

Transport North East (Tyne and Wear) Sub-Committee

Monday 20th April 2015 at 2.00 pm (Members' Pre-meeting at 1.30 pm)

Meeting to be held at South Tyneside Council, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL

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To All Members

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North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

DATE: 20th April 2015

SUBJECT: Monitoring Nexus' Performance

REPORT OF: Chief Executive Officer for Transport
Managing Director (Transport Operations)

EXECUTIVE SUMMARY

Metro ridership is above that of last year with 35.14m boarding's during the financial year to 28th February 2015, compared to 32.72m over the same period last year.

At Nexus' request DB Regio Tyne and Wear Ltd (DBTW, who operate Metro services on behalf of Nexus) has produced a Performance Action Plan with the aim of improving both operational performance and customer satisfaction. Nexus will be undertaking more intrusive monitoring of performance in regard to fleet availability.

The North East Smart Ticketing Initiative (NESTI, the collaboration between local authorities across the North East to deliver smart ticketing) 'Pay-As-You-Go' pilot has been extended to the X40 and Quaylink bus services.

It is anticipated that the Quality Contracts Scheme (QCS) Board will now publish its findings in October 2015.

The cumulative capital expenditure against budget for the Metro Asset Renewal Plan (ARP) is within target level and outputs are in line with expectations.

The latest revenue budget forecast outturn is some £2.8m better than the original budget.

RECOMMENDATIONS

It is recommended that the Tyne and Wear Sub-Committee (TWSC) receives and considers the report and the attached appendices giving details of Nexus corporate performance in delivering services and projects to 28th February 2015.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

1 Background Information

- 1.1 Metro ridership remains above last year: the Year to Date (YTD) actuals are ahead of last year's results for the same period - 35.14m YTD this year vs. 32.72m last year, a 7.4% increase.
- 1.2 Metro customer satisfaction is below target and punctuality is also below target. During the period under review the new management team at DBTW has finalised and submitted its Performance Action Plan. Two meetings of the Joint Performance Meeting tasked with overseeing its delivery have been held with an initial focus on identifying and prioritising actions that will have most immediate customer benefit.
- 1.3 Metro's maintenance and inspection work is ahead of planned targets. The cumulative capital expenditure against budget for the Asset Renewal Plan (ARP) is within target level and outputs are in line with expectations. The Metro ARP is an eleven year programme running from 2010/11 to 2020/21. As at 28th February 2015 the forecast ARP spending for 2014/15 was £30.8m. The forecast is £0.6m above the DfT's minimum spending level of £30.2m.
- 1.3 It is anticipated that the statutory QCS Board will publish its findings by 31st October 2015. All witness statements have been prepared by Nexus and submitted to the Board. Formal hearings are scheduled to be held in July 2015 when the parties involved will be able to cross-examine each other.
- 1.4 The NECA has asked Nexus to represent its interests on Transport for the North's Rail Working Group, the first two meetings of which took place during January 2015. Nexus is also providing technical advice and support to NECA and other North East local authorities on the development of a regional policy on rail matters.

2 Proposals

- 2.1 There are no proposals being submitted for consideration.

3 Next Steps

- 3.1 The quarterly reporting dates are submitted into the Forward Plan for the Sub-Committee.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

4 Potential Impact on Objectives

4.1 Performance monitoring can help ensure achievement of desired objectives.

5 Finance and Other Resources

5.1 There are no direct financial or resource considerations arising from this report.

6 Legal

6.1 There are no direct legal considerations arising from this report.

7 Other Considerations

7.1 Consultation/Community Engagement

There are no specific consultation/community engagement considerations arising from this report.

7.2 Human Rights

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

7.3 Equalities and Diversity

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

7.4 Risk Management

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

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

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

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

8 Background Documents

- 8.1 The Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Constitution 2014.

9 Links to Plans in the Policy Framework

- 9.1 This report has no direct links to plans in the Policy Framework.

