stations cannot be placed on the single-track section.

Most of this section has a single track Network Rail freight line running alongside it to the currently disused Jarrow Oil Terminal. Nexus believes that it should be possible to convert the freight-only line to be part of the Metro system, although we will take into account any continued or new use of the line for freight traffic.

### Cobalt Corridor

The Cobalt and Silverlink areas are major growth engines of the North Tyneside economy but are poorly located in relation to rail-based links. An opportunity exists to deliver Metro services through the centre of this corridor, through the re-use of an old freight line formerly used to transport coal to the banks of the River Tyne. By linking to the existing

Metro Coast loop at Northumberland Park and in the Percy Main area, the opportunity exists to provide through services in both directions - and even potentially from the Ashington, Blyth and Tyne route – as well as opening up new service possibilities such as an 'inner loop' connecting Wallsend with Cobalt and Four Lane Ends.

### Team Valley – A1 Park and Ride

An excellent opportunity exists to leverage existing Network Rail infrastructure to provide direct train services to and from the Team Valley area. This would require the reinstatement of the short Bensham curve in the Gateshead area to allow rail access down an existing freight-only line to the east side of Team Valley, running parallel to the ECML without conflict with Intercity services.

The route serves 20,000+ jobs in the Team Valley area and continues south towards Lamesley where proximity to both the ECML and the A1 offers the potential of a parkway-style interchange, "A1 Park & Ride". This could offer strategic benefits for the relief of trunk road congestion - the A1 in the Team Valley area suffers from one of the worst congestion hotspots in the country, although an improvement scheme is currently under construction by Highways England, it is not considered likely that any further capacity enhancements will be possible. Heading south from Lamesley there is potentially space adjacent and west of the ECML to allow local services to continue in parallel towards Birtley and Chester-le-Street if a new station were to be

established in the area where new housing development is planned.

This option could be further developed by greater use of the section of line running parallel to the south bank of the Tyne through Gateshead. This line offers a southbound route from Newcastle using the High Level Bridge over the Tyne, feeding onto the Tyne Valley Line with minimal conflict with the East Coast Main Line. It could also facilitate the development of a railway station in central Gateshead, and offer through services between Sunderland, South Tyneside, Gateshead, Metrocentre and Team Valley.

The use of the line running alongside the ECML should not come at the expense of increased capacity and resilience of the ECML itself. The ECML is of the highest strategic importance to the economic aims of the NECA, and it already struggles to meet the demands currently placed upon it. The NECA will continue to work with



*Bensham: Electric power lines over a freight-only line track curving from the Team Valley towards Metrocentre*

Transport for the North, Network Rail and the government to make the case for major investment in the line's capacity and resilience for carrying long-distance passenger and freight traffic.

### **Sunderland City Centre to Doxford Park**

Consideration of a route between Doxford Park and Sunderland city centre suggests it may be possible to provide rail connections between the two by the use of the former Hetton Colliery railway which used to transport coal to the banks of the River Wear.

Doxford Park is an established Sunderland suburb, and is also home to the city's biggest business park, Doxford International, a 51 ha site that provides 8,000+ jobs. The area surrounding the site experiences peak traffic congestion which impacts upon the adjacent A19 trunk road. Bringing Metro-style services to the Doxford area would offer an attractive alternative to car use.

Most of the route between Doxford and the city centre is free from development however routes beneath or over Durham Road and Premier Road would need to be constructed, as well as a means of connecting with the existing Metro network west of University.

### **New Routes from South Tyneside**

South Tyneside is already well served by the Metro network, but direct links between the borough and the south of the area by rail are absent.

The South Shields and Sunderland Metro routes are within 3km of each other in the Tyne Dock and Brockley Whins area. Running between them is a single-track freight branch serving Port of Tyne from a junction east of Brockley Whins. There is therefore the potential to use this existing alignment so that services could be provided between these locations.

In the Tyne Dock area a connection with Metro could be achieved on existing railway land. The continuation of freight traffic along this route as well as Metro would be achieved through twin-tracking. At Brockley Whins junction the Network Rail line to Sunderland could be used. Existing and planned employment opportunities in the area include Sunderland Software City, Port of Tyne, and the regeneration of South Shields town centre.

The triangular junction at Brockley Whins also opens up the possibility of direct journeys between South Shields and the new International Advanced Manufacturing Park (IAMP), Washington and Durham Belmont, through the construction of a new spur heading south before Pelaw junction.

### **Wearside Loop**

The re-use of former rail lines offers the potential to deliver a circular Metro-style service covering Sunderland and Washington.

The existing route from South Hylton could be extending westwards towards Penshaw using a former mineral line, and then connected with the 'Leamside line' heading northwards through

Washington, and past the Nissan site and nearby the location of the planned 5000-jobs International Advanced Manufacturing Park within the A19 Ultra Low Carbon Enterprise Zone. Just before Pelaw junction a new spur would be created to the west, joining up with the existing Network Rail line heading back towards Sunderland via East Boldon.

A new connection would be required to connect the former Sunderland to Durham railway corridor with the Victoria Viaduct over the River Wear which formerly carried part of the Leamside route.

Because of the aim to change electrification on the existing Pelaw to Sunderland route, any planned new routes in the Sunderland area should be assumed to be electrified at 25kV AC.

### West Newcastle

An opportunity exists to use the original Carlisle line out of Newcastle Central station, then via a new alignment alongside Scotswood Road. This would potentially extend the reach of local rail into West Newcastle, electrified at 25kV AC but integrated with the Metro system using dual-voltage trains. The area could also be linked to the Metrocentre via a bridge across the river Tyne.

Recent developments in the Gallowgate area mean that the potential to extend the Metro system further westwards from St James is greatly reduced, and would be very expensive given the need to create new tunnels below deep building foundations and arterial highways.

### Metro to Metrocentre

Metrocentre is a major leisure, retail and employment site as well as acting as a transport hub for Western Gateshead. The existing rail service provides frequent links to Newcastle and Hexham, and hourly to Sunderland. Some of the opportunities described in this document could provide new rail links to serve Metrocentre - for example to South East Northumberland.

Two further opportunities are worthy of exploration: using the line through Gateshead to access Heworth, South Tyneside and Sunderland directly, avoiding the congested Newcastle Central Station; and using an existing freight spur between Bensham and Team Valley to connect to the route to the new A1 Park and Ride site.

### Durham Belmont to Sunderland/South Shields/ Newcastle

The former Leamside alignment could be used to facilitate direct local links between Durham Belmont, Fencehouses and Peshaw, with options to link to South Hylton and Sunderland city centre; and to the Washington, International Advanced Manufacturing Park, Pelaw and South Shields area.

Durham Belmont's location at the A1/A690 interchange is ideal for bus interchange and Park and Ride, and serves as a catchment for the eastern side of Durham City but also a wide area of east and central County Durham. Fencehouses and Peshaw are areas of new housing activity and

would benefit from new local transport links that avoid the need to use the congested A1 and A19 trunk roads.