10 Appendices

- 10.1 Nexus' quarterly summary performance report

11 Contact Officers

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12 Sign off

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

Nexus: Summary of Corporate Performance

Theme:		Key Considerations:
1. Leading Delivery of Better Public Transport Services		
Workstream	Public Transport Journeys (on services under Nexus control)	<ul style="list-style-type: none"> Metro patronage has remained strong in the year to date
	Maintain Customer Satisfaction	<ul style="list-style-type: none"> The latest survey (Nov 14) shows Metro customer satisfaction below target
	Maintain Service Quality	<ul style="list-style-type: none"> Metro charter punctuality remains below target Increased monitoring and assurance over DBTW put in place by Nexus
	Exploit Smart Ticketing Technology	<ul style="list-style-type: none"> Pop Pay As You Go (PAYG) trials are on-going, with wider roll-out anticipated imminently

Theme:		Key Considerations:
2. Transform Metro through Reinvigoration		
Workstream	Plan Long-Term Metro development	<ul style="list-style-type: none"> Proposals regarding the long-term development of Metro to be considered as part of the NECA's work on future rail strategy
	Asset Stewardship Index	<ul style="list-style-type: none"> Metro maintenance and inspection work ahead of planned targets
	Deliver the Metro ARP	<ul style="list-style-type: none"> On course to achieve programme delivery targets within the required spending thresholds

Theme:		Key Considerations:
3. Deliver the Bus Strategy		
Workstream	Plan to Arrest the Decline in Bus Patronage	<ul style="list-style-type: none"> QCS Board now expects to publish its findings at the end of October 2015
	Plan to Maintain, and Preferably Grow, Accessibility	
	Deliver Better Value for Money	

Theme:		Key Considerations:
4. Become a Smarter Organisation		
Workstream	Employee Satisfaction	<ul style="list-style-type: none"> Headline employee engagement results published 'Transforming Leadership' initiative actions on target
	Supporting the Combined Authority	<ul style="list-style-type: none"> Nexus representing NECA's interests on Transport for the North's Rail Working Group
	Process Improvements	<ul style="list-style-type: none"> Actions to deliver improved internal process efficiencies currently on target
	Focus on Health Safety and Environment	<ul style="list-style-type: none"> Railway operations incidents and assurance checks undertaken are within target Nexus carbon footprint within target
	Revenue vs. Budget	<ul style="list-style-type: none"> Financial performance is better than budget

The following information provides further detail on performance with updated information from 7th December 2014 to 28th February 2015:

Theme 1: Leading Delivery of Better Public Transport Services

1. Ridership on Metro (Year To Date (YTD): 35.14m) remains encouraging, up 7.4% year-on-year (YTD/Last Year: 32.72m). The patronage forecast to the year-end is 38 million boardings as compared to 35.7m in 2013/14. Metro revenue (YTD) is £43.62m which is 4.2% (£1.75m) above the YTD budget of £41.87m.
2. At the end of the period under review Metro Punctuality was 76.9%, an improvement on the 71.1% previously reported at 6th December 2014, but well below the target of 87.2% set out in the Metro Passenger Charter. Although at the time of writing further improvements have been experienced, this remains a key area of focus for both Nexus and DBTW.
3. Over the period under review 100k Excess Headway Minutes ('EHWM', the method by which delays experienced by passengers are measured in the contract) were recorded. Of these 77k (77%) were allocated to DBTW as the operator, and 13k (13%) to Nexus Rail as the infrastructure provider. The remainder were either Network Rail or disputed causes.
4. The primary causes of DBTW's EHWM were driver availability, driver training and door faults. In addition a train failure at Felling on Friday 6 February 2015 was a significant contributor. Fleet performance and driver resource issues are key areas being addressed through a Performance Action Plan and are a focus for the Joint Performance Meeting.
5. The management team at DBTW has finalised its proposals for the Performance Action Plan. A regular Nexus/DBTW Joint Performance Meeting takes place to focus on delivery of actions that will have most immediate benefit on both the operator and infrastructure side. Nexus is preparing to introduce further measures to increase assurance that improvements are being made to preventative fleet maintenance.
6. The most significant incidents leading to Nexus Rail's accumulation of EHWM were: power dips affecting causing disruption across the system on 8th and 12th January 2015; a dog on the track at Haymarket on 12th January 2015; signalling cable damage between Wallsend and Percy Main on 14th February 2015; and signalling equipment failure between Central Station and Gateshead on 26th February 2015.