Work undertaken for the IAMP development suggests a high level of demand from County Durham residents for links to jobs in this area, and this route option opens up a number of new commuting possibilities along a corridor somewhat neglected by existing public transport. Much of the north of County Durham is within easy commuting distance of Tyne and Wear, and the existence of this corridor makes the creation of local rail links with the Sunderland and South Tyneside areas a realistic possibility.



Durham Belmont: The mothballed Leamside line passes an existing Durham City Park and Ride site

Metro is a vital public service which will cost £95.0m to operate in 2016/17. Whilst almost half of Metro's total operating costs are covered by fare income, it places heavy reliance on a sizeable amount of public subsidy in the form of revenue grant from central government and the NECA (£24.7m and £4.2m respectively in 2016/17). In addition, capital investment in Metro has traditionally been funded from capital grants, meaning that £21.7m of depreciation chargeable to Metro operations in 2016/17 is also financed from central government. Looking ahead, it will be important to secure an ongoing long-term commitment to a continuation of this level of public subsidy and discussions are underway to understand the government's position.

Metro Reinvigoration, phase 2 has provided a step change in investment in essential renewals through the Asset Renewal Programme since 2010; 90% of the current level of capital investment is provided in the form of capital grant from the government, with a 10% local contribution sourced from a combination of 'IT Block' grant and reserves held by the NECA on Nexus' behalf. As we plan our programme of renewals for the years 2021/22 onwards, we are also discussing future funding arrangements with the government.

Investment in a new fleet will be significant as described above. The current fleet is almost fully depreciated and the limited depreciation costs it does have are fully funded; therefore unless the acquisition of a new fleet can be funded in its entirety from capital grant, any future financing charges will represent new, on-going costs that are not currently a feature of Metro's operational budget. We therefore expect that, subject to a suitable business case, the government will make a significant contribution to the acquisition of a new fleet. We will also be seeking to reduce operating costs through lower energy usage and more efficient fleet utilisation, which together with additional fare revenue associated with a more reliable service, may provide some flexibility for a local contribution.

The cost of expanding the Metro system will also be significant. Although the options identified in this document aim to explore the opportunity of using existing assets, nevertheless the capital construction costs of any new railway lines are likely to run in the hundreds of millions of pounds, and new operating costs will be added. To achieve expansion of the system, investment decisions by NECA, Network Rail, Nexus and local authorities will need to be aligned, and other opportunities such as the devolution of management of the Northern Rail franchise taken at the same time.

As part of the work to develop feasibility, Nexus will develop funding options looking at a wide variety of local, national and international sources of finance for both capital investment and associated operational costs. These could potentially include developer contributions, planning gain, and investment from private sector partners.

The Metro system was designed to be the cornerstone of a simple, integrated local transport system, and as we look to the future it is important that this feature remains.

The planned ambitious expansion of the Metro and local rail network will deliver improved connectivity in itself, but the effect of this will be magnified by growth in interchange with private cars (through both park and ride and passenger drop-off points), taxis, bicycles (through high quality cycle storage), walking (through safe walking routes), buses, and longer-distance rail services.

Therefore interchange points will be designed into expanded Metro and local rail routes wherever possible, offering a wide range of onward travel opportunities.

The Metro system has always maintained the highest accessibility standards for disabled people and people with reduced mobility, and this will continue to be the case as the new fleet is specified and new stations constructed. In addition the acquisition of a new fleet offers an opportunity to explore whether the carriage of bicycles and mobility scooters can be achieved.

The Metro system already benefits from a smart ticketing system through use of the Pop card, and wherever possible this will be expanded onto other modes of travel in particular local rail and bus services. In the longer term, Nexus expects to develop contactless payment on public transport, and by working with Transport for the North, 'account-based ticketing' will be able to offer an integrated travel payment system that joins up transport across the North of England.

This is an ambitious vision; equally importantly, it is considered deliverable and worthy of the investment. The NECA area has deep-rooted issues that need to be addressed by targeted infrastructure investment to widen the reach of sustainable accessibility. But we are also realistic. There will be many competing demands on transport expenditure in years to come, and all will be subjected to rigorous scrutiny to ensure value for money. The vision we have outlined takes a pragmatic and incremental approach to network change; leveraging existing assets and service provision to achieve maximum benefits, advocating strong marketing and promotion of key regional rail routes, and using the combination of rail franchise renewals and Metro fleet replacement to create a single local rail brand that delivers safety, quality, reliability and certainty.

The rewards will be considerable. The NECA area covers a combined population of almost 2 million people, the majority of whom live or work within easy access of a potential rail or Metro station. Ensuring that the transport links within the region are as good as those to other areas of the country is vital for the delivery of our economic growth plans.



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Nexus is the public body delivering local transport services for Tyne and Wear, on behalf of the North East Combined Authority. To find out more about this project, and our wider programme, contact Lynne Robinson at: [lynne.robinson@nexus.org.uk](mailto:lynne.robinson@nexus.org.uk)



## **OUTLINE BUSINESS CASES - EXECUTIVE SUMMARY**

### **Introduction**

1. The North East Combined Authority is seeking a significant investment in the Tyne and Wear Metro system, allowing it to replace its life-expired rolling stock, and to continue its programme of major infrastructure renewal.
2. This is an Executive Summary of two business cases which, together, highlight the significance of the Tyne and Wear Metro, its economic importance and, having invested significantly in the system since 2010, the need for continued investment, including in a new fleet of Metrocars. It outlines options that have been considered, and provides a recommendation for a way forward that will meet the North East Combined Authority's objectives to contribute towards the wider requirements of the economy, environment and society of the area.
3. The following draft documents will be supplied in support of this Executive Summary, which provides a high-level combined overview of the proposals and their benefits:
  - a. An Outline Business Case for the replacement of the Metro rolling stock; and
  - b. An Outline Business case for the continuation of investment in essential renewals work.
4. Nexus has been working informally with the Department for Transport over the past few weeks in order to finalise both documents at outline stage by July 2016. A vital element of that work is to develop an understanding of the government's stance on the form, availability and timing of grant funding.

### **Strategic Context**

5. The role of Metro is fundamentally important to the economy and people of Tyne and Wear. It connects key centres of population allowing access to employment opportunities, to travel for leisure purposes or for education and training.
6. The economic importance of these links is recognised by the North East Local Enterprise Partnership's Strategic Economic Plan (SEP). In relation to Metro, the SEP specifically

highlights an overriding objective as being 'to replace the fleet of Metrocars'. The North East Combined Authority's Transport Manifesto provides a commitment to 'deliver an essential new fleet for the Tyne and Wear Metro'. In addition, the local authorities whose areas are served by Metro also recognise the importance of the system in their various planning documents.

7. In 2012, Nexus commissioned a study from Systra to estimate future demand with the primary conclusion that the number of passenger trips will rise steadily over the period to 2030 due to rising GVA and population, the impacts of land-use planning developments and the effects of behavioural change. Although the main drivers of demand growth were highlighted as relating to increased retail activity, especially in the city centres and changes in the scale, location and type of employment, growth in the concessionary population is also forecast; the relevance of which is that given Metro competes with local bus services where the concessionary population travels free of charge, the fare capable of being levied for this client group is restricted and effectively stifles revenue growth because of the relatively low amount of revenue earned per passenger journey.
8. Despite the estimate of growth in passenger trips, Nexus seeks funding for the replacement of its current fleet on a like-for-like basis in terms of capacity. This is because there is still significant unused capacity in the current fleet which, at its peak, carried 60 million passenger trips per year compared to today's 40 million. The current fleet is made up of 90 Metrocars, and it is assumed that because of substantial increases in performance and reliability of modern rolling stock, today's timetable and capacity can be replicated in the future with 84 replacement Metrocars. To mitigate the risk that passenger growth may over time outstrip available capacity, it is proposed that the procurement process should include a fixed-price option for supply of additional Metrocars. This could facilitate an increased service frequency on the existing network, or could also be used to provide service on any future network extensions which could drive additional passenger growth.
9. In addition to replacement fleet, following the acceptance of a business case by government in 2007, there has been an unprecedented level of investment in Metro to renew and replace life expired assets since 2010. Put simply, this needs to continue beyond the time horizon of the current funding programme i.e. from 2021/22 onwards for at least another fifteen years. This will need to be supplemented by ongoing revenue support required to meet Metro's operational subsidy.

## **The Current Metrocar Fleet and the case for urgent renewal**

10. The current Metrocars, of which there are 90, were constructed in the late 1970s in the UK with highly innovative design features, and have served their purpose well. However, despite undergoing two refurbishments, the fleet has passed the end of its 35-year design life. Many components are effectively life-expired with replacements hard to source and often costly due to their bespoke nature. A higher level of maintenance is required than for any comparable more modern equivalent, leading to a constant pressure on maintenance resources. Even then, numerous Metrocar failures each day have led to delays and trains frequently being withdrawn from service.
11. During the last three years, faults per km have increased dramatically to the point that, at just below 4,000 km per fault, this is by far the worst performing Electrical Multiple Unit (EMU) fleet in the UK and compares to a target of 12,500 km per fault which was being achieved in 2010 and 2011. This level of poor reliability has manifested itself in a downward trend in customer satisfaction, culminating in Metro's lowest ever customer satisfaction score being recorded. Given that the biggest drivers of customer satisfaction are punctuality and reliability, there is no reason to believe that this trend will be reversed until the fleet performance issues are resolved. This was recently reinforced in benchmarking with other Metro systems across the world, where it is evident that the Tyne and Wear Metro has the lowest passenger satisfaction score across all NOVA metros..
12. The current funding arrangement with DfT, through which around £25 million in revenue support is provided, expires at the end of March 2019. Metro places heavy reliance on government grant to fund its operations and the continuation of this level of support is absolutely essential for its continued operation. Whilst just over half of Metro's operational costs are met from a combination of farebox revenue and local taxation, revenue grant funding from DfT covers approximately 26% of Metro's running costs, with 23% of the cost met by the release of a capital grant deferred from Nexus' balance sheet, in order to offset depreciation charges on those assets that were historically funded by government grant.
13. At this stage, Nexus is considering three main options for the procurement of new Metrocars and their operation beyond 2019:-
  - Outright purchase by Nexus;

- Purchase through an operating contract with a Train Operating Company (or similar arrangement); and
  - Leasing from a Rolling Stock Manufacturer.
14. Procurement for any new contract to take effect from April 2019 will need to begin in June 2017. Therefore, by the end of December 2016 it is essential for Nexus and the NECA to have a full and complete understanding of:
- The government’s commitment to the quantum, form, and timing of grant funding for new Metro fleet;
  - The government’s long-term commitment to revenue support beyond 2019.
15. This decision simply cannot be deferred if Nexus is to have any form of private sector operating arrangement in place for 2019. Furthermore, with fleet performance and customer satisfaction in freefall, urgent action needs to be taken to protect the Metro system and its essential role in the North East’s local economy. Maintaining the current timetable with the existing fleet for another five years will be a significant challenge in itself; beyond that 2021 it is likely to be impossible and reductions in service levels seem inevitable.

**Approaching the Business Case for the new fleet of Metrocars**

16. Part of the investment in Metro since 2010 included a ‘¾ life’ refurbishment of the Metrocars; an extensive programme that took place between 2011 and 2014 and which extended the life of the Metrocars through to 2025, with an expectation that they would be replaced by that time.
17. In 2014, Nexus commissioned Interfleet to advise on the optimum time when the Metrocar fleet should be replaced. Interfleet evaluated two key options, namely a further life extension to enable the fleet to reach 2040, before being replaced; and the replacement of the fleet much sooner, in 2025<sup>1</sup>. Whilst Nexus has considered a number of variants, this submission is based on the following three scenarios:-

Scenario	Description
Do Nothing	No capital investment, maintenance only.

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<sup>1</sup> Interfleet used a date of 2025 for implementation of the new fleet at Nexus’ instruction. However based on a major recent decline in the fleet’s performance, as well as a desire to avoid unnecessary maintenance costs, Nexus has based its ‘Do Something’ scenario on an implementation date of financial year 2021/22.

Do Minimum	Capital investment of at least £51m, together with the potential for significantly increased maintenance costs until replacement in 2040. Deferral of investment in new vehicles until 2040, all associated infrastructure investments also required in 2040.
Do Something	Replacement of existing fleet with modern day enhanced vehicles from 2021/22 consisting of regenerative braking; air conditioning; modern customer information facilities and dual voltage. Infrastructure investment provides for dual voltage; regenerative braking and new depot.

18. The ‘Do Nothing’ option has not been appraised because it would lead to a gradual decline in fleet availability resulting in a degraded service with a reduction in customer satisfaction and a growing risk of patronage decline, revenue loss and catastrophic failure of key and obsolete components. The business case for investment in 2007 recognised that no investment would ultimately lead to full system closure with hugely damaging implications for road congestion and the environment, making it untenable for the region. The same outcome will be evident if no further investment is made in the Metrocar fleet and associated infrastructure.
19. With the ‘Do Minimum’ option, in addition to the additional capital investment need identified by Interfleet, it is expected that a significant increase in maintenance costs would occur because of the age of the fleet. For example, an unexpected ‘epidemic failure’ of components (particularly traction-related) is far more likely, and during the early years after refurbishment there is the potential for increased costs as faults and defects are worked through. Once completed, the refurbished cars will still require the same routine checks, maintenance and planned renewal of components as presently. Furthermore, there will be reduced availability during the refurbishment period risking reduced service and continued passenger dissatisfaction. There is also a long term risk of a loss of skills and competence to maintain the fleet as staff retire and new entrants are unfamiliar with the “low tech” electro-mechanical components that will still be a feature of the fleet. Based on Interfleet’s outline economic analysis, the benefit-to-cost ratio (BCR) for life-extending the current fleet of Metrocars would be around 1.0; in other words, the costs would only just be balanced, rather than exceeded by the value of the benefits.
20. Whilst the ‘Do Something’ option will incur a significant capital cost, this would be more than offset by a number of economic and financial benefits, in particular considerably reduced whole-life maintenance and energy costs, and higher patronage due to much improved passenger amenity, reliability and shorter journey times. A new fleet of Metrocars, together with a new depot, Overhead Line Enhancements and the capability

for dual voltage will provide significant benefits, including an option to take advantage of the capital cost-effectiveness of retaining 1500V DC on the Metro network, while also allowing operation at 25kV AC. Alongside this, a new fleet will be expected to meet national crashworthiness standards. This would mean that the current, special signalling regulations necessary when running on Network Rail infrastructure, would no longer be needed and the distance between Metros could be decreased, greatly increasing line capacity between Pelaw and Sunderland. The overall attractiveness of all modes of public transport in the region is likely to be enhanced by a new fleet of Metrocars.