7. Year-on-year Shields Ferry service patronage is slightly down when compared to last year (439k YTD this year vs. 441k last year, a 0.5% decrease).
8. The reliability target of 99% for Secured Bus Service Mileage Operated has consistently been achieved or exceeded, and at the end of the period under review 99.95% reliability was recorded. Bus service contract renewals for the end of March in Newcastle and North Tyneside are complete. The process to renew contracts in Sunderland and Gateshead in May is nearing completion, and two services are being withdrawn due to lack of use and high subsidy levels following consultation with passengers and stakeholders.
9. Pilot customer groups continue to trial Pop Pay As You Go (PAYG) on Metro, and positive feedback continues to be received. Functionality for the 'daily price cap' on Metro is place, so that journeys undertaken using PAYG never pay more than the best value fare. Expansion of the pilot to a wider group is planned shortly once the system's robustness has been tested.
10. The PAYG pilot is available on the Go North East X40 and Quaylink bus services. Arriva is working on bringing services from the Ashington Depot into the pilot once a technical issue has been resolved. Stagecoach has yet to commence its planned pilot in Middlesbrough although some progress has recently been made in regard to the test environment.
11. Installation of Metro Automatic Ticket Gates (ATGs) at Byker and Chichester is complete, and CCTV testing is being finalised: DBTW is expected to commence trial operation of these gates shortly. A video help point at the Mile End Road entrance to South Shields station has been installed allowing a trial operation of unstaffed ATGs to commence shortly.
12. In order to achieve mandatory accreditation under the Payment Card Industry Data Security Standard (PCI DSS) will require the replacement of card payment units in all Ticket Vending Machines (TVMs) by the end of calendar year 2015.

Theme 2: Transform Metro through Reinvigoration

13. The Chancellor of the Exchequer recently invited the submission of a business case for future investment in the Tyne and Wear Metro, which could include new high-specification trains and potential extensions to the network. Following consultation on the long-term Metro Strategy, the feedback received will be considered as part of the NECA's work on future rail strategy.
14. Programmed expenditure on the Metro Asset Renewal Plan (ARP) is being monitored and controlled within pre-planned limits to meet Department for Transport (DfT) requirements. At the end of the period under review the forecast

ARP spending for 2014/15 was £30.8m, which is within the minimum spending levels required by DfT.

15. The main ARP activities in the period under review included:

- Replacement of fire alarm systems is now complete across the system.
- Escalators at Heworth and Gateshead have been renewed. Works to replace the remaining escalators at these stations is now underway.
- Surveys and carrier wave testing for coverage of the new radio system have been carried out.
- Track renewal at Jesmond was completed during weekend possessions.
- Tender documentation for Central Station was released with award of contract targeted for July 2015.
- A market awareness event was held relating to the upcoming tendering process for a significant Permanent Way Framework Contract. The event was attended by the majority of rail contracting organisations.
- The Nexus Capital Delivery Team continued delivery of signalling, communications and duct route renewals - this work is scheduled to complete in 2015/16.
- A contract was awarded for rail-grinding across the infrastructure.

16. Looking ahead the next ARP related activities include:

- Nexus' Capital Delivery Team continuing to complete remedial work to duct routes, fibre replacement and signal testing and correlation and replacement.
- The procurement process for the Permanent Way framework will commence.
- Engagement with Local Planning Authorities will continue regarding mast installations for the Radio project.
- Work to install access walkways on the roof of the Gosforth Depot will take place.
- Escalator installations at Heworth and Gateshead will complete on the 27th March.

Theme 3: Deliver the Bus Strategy

17. The NECA's Leadership Board in October 2014 determined to refer the proposed Quality Contracts Scheme to the QCS Board. The QCS Board originally planned to reach a conclusion at the end of May. We have always been clear that we expected the QCS Board process to be time-consuming, as legal representatives from the bus operators and Nexus submit evidence on all aspects of the

proposal. Due to weight of evidence, the QCS Board now plans to publish its final report on the proposal by 31st October 2015, somewhat later than we had initially hoped.