## **Essential Renewals**

21. Investment since 2010 has allowed Nexus to plan for and undertake renewals on the network on a long term basis. The guarantee of funding from government, subject to certain conditions has meant that Nexus can undertake essential works to replace and upgrade key assets such as track, structures and overhead line, stations and station equipment and communications systems over a programme period. Some of the projects take years in the planning stage, such as the major line closures, necessary for track renewals. Without this long term funding commitment, Nexus would not be able to undertake such major works and would not be able to take a holistic and long term approach to the maintenance and renewal of Metro's asset base. The consequence of not having a continuation of the current approach to investment would be to revert back to a sub-optimal set of asset management approaches.
22. For the business case for essential renewals, a 'Do Nothing' option was modelled, known as the counterfactual scenario. This represents a situation in which none of the essential renewals are undertaken which will have impacts on journey times, as temporary speed restrictions are required to operate safely on aging infrastructure. It will also increase operating costs as more resources will be required to keep trains to the same frequency or, it will lead to reduced service frequencies. If service frequencies are reduced then there will be an impact on service crowding as passengers are forced to use a lower number of services. There will also be a decrease in service performance with an increase in last minute delays and cancellations caused by the worsening quality and resilience of the infrastructure. In the worst case situation, the network will be required to be closed sequentially as it becomes too dangerous to operate and this would occur from 2024/25.
23. A 'Do Something' option has been modelled, where assets in need of replacement and renewal have been identified in a programme of works from 2021 – 2035. This includes the replacement of the life-expired signaling system in the mid 2020's.

## Operating Subsidy

24. Since 2010, Nexus has also benefited from government financial support in order to operate Metro. A prescribed level of revenue grant has been guaranteed over a nine year period; linked to the contractual payments Nexus makes to its operating concessionaire DB Regio Tyne and Wear Limited (DBTW). This has been instrumental in Nexus being able to contract with DBTW over a seven year period. The revenue grant is index linked and subject to an annual adjustment. It has however, reduced in real terms given that in 2010 it was expressed as 68.5% of the DBTW contract payment and will be 64.0% by 2019. Having longevity of revenue funding has made Nexus more resilient and better able to withstand some of the operational funding challenges faced by Metro during the recent economic recession.

## Economic Appraisal

25. For the **replacement of the Metrocar fleet**, the 'Do Minimum' and 'Do Something' options have been subject to both economic and financial appraisal.

26. The net present value is £95.97m whilst the initial benefit-to-cost ratio of 'Do something' in comparison with the 'Do Minimum' is 2.15: 1. An adjusted benefit-to-cost ratio, taking into account additional impacts, is 2.22: 1. This is a significant benefit-to-cost ratio for a public transport investment proposal, and is considered as providing high value for money.

27. For the continuation of the programme of **essential renewals**, the 'Do Nothing' and 'Do Something' options have been subject to both economic and financial appraisal<sup>2</sup>.

28. The net present value is £889m whilst the initial benefit-to-cost ratio of 'Do Something' in comparison with the 'Do Nothing' is 3.7: 1. An adjusted benefit-to-cost ratio, taking into account additional impacts, is 6.09: 1. This is a hugely significant benefit-to-cost ratio for a public transport investment proposal, and is considered as providing very high value for money.

## Funding

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<sup>2</sup> The 2007 business case for essential renewals was modelled against a 'Do Nothing' baseline and gave a benefit-to-cost ratio of 8.6:1. The economic appraisal for the continuation of this programme of essential renewals has therefore been modelled on the same basis in order to achieve consistency in the benefit-to-cost ratio calculations.

29. Nexus places heavy reliance on funding from central government to run Metro; 90% of its investment in the system since 2010 has been funded by DfT capital grant and around 85% of the operating costs<sup>3</sup> not met by fare revenue are also funded by DfT, in the form of an annual revenue grant.
30. In its business case submission in 2007, Nexus successfully argued that despite owning and operating a railway with similar characteristics to the national rail network, it had no surety of funding for either ongoing operational subsidy, or renewal and maintenance work. This contrasted sharply with other rail operators who have subsidy commitments for the period of the franchise, and Network Rail whose funding is based on a regulated asset base (RAB) calculation and reviewed on a quinquennial basis. Following award of its long term funding commitment from DfT in 2010, there is no doubt that Nexus, and therefore the Metro system has benefitted significantly from having a surety of funding that has enabled both the renewal of infrastructure and properly planned maintenance, with improved asset knowledge leading to a reduction in unplanned maintenance and renewal.
31. Investment in new Metrocars and associated infrastructure will be significant. The capital cost of the 'Do Something' option is estimated at £536.7m including a risk provision of £120.1m.
32. The total investment need, including Essential Renewals and ongoing subsidy for operations, is set out below.
33. Table 1 assumes a combination of capital grant for all of the required investment in the fleet and associated infrastructure as well as essential renewals and revenue grant for operations. Table 2 assumes a combination of capital grant for essential renewals only, with revenue grant for investment in the fleet and associated infrastructure as well as operations.

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<sup>3</sup> DfT revenue grant is determined with regard to the cost of the contract Nexus has with DBTW, including the track access charge paid to Network Rail and has reduced in real terms since 2010; 68.5% of the DBTW contract was funded by DfT in 2010 compared to 64.0% by 2019. This revenue grant equates to 85% of the operating subsidy which once fare revenue has been taken into account also includes infrastructure maintenance and other costs in addition to the DBTW contract costs.

**Table 1 - Capital grant for Fleet, Associated Infrastructure and Essential Renewals. Revenue grant for Operations:**

	2021/2 2 to 2025/2 6	2026/2 7 to 2030/3 1	2031/3 2 to 2035/3 6	2036/3 7 to 2040/4 1	2041/4 2 to 2045/4 6	2046/4 7 to 2050/5 1	2051/5 2 to 2055/5 6	2010/1 1 to 2014/15
	(Year 1 to 5)	(Year 6 to 10)	(Year 11 to 15)	(Year 16 to 20)	(Year 21 to 25)	(Year 26 to 30)	(Year 31 to 35)	5 year average
	£m	£m						
<b>Capital Grant</b>								
Fleet / Infrastructure	536.7							
Essential Renewals	298.9	115.7	103.9					163.4
	<b>835.6</b>	<b>115.7</b>	<b>103.0</b>					<b>163.4</b>
<b>Revenue Grant</b>								
Operating Subsidy	<b>123.5</b>	<b>124.1</b>						

**Table 2 – Capital grant for Essential Renewals. Revenue grant for Fleet, Associated Infrastructure and Operations**

	2021/2 2 to 2025/2 6	2026/2 7 to 2030/3 1	2031/3 2 to 2035/3 6	2036/3 7 to 2040/4 1	2041/4 2 to 2045/4 6	2046/4 7 to 2050/5 1	2051/5 2 to 2055/5 6	2010/1 1 to 2014/1 5
	(Year 1 to 5)	(Year 6 to 10)	(Year 11 to 15)	(Year 16 to 20)	(Year 21 to 25)	(Year 26 to 30)	(Year 31 to 35)	5 year average
	£m							
<b>Capital Grant</b>								
Essential Renewals	<b>298.9</b>	<b>115.7</b>	<b>103.9</b>					<b>163.4</b>
<b>Revenue Grant</b>								
Fleet / Infrastructure	130.2	130.2	130.2	130.2	130.2	130.2	130.2	
Operating Subsidy	123.5	123.5	123.5	123.5	123.5	123.5	123.5	124.1
	<b>253.7</b>	<b>124.1</b>						

NB – Revenue Grant in respect of Fleet/Infrastructure includes loan financing charges of £374.9m, assuming a 35 year PWLB annuity loan; rate as at 5/5/2016

34. The current fleet of Metrocars was fully depreciated before a  $\frac{3}{4}$  life refurbishment extended the useful life of the Metrocar asset by up to 15 years. The  $\frac{3}{4}$  life refurbishment was financed from a combination of capital grant and reserves, and therefore depreciation costs are fully funded from the capital grant deferred account and do not incur an incremental revenue-based cost to Nexus. Therefore unless the acquisition of a new fleet can be funded in its entirety from capital grant, or financing

costs comprising either leasing charges or loan principal and interest payments can be fully funded from on-going revenue grant, there will be an additional, on-going cost that is not currently a feature of Metro's operational budget.

35. The government has made a significant investment in the Metro system over the past thirty years, both in its continued revenue support and through its recent funding of the modernisation of the existing Metro infrastructure. In line with the commitment made in the North East Devolution Agreement, Nexus would therefore expect that the government will make a significant contribution to:
- a. The acquisition of a new fleet of Metrocars and associated infrastructure;
  - b. The continuation of its essential renewals programme; and
  - c. A continuation of the contribution made to meeting Metro's operational subsidy.
36. At this point in the development of the business case, in the Metrocar 'Do Something' option Nexus anticipates that the need for revenue support will continue at constant levels (excluding the cost of financing the new fleet where this is done as a revenue-based option). Whilst the Financial case acknowledges that potential savings could arise from lower energy usage, more efficient fleet utilisation and lower maintenance costs, as well as generating additional fare revenue as a consequence of offering a faster and more reliable service, further work is required in order to fully determine their precise value.
37. Nexus looks forward to engaging with government regarding the quantum, form and timing of its contribution. Clearly these discussions will be crucial in determining the shape of the procurement and subsequent contracts that Nexus will need to enter into, in order to secure delivery of the new fleet. They will also allow Nexus to develop a funding strategy to support procurement.

## **Delivery**

38. Nexus has a proven track record of delivering a large investment programme consisting of a considerable number of projects of varying size, complexity and duration. Each year since 2010 it has met the spending target set by DfT, investing over £218m up to 31<sup>st</sup> March, 2016. Nexus has also been subjected to regular inspection by DfT whose appointed auditors, AMCL commented in 2015 that 'Nexus is making good progress in delivering the Asset Renewal Programme (ARP)' and that 'Nexus has continued to improve since the last review and has developed strong project governance and delivery processes'. The management of the procurement of the new fleet of Metrocars and

associated infrastructure and the continuance of its essential renewals programme will be subject to these same processes.

39. In January 2016, Nexus commissioned Mott MacDonald to undertake feasibility studies for the Metrocar fleet replacement. The study included a worldwide rolling stock market review, which summarised for each major rolling stock manufacturer the models they employ and their likely ability to produce a replacement fleet for the Tyne and Wear Metro system given its specific characteristics. Because this study suggested there is no set template for the procurement of light or heavy rail vehicles, Nexus will engage the market informally prior to finalising its procurement plans. This will include discussion with potential suppliers, participation in a 'Rail Industry Day' organised by DfT in May 2016, and the organisation of a specific market event in Tyne and Wear following publication of the Procurement Information Notice (PIN), to help inform the specification and method of procurement.

40. At this stage, the three main options for the procurement of new Metrocars that Nexus is considering are:-

- Outright purchase by Nexus;
- Through an operating contract with a Train Operating Company; and
- From a Rolling Stock Manufacturer.

41. The first two of these options would entail Nexus owning the fleet either at the outset or at some future point which given the bespoke nature of the Metro infrastructure is probably the most likely procurement route.

42. At this stage, Nexus also intends developing 'reference cases' for new Metrocars and a new depot. This will require potential suppliers to submit bids based on the reference case thereby enabling a transparent comparison of cost and quality. However, this process will not preclude the submission of variant bids that deviate from the reference case, helping ensure that market innovation is not curtailed.

43. Currently it is proposed that the reference train would consist of a similar sized unit to that currently operated on the network and the reference depot will consist of a new depot, potentially at a new site or at a redeveloped facility at South Gosforth.

## **Summary**

44. The business case has attempted to articulate the economic and financial benefits of investing in a new fleet of Metrocars and associated infrastructure. The economic

benefits are substantial and the financial appraisal demonstrates the value of investing at the right time. It makes neither economic nor financial sense to defer and ignore the need for investment in a new fleet of Metrocars, the continuance of its essential renewals programme and the contribution made to meeting Metro's operational subsidy. The extremely poor performance of the current fleet makes the need for investment in a new fleet urgent. The alternative is that Metro will begin to fail, both in terms of the service it provides to tens of thousands of passengers each day, and in its support to the local economy of the North East.

## North East Combined Authority

### Leadership Board

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**Date:** 19 July 2016

**Subject:** Finance Update – 2016/17 Revenue Budget and Capital Programme

**Report Of:** Chief Finance Officer

#### **EXECUTIVE SUMMARY**

The financial monitor for the current year shows a satisfactory revenue position at this early stage in the year, with spending anticipated to be within our overall budget against current agreed resources and no unexpected cost pressures arising. Capital expenditure to the end of the second accounting period (May 2016) is relatively low, but in line with anticipated profile at this early stage in the year.

#### **RECOMMENDATIONS**

The Leadership Board is recommended to:

1. Receive the update information provided about the revenue budget position for 2016/17;
2. Receive the update information provided about the capital programme for 2016/17.