18. The revised timetable for the process is set out in the table below:

Date	Stage
30 Jan 2015	Operators to submit written evidence
13 March 2015	Nexus to submit written evidence in response
17 April 2015	Rebuttal evidence from the operators
26 June 2015	Submission of skeleton arguments
13-17 July 2015	Hearing in Tyne and Wear
20-24 July 2015	Hearing in Tyne and Wear
End of Oct 2015	QCS Board report to be published

Theme 4: Become a Smarter Organisation

19. Each year Nexus conducts a staff engagement survey in November. This year achieved a 64% return rate, with headline results showing an improvement in the 'leadership' and 'my manager' categories, reflecting a concerted effort made to improve management capability over recent years. In four other areas, including 'my company', 'my team', 'wellbeing' and 'giving something back', the satisfaction scores have remained the same as the prior year, after consistent growth since 2011. One area, 'fair deal' showed a reduction, reflecting the fact that pay talks had not been concluded when the survey was run, after four years of no general increase in pay.
20. Nexus has been representing the NECA's interests on Transport for the North's Rail Working Group, the first two meetings of which took place during January 2015. Nexus is also providing technical advice and support to NECA and other North East local authorities on the development of a regional policy on rail matters.
21. On 27th February the DfT published the 'Invitation to Tender' for the Northern and TransPennine Express rail franchises. The aspiration for a North East Business Unit has been recognised and is a requirement for bidders for the Northern franchise. The long-held aspiration to replace the 'Pacer' trains will also be achieved, with their removal required by 2020. NECA now has an opportunity to influence the bidders, to secure commitments over and above the minimum specifications. A series of meetings will be arranged to engage with bidders directly, before the deadline for submission of bids.

22. In parallel, Nexus has been pushing for recognition of North East management arrangements in the terms of the Partnership Agreement between Rail North and DfT. The Agreement has now been signed by the Rail North Board and DfT.
23. Community engagement activity including letter drops and ward councillor briefings have begun in support of various 2015 ARP works in the Metro central corridor. The fifth of six planned art commissions for Byker Metro was launched and is now on display. The final planned work is in late March. Major coverage across media channels supported the 2015 round of apprentice recruitment, including TV, radio and print media. Public engagement on the colour scheme for Central Station attracted widespread interest, with more than 5,000 passengers taking part in the poll.
24. In terms of the revenue budget, the Total Nexus Requirement over the 2014/15 financial year is currently forecast at £94.938m, meaning that the Deficit before Taxation for the year of will be £1.799m compared with the Budgeted Deficit of £4.770m, a positive variance of £2.971m. The detailed financial position will be updated and reported to a meeting of TNEC in due course, as part of the revenue monitoring report.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

DATE: 20th April 2015

SUBJECT: Nexus's Corporate Business Plan 2015/16

REPORT OF: Chief Executive Officer for Transport
Managing Director (Transport Operations)

EXECUTIVE SUMMARY

The purpose of this report is to provide the Sub-Committee with an insight into Nexus's Corporate Business Plan for 2015/16.

Nexus is NECA's delivery agent in Tyne and Wear, and in order to carry out its delegated role of monitoring Nexus performance over the year, the Sub-Committee should be aware of the business plan to which Nexus is working.

The plan is derived from the policy objectives set for Nexus by the North East Combined Authority, and will continuously be adjusted to align with the NECA's Transport Plan for the North East as it develops, replacing the current Local Transport Plans for the area including that for Tyne and Wear.

RECOMMENDATIONS

It is recommended that the Committee receives and notes Nexus's Corporate Business Plan for 2015/16.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

1 Background Information

- 1.1 Nexus's Corporate Business Plan for 2015/16 (attached) will provide direction during a critical period of change. The Plan has four key themes, derived from the objectives set by the North East Combined Authority:
- Lead in the delivery of better public transport services
 - Prepare Metro for the future
 - Deliver the Bus Strategy, and
 - Continuous organisational improvement.
- 1.2 The Nexus Corporate Business Plan will continuously be adjusted to align with the aims and objectives being set by the NECA. It will therefore be a living document while the Transport Plan for the North East (TPNE) and its delivery plan are being developed.
- 1.3 This process will be supported by the preparation of Nexus three-year Forward Plan which will be produced annually as a key element to the financial duties and responsibilities of Nexus to NECA and as required by the NECA's Constitution.
- 1.4 In the business plan the four themes identified above give rise to sixteen detailed work programmes which are outlined in the document.
- 1.5 Nexus, in line with other organisations of a similar size, has a system of hierarchical performance measures at unit, department, functional and corporate level. An appendix to the document sets out examples of the performance Nexus is forecasting for 2014/15 and targets that have been set for 2015/16.

2 Proposals

- 2.1 It is proposed that Transport North East (Tyne and Wear) Sub-Committee receives and notes Nexus's Corporate Business Plan for 2015/16.