# North East Combined Authority

## Leadership Board

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### 1 Background Information

- 1.1 Monitoring information is provided periodically to the Leadership Board through the year in line with the Constitution, with detailed reports on Transport budgets being reported to TNEC on a regular basis.
- 1.2 The financial monitor at this early stage in the year is based on spending to the end of May (period 2).
- 1.3 In terms of the revenue budget, there are no significant issues to report. The balance of the unspent £0.25m of Devolution Funding agreed in 2015/16 has been carried over to cover ongoing devolution activity and is now included in the 2016/17 budget.

### 2 2016/17 Capital Programme Update

- 2.1 At its meeting in January 2016, the Authority agreed a base capital programme of £131m. Following the 2015/16 year end outturn, this is revised to £153m to take account of slippage and accelerated spend from the prior year, and building in overprogramming to help manage the Local Growth Fund programme for 2016/17, as described in a report to the Leadership Board on 21 June. Spend to the end of the second period (May 2016) was relatively low, at £11.625m but this is as anticipated at this early stage in the year.

	Original Approved Budget 2016/17 £m	Latest Approved Budget 2016/17 £m	Period 2 2016/17 £m	Projected Outturn 2016/17 £m
Local Growth Deal	76.830	94.838	2.500	81.840
Metro Asset Renewal Programme	41.192	43.392	5.611	41.015
Nexus Non-Metro*	0.650	0.650	-	0.648
Tyne Tunnels Capital Programme	-	1.199	0.034	1.199
Other Transport Grants*	12.362	12.738	3.480	12.738
<b>Total</b>	<b>131.034</b>	<b>152.817</b>	<b>11.625</b>	<b>136.241</b>

\*Less grant funding shown in other programme lines

# North East Combined Authority

## Leadership Board

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### 2.2 Local Growth Fund

Performance against the LGF programme in 2015/16 was very good with use of grant of £51.47m, meaning that £2.44m was available to carry forward to fund activity in the current year. When combined with the 2016/17 grant allocation of £79.4m, this gives a total of £81.88m available to fund spending. As described in the report to the Leadership Board on 21 June, it was considered reasonable to introduce overprogramming of up to 20% into the 2016/17 LGF programme in order to ensure delivery of activity and full use of the grant in 2016/17. This overprogramming was funded by unallocated LGF grant of £7.5m and underwritten by Devolution single investment pot funding.

At the end of the second accounting period, draw down of grant on 206/17 projects was £2.5m, with the further claims anticipated at the end of the first quarter (30 June).

### 2.3 Metro Asset Renewal Plan

The Leadership Board approved the Metro Asset Renewal Plan (ARP) capital programme for 2016/17 in January 2016 totalling £41.192m. This is the seventh year of Nexus' ambitious eleven year programme to renew the Metro network where investment is directed towards those assets where there is greatest need, according to both asset condition and a risk based approach that ensures future operational requirements are fully considered.

The budget for any particular year should be seen in the context of the long term funding commitment from government where the following factors are a key feature of how Nexus delivers its renewal programme:-

- i) The requirement from DfT that Nexus achieves at least a minimum level of expenditure and no more than a maximum level of expenditure in any one financial year (which for 2016/17 were set at £31.913m and £38.802m respectively);
- ii) The flexible way in which grant funding can be vired between financial years with up to 10% being carried forward into the following year or 10% being brought forward from the following year;
- iii) A recognition that logistical and other planning processes play a significant role in determining where resources are deployed in fulfilling the objectives of Nexus' three year rolling programme, which at any particular time involves the delivery of around 100 individual projects; and
- iv) The need for each individual project comprising the overall programme to deliver value for money.

# North East Combined Authority

## Leadership Board

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The 2016/17 capital budget therefore included an over programming level of approximately 20%. This was necessary because experience has shown that over-programming levels reduce during the course of the year as efficiencies are delivered and/or specific projects are re-phased in order that expenditure levels are contained within the agreed DfT funding envelope.

A key benefit of this approach is that it gives Nexus the ability to actively manage the scheduling and delivery of projects to drive efficiencies without a risk of falling below minimum expenditure levels. This includes obtaining procurement savings through consolidating packages of work to increase market interest and competitiveness, and ensuring that the necessary disruption to the Metro service is minimised (by avoiding key events and making best use of school holidays and lower patronage windows).

At the end of the second of 13 periods (ending 28 May 2016), the Metro capital budget has been revised to £43.392m. The increase in the budget for this year is due to the re-profiling of individual projects, some of which were brought into the current year when the 2015/16 year was closed down, some of which have been moved into future years and some of which have been accelerated i.e. delivered earlier than previously planned.

### 2.5 Tyne Tunnels Capital Programme 2016/17

	Original Approved Budget 2016/17 £m	Revised Budget 2016/17 £m	Period 2 2016/17 £m	Projected Outturn 2016/17 £m
Tyne Pedestrian and Cyclist Tunnels	-	0.947	0.026	0.947
New Tyne Crossing	-	0.252	0.008	0.252
<b>Total Tyne Tunnels</b>	-	<b>1.199</b>	<b>0.034</b>	<b>1.199</b>

#### 2.5.1 Tyne Pedestrian and Cyclist Tunnels

At the time of setting the capital programme in January 2016, no programme was set for the Tyne Tunnels. The revised budget for the year is based on slippage from the previously approved programme into 2016/17. A specialist sub-contractor for the asbestos removal works has now been procured, and the Engineer to the Tunnels is currently evaluating the impact of the recent developments on the overall cost and duration of the project. This will be reported to the Tyne and Wear Sub Committee and following their recommendation the Leadership Board will be requested to revise the budget accordingly to allow the completion of the required works. All works will be funded from the Tyne Tunnel reserves.

# North East Combined Authority

## Leadership Board

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### 2.5.2 New Tyne Crossing

Approvals were given at the May meeting of the Leadership Board for the progression of easements with the Port of Tyne Authority and Virgin Media, and the contribution to the Tyne Rivers Trust for the Hexham Fish Pass. These are expected to be paid during the next few months of this financial year, along with some professional fees and expenses associated with finalising legal agreements in relation to Bilton Hall Bridge, water ingress and land transactions.

### 2.6 Other Transport Grants 2016/17

	<b>Original Approved Budget 2016/17 £m</b>	<b>Revised Budget 2016/17 £m</b>	<b>Period 2 2016/17 £m</b>
Local Transport Plan (less Metro ARP Local Contribution shown above)	11.309	11.685	3.480
North East Smart Ticketing Initiative	1.053	1.053	-
<b>Total</b>	<b>12.362</b>	<b>12.738</b>	<b>3.480</b>

The revision to the budget is to update the figures to include carried forward grant from 2015/16 where delivery of schemes is planned by NECA constituent authorities in 2016/17, which is permitted under the grant conditions.

## 3 2016/17 Revenue Budget Update

- 3.1 At the Leadership Board meeting on 19 January, the Leadership Board agreed budgets totalling £118m. Following the 2015/16 year end, these budgets have been revised and expenditure is now forecast to be around £119m. A summary is set out in the table below, showing the budget, forecast to the year end and actual expenditure to the end of the second period (May 2016).

# North East Combined Authority

## Leadership Board

	2016/17 Budget	2016/17 Forecast	2016/17 P2
	£000	£000	£000
<b>Expenditure</b>			
NECA Transport Retained budget	2,713	2,666	390
Grant to Durham	15,435	15,435	2,558
Grant to Nexus	62,500	62,500	10,417
Grant to Northumberland	6,329	6,329	1,055
Tyne Tunnels – Gross Expenditure	29,972	30,789	5,119
Corporate Budget	550	550	58
Devolution Budget	-	360	73
Inward Investment Budget	505	505	20
<b>Total Expenditure</b>	118,004	119,024	19,690
<b>Income</b>			
Transport Levy	(86,894)	(86,894)	(14,482)
Tyne Tunnels – Gross Income	(29,683)	(30,540)	(4,840)
Contributions from local authorities – Corporate	(300)	(300)	-
Contributions from local authorities – Inward Investment	(140)	(140)	-
Contributions from NELEP	(140)	(140)	-
Interest	(448)	(465)	(20)
<b>Total Income</b>	(117,605)	(118,479)	(19,342)
<b>Contribution from NECA Reserves (including prior year underspends)</b>	<b>399</b>	<b>545</b>	<b>298</b>

# North East Combined Authority

## Leadership Board

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- 3.2 Once the Devolution Funding of £30m for 2016/17 is released and paid to the authority, it will be reflected in the Authority's budget to be reported to future Leadership Board meetings. This will enable further revenue and capital expenditure to be committed at that stage.

### **4 Next Steps**

- 4.1 The final outturn position on the capital programme and revenue budget will be reported to the Leadership Board at a future meeting.

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

- 5.1 The report updates on progress with delivery of the capital programme of the Combined Authority which supports the meeting of all its objectives.
- 5.2 Effective treasury management enables financing charges to be minimised and interest income maximised while maintaining security of the Authority's liquid assets. This supports the Authority's overall budget position which enables it to deliver all of its objectives more effectively.

### **6 Finance and Other Resources**

- 6.1 The financial implications are set out in the body of the report.

### **7 Legal**

- 7.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an Authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

### **8 Other Considerations**

- 8.1 **Consultation/Community Engagement**  
The Authority's capital programme for 2015/16 comprises previously approved budgets which were subject to consultation as part of the approval process.

- 8.2 **Human Rights**  
There are no specific human rights implications arising from this report.

- 8.3 **Equalities and Diversity**

# North East Combined Authority

## Leadership Board

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

### 8.4 Risk Management

There are no specific risk management implications arising from this report.

### 8.5 Crime and Disorder

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

### 8.6 Environment and Sustainability

There are no specific environment and sustainability implications arising from this report.

## 9 Background Documents

### 9.1 2016/17 Revenue Budget and Transport Levies, Leadership Board 19 January 2016

Capital Programme 2016/17 and Treasury Management Policy and Strategy, Leadership Board 19 January 2016

Local Growth Fund – Update, Leadership Board 21 June 2016

## 10 Links to the Local Transport Plans

### 10.1 There are no specific links to the local transport plans arising as a result of this report.

## 11 Appendices

None

## 12 Contact Officers

### 12.1 Paul Woods, Chief Finance Officer, [paul.woods@northeastca.gov.uk](mailto:paul.woods@northeastca.gov.uk) Eleanor Goodman, Principal Accountant, [eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk)

## 13 Sign off

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

## North East Combined Authority

### Leadership Board

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**Date:** 19 July 2016  
**Subject:** Finance Update – Outturn 2015/16  
**Report Of:** Chief Finance Officer

#### **EXECUTIVE SUMMARY**

This report sets out the outturn position for 2015/16 against the revenue budget and the capital programme.

The outturn for 2015/16 showed capital expenditure of £107m against the Authority's capital programme, and revenue expenditure of £118m, both within budget. The balance sheet shows an improvement in net assets of the Authority to £155m, and the Authority is in a sound financial position.

The full audited accounts will be submitted to the Leadership Board in September for approval.

#### **RECOMMENDATIONS**

The Leadership Board is recommended to:

1. Note the outturn position on the revenue budget and the capital programme for 2015/16 as set out in this report.

# North East Combined Authority

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### 1 Background Information

- 1.1 The draft accounts for 2016/17 were completed and signed off by the Chief Finance Officer by the statutory deadline of 30 June. These are available to download from the NECA website at <http://www.northeastca.gov.uk/what-we-do/policies-and-procedures/annual-accounts>. A report on the Outturn and Draft Financial Statements for 2015/16 was being considered by the Governance Committee on 5 July and any comments from that meeting which should be brought to the attention of the Leadership Board will be reported verbally. The draft accounts also include income and expenditure in relation to the North East LEP, as NECA is the accountable body for NELEP, but these are not included in the sections below which show the outturn against NECA's own budgets.
- 1.2 Once the external audit has been completed, the full set final accounts will be submitted to the Governance Committee and the Leadership Board for consideration and approval at its meeting on 20 September 2016.
- 1.3 Monitoring information is provided periodically to the Leadership Board through the year in line with the Constitution, with detailed reports on Transport budgets being reported to TNEC on a regular basis.

### 2. 2015/16 Capital Programme Outturn

- 2.1 In January 2015, the Authority set a base capital programme of £114m. This was a significant increase on previous years due to the commencement of the Local Growth Fund Programme. The table below summarises the budget and the final capital outturn position at the year end. A final outturn against programme of over 93% compared with the revised budget for the year was achieved.

	<b>Original Budget (£m)</b>	<b>Revised Budget (£m)</b>	<b>Outturn (£m)</b>
Local Growth Fund	53.910	53.910	51.472
Metro ARP	45.271	44.595	42.323
Nexus Non-Metro	1.153	0.342	0.210
Tyne Tunnels	3.100	3.100	1.901
Transport Grants	11.309	12.760	11.070
<b>Total</b>	<b>114.743</b>	<b>114.707</b>	<b>106.976</b>

More detail on the main aspects of the programme are set out in the sections below.

# North East Combined Authority

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### 2.2 Local Growth Fund

The North East Growth Deal announced in July 2014 included funding for a number of transport schemes, including the devolution of Local Major Schemes funding previously agreed. NECA received £53.910m on 10 April 2015, comprising the 2015/16 allocation of the growth deal.

A spend against programme of 95.6% was achieved, which was helped in part by using existing funding freedoms and flexibilities to swap LGF with other funding sources on approved Enterprise Zone (EZ) projects and also by the acceleration of projects from future years into year one. Displaced EZ project resources will be made available to support LGF programme commitments in future years.

### 2.3 Metro Asset Renewal Programme

2015/16 was the sixth year of Nexus' eleven year Metro Asset Renewal Programme (ARP), a programme of works to renew the Metro network. Income and expenditure in relation to the programme is reported through Nexus accounts, which are consolidated into the Group accounts of the Authority, and it forms part of the Authority's overall transport capital programme which is reported regularly to the Transport North East committee.