3 Next Steps

- 3.1 The Sub-Committee will be updated on a quarterly basis on performance against the activities and targets in Nexus Corporate Business Plan so that TWSC can discharge its delegated function of monitoring Nexus's activities.

4 Potential Impact on Objectives

- 4.1 Business planning and performance monitoring can help ensure achievement of desired objectives.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

5 Finance and Other Resources

- 5.1 There are no direct financial or resource considerations arising from this report and confirmation is given that the financial implications of Nexus's Corporate Business Plan are reflected in NECA's Revenue Budget and Capital Programme for 2015/16 and that any additional funding secured for future years will be reported as part of the updating of the revenue budget and capital programme for future years.

6 Legal

- 6.1 There are no direct legal considerations arising from this report.

7 Other Considerations

7.1 Consultation/Community Engagement

There are no specific consultation/community engagement considerations arising from this report.

7.2 Human Rights

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

7.3 Equalities and Diversity

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

7.4 Risk Management

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

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

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

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

8 Background Documents

- 8.1 The Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Constitution 2014.

9 Links to Plans in the Policy Framework

- 9.1 This report has direct links to the Tyne and Wear Local Transport Plan which is part of the Policy Framework.

10 Appendices

- 10.1 Nexus's Corporate Business Plan for 2015/16.

11 Contact Officers

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12 Sign off

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



Corporate Business Plan

2015/16

**“Supporting the economy and the environment
through better public transport services”**

Introduction

The creation of the North East Combined Authority (NECA) in 2014 has increased the focus on the role public transport plays in developing the local economy by providing access to employment and education, providing an alternative to private cars in the face of growing congestion, and supporting local communities. Nexus' position as the NECA's delivery agent in Tyne and Wear means that our role is vital if the NECA is to achieve its objectives.

We acknowledge that the performance of the Metro has been poor over the past year. Regular technical problems with the fleet have combined with occasions of insufficient driver resource to produce low recorded levels of Charter Punctuality. When coupled with inconsistent disruption messages and some infrastructure issues, this has given rise to low levels of customer satisfaction. Our key focus in 2015/16 is to work closely with DB Regio Tyne and Wear Ltd. (DBTW) to restore Metro punctuality and reliability to their target levels, restoring customer confidence and satisfaction in the system.

At a time of increasing pressure on public sector funding, 2015/16 will continue to be a period of business change for Nexus as we strive to continue to deliver improvements in public transport, seeking to secure the future of Metro and establish a new way of delivering local bus services.

In October 2014 the NECA took the unprecedented step of referring a Quality Contracts Scheme (QCS) for Tyne and Wear to the QCS Board. The financial year 2015/16 will be pivotal, as the legal process plays out and we prepare the organisation for the possible introduction of the QCS, subject to a further decision by the NECA. Whilst that will be both time-consuming and costly, it is a necessary step and will again place us in the national spotlight.

However the organisation must also remain focused on the schemes it is already delivering; in particular the Asset Renewal Plan (ARP) for Metro Reinvigoration Phase 2, spending £389 million over an eleven year period on renewing and modernising the railway infrastructure. Financial year 2015/16 is Year 6 of the ARP and will see the completion of the refurbishment of the Metrocar fleet as well as further refurbishment of stations and renewal of track and other infrastructure. We expect to spend a further £35m on the ARP this year.

As well as ensuring continued delivery of Phase 2 of the ARP through seeking to secure full uplift funding from the Department for Transport (DfT), we need to press ahead with preparations for Phase 3, through to 2030, that will secure Metro's operational viability for the long term. In addition to funding for 'steady state' maintenance beyond 2021, we need to prepare the business case for further investment of up to £350 million including a new signalling system and replacement of the Metrocar fleet. The opportunity will also be taken to examine possible extensions to the existing system.

There will also be the requirement to consider how the current Metro operating concession, our contractual arrangement for providing passenger services, will be replaced before the current agreement expires.

Our Corporate Business Plan for 2015/16 provides direction during this critical period of change. The Plan has four key themes, derived from the objectives set for us by the North East Combined Authority. Four themes that will drive everything we do:

- **Lead in the delivery of better public transport services**
- **Prepare Metro for the future**
- **Deliver the Bus Strategy, and**
- **Continuous organisational improvement.**

1 Nexus business planning framework

Nexus is the statutory Passenger Transport Executive for Tyne and Wear, a public body formed under the provisions of the Transport Act 1968 (as amended). Our primary business remit is to deliver the policy aims and objectives set for us by the North East Combined Authority (the NECA). We own and operate the Tyne and Wear Metro light rail system and the Shields ferry service as well as procuring socially necessary bus services, providing information about the local public transport network and promoting the use and convenience of local public transport services.