Expenditure at the year end was well within the required limits set by the DfT which give a maximum and minimum funding level to be reached.

2.4 In additional Capital Grants and Loans approved from the LEP North East Investment Fund amounted to £xm and are shown in the accounts.

## 3. **2015/16 Revenue Budget Outturn**

3.1 Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves.

3.2 A summary of NECA expenditure against budget is set out in the summary table below. Expenditure totalling £118m was managed within the approved revenue budget and income, with an underspend of around £0.885m at the year end which means the requirement to fund activity from reserves is slightly less than originally budgeted.

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	2015/16 Revised Budget	2015/16 Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Transport Levy Budget			
- NECA retained (less contributions to other NECA activity)	2,447	2,310	(137)
- Grant to Durham	16,072	16,072	-
- Grant to Nexus	64,500	64,500	-
- Grant to Northumberland	5,896	5,896	-
Tyne Tunnels			
- Contract Payments	21,658	22,033	375
- NECA costs	237	303	66
- Financing Costs	6,419	6,404	(15)
Inward Investment	360	211	(149)
Corporate/Central Budget	300	456	156
Devolution Activity	610	250	(360)
Skills - Mental Health Trailblazer Project	-	48	48
<b>Total Expenditure</b>	<b>118,499</b>	<b>118,483</b>	<b>(16)</b>
<b>Income</b>			
External Grant Funding	-	(48)	(48)
Transport Levies	(89,177)	(89,177)	-
Tolls Income	(27,457)	(28,396)	(939)
Interest/Investment Income	(344)	(226)	118
Contributions from Constituent Authorities	(440)	(440)	-
Contributions from NELEP	(140)	(140)	-
<b>Total Income</b>	<b>(117,558)</b>	<b>(118,427)</b>	<b>(869)</b>
<b>Net Revenue Expenditure to fund from Reserves</b>	<b>941</b>	<b>56</b>	<b>(885)</b>

### 3.3 Transport

The levy and the corresponding grants paid to Durham County Council, Northumberland County Council and Nexus are fixed for the year, with each organisation managing budget overspends or underspends within this. Within these grants, there was an underspend of £651k by Durham Council against its budget, mainly resulting from savings on concessionary travel payments to smaller operators and savings on subsidised services. There was a small

# North East Combined Authority

## Leadership Board

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overspend of around £350k on Northumberland's budget, relating to pressure on the concessionary travel scheme reimbursements to operators.

Throughout 2015/16 Nexus has reported favourable variations in the forecast outturn when compared to the original budgeted deficit of £3.103m, particularly in relation to income and expenditure on Metro operations. The outturn for the 2015/16 year for Nexus is a surplus before taxation and exceptional items of £1.789m, a positive variance of £4.892m. Exceptional items during the year have further increased the surplus by £2.666m to £4.455m.

Within the NECA retained transport levy budget, expenditure was around £137k less than budgeted, mainly due to savings against the budgets for financing charges and support services.

The position on the Tyne Tunnels revenue account was positive, with a largely breakeven position for the year, compared with a forecast deficit. Traffic levels remained strong during the year, with total traffic figures around 7% higher than in 2014/15.

### 3.4 Inward Investment

Each local authority in the area is engaged in activities designed to generate and convert inward investment enquiries. These local arrangements have been supplemented by the creation of the Inward Investment Gateway that is able to provide a considered regional response to potential inward opportunities generated by UKTI and other activities. The work is led by the Director, Invest NE England, supported by a team of two staff employed by the Authority.

Contributions from the seven councils totalled £140k, matched by a contribution of £140k from NELEP. This was agreed on a three year basis starting in 2015/16. A one off contribution of £80k was also agreed by the LEP for 2015/16, giving a total budget of £360k.

Actual expenditure at the year end against this budget was £211k, with the underspend mainly due to staff not being in post until towards the end of the financial year. Unused contributions have been carried forward to fund activity in 2016/17.

### 3.5 Corporate Activity and Devolution

In 2015/16 a relatively small corporate budget of £300k (funded by a contribution of £43k from each constituent council) was agreed to fund the

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central costs of NECA. During the year, NECA took on additional responsibilities in relation to the accountable body role for the LEP, which is delivering an increased level of Local Growth Fund Activity. It has also had to resource the preparation of a major Devolution bid. This led to increased central costs. In January 2016, the Authority agreed to use reserves, interest on revenue balances and any underspend on other NECA budgets to fund additional dedicated Head of Paid Service capacity and to provide a £500k budget for the development of devolution work stream activity up to the end of March 2016, in addition to the existing budget of £110k.

Actual expenditure to the year-end against the Corporate and Devolution budgets are set out in the table below, along with details of the funding of these costs.

	<b>Actual (£000)</b>
<b>Corporate/Central Costs</b>	
- External Support/Agency Costs	169
- Service Level Agreements/Secondments	259
- Audit fees	12
- Supplies & Services	16
	<b>456</b>
<b>Devolution</b>	
- External Support/Agency Costs	115
- Service Level Agreements/Secondments	12
- Consultancy	120
- Supplies & Services	3
	<b>250</b>
<b>Total Expenditure</b>	<b>706</b>
<b>Funding</b>	
- Contributions from Constituent Authorities	(300)
- Prior Year underspends	(63)
- Interest on balances	(110)
- Contributions from other NECA budgets	(187)
- NECA Corporate Reserve	(46)
<b>Total Funding</b>	<b>(706)</b>

#### 4. Next Steps

- 4.1 The draft accounts are subject to audit by the Authority's external auditors, Mazars. The final accounts will be reported to the Leadership Board for approval in September.

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

- 5.1 The report updates on progress with delivery of the capital programme and revenue budget of the Combined Authority which supports the meeting of all its objectives.
- 5.2 Effective treasury management enables financing charges to be minimised and interest income maximised while maintaining security of the Authority's liquid assets. This supports the Authority's overall budget position which enables it to deliver all of its objectives more effectively.

### **6. Finance and Other Resources**

- 6.1 The financial implications are set out in the body of the report.

### **7 Legal**

- 7.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an Authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

### **8 Other Considerations**

#### **8.1 Consultation/Community Engagement**

The Authority's capital programme for 2015/16 comprises previously approved budgets which were subject to consultation as part of the approval process.

#### **8.2 Human Rights**

There are no specific human rights implications arising from this report.

#### **8.3 Equalities and Diversity**

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

#### **8.4 Risk Management**

There are no specific risk management implications arising from this report.

#### **8.5 Crime and Disorder**

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

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## Leadership Board

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### 8.6 Environment and Sustainability

There are no specific environment and sustainability implications arising from this report.

### 9 Background Documents

9.1 2015/16 Statement of Accounts (draft, subject to audit).

### 10 Links to the Local Transport Plans

10.1 There are no specific links to the local transport plans arising as a result of this report.

### 11 Appendices

None.

### 12 Contact Officers

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

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

### 13 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
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By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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