1.1 Nexus business mandate

Our business mandate is drawn from the current Tyne and Wear Local Transport Plan which has the following vision:

'Tyne and Wear will have a fully integrated and sustainable transport network, allowing everyone the opportunity to achieve their full potential and have a high quality of life. Our strategic networks will support the efficient movement of people and goods within and beyond Tyne and Wear, and a comprehensive network of pedestrian, cycle and passenger transport links will ensure that everyone has access to employment, training, community services and facilities.'

The five goals adopted in the LTP to meet this vision are:

- To support the economic development, regeneration and competitiveness of Tyne and Wear, improving the efficiency, reliability and integration of transport networks across all modes.
- To reduce carbon emissions produced by local transport movements, and to strengthen our networks against the effects of climate change and extreme weather events
- To contribute to healthier and safer communities in Tyne and Wear, with higher levels of physical activity and personal security.
- To create a fairer Tyne and Wear, providing everyone with the opportunity to achieve their full potential and access a wide range of employment, training, facilities and services.
- To protect, preserve and enhance our natural and built environments, improving quality of life and creating high quality public places

Within the LTP these five goals are focussed on ways to address challenges within the following key areas:

- Supporting economic development and regeneration
- Addressing climate change
- Supporting safe and sustainable communities

The NECA believes the best way to deliver its vision, goals and challenges is for Nexus to seek the provision of a quality public transport network which is increasingly used as a mode of choice by local people.

To support the NECA's current policy mandate Nexus has developed the mission statement:

**'Supporting the economy and the environment
through better public transport services'.**

We are both looking to support future social and economic development and at the same time continuously striving to improve service delivery.

This Corporate Business Plan sets out how Nexus intends to achieve these policy objectives during the financial year 2015/16.

1.2 Transport Plan for the North East

Work is in progress, through NECA's Regional Transport Team, to develop the Transport Plan for the North East (TPNE). Once adopted, the TPNE will replace the three existing Local Transport Plans in the NECA area, including that for Tyne and Wear.

The Nexus Corporate Business Plan will continuously be adjusted to align with the aims and objectives being set by the NECA. It will therefore be a living document while the TPNE and its delivery plan are being developed.

This process will be supported by the preparation of Nexus three-year Forward Plan which will be produced annually as a key element to the financial duties and responsibilities of Nexus to NECA and as required by the NECA's Constitution. The three-year Forward Plan will be focussed on the delivery requirements set by the NECA through the 'Transport Plan for the North East' and supporting documentation.

Nexus has a comprehensive suite of internal documents that are regularly updated to provide a corporate reference point for informing all business improvement activity. These documents develop over time to expand on emerging policy priorities with supporting evidence. They identify and evaluate options for future development and set out clear timetabled action plans with milestones and deliverables to take the strategy forward for delivery.

Every year departments prepare Service Improvement Plans (SIPs) to update their approach for implementing corporate objectives. The SIPs are discussed and agreed through a 'Star Chamber' process to provide for an integrated progression to Nexus corporate objectives and the delivery of NECA's policy priorities.

2 Corporate Business Plan

Nexus' Corporate Business Plan is assembled around four key themes:

- **Lead in the delivery of better public transport services**
- **Prepare Metro for the future**
- **Deliver the bus strategy, and**
- **Continuous organisational improvement.**

These four themes give rise to sixteen detailed work programmes. Departments have identified their active contributions to deliver these programmes, and then used those activities as the basis for their Service Improvement Plans. Each Department is clear about the links it has to thematic work programmes and to the relevant internal planning documents that relate to and impact on our day to day work.

Performance against Nexus' Corporate Business Plan is monitored and reviewed through a periodic four-weekly reporting system. Progress with activities in the respective departmental Service Improvement Plans is reported against milestones and targets so that underperformance can be identified and remedial action taken as appropriate.

This detailed periodic reporting allows for quarterly summary reporting to the NECA's Tyne and Wear Sub-Committee (TWSC) to allow the TWSC to carry out its delegated role of monitoring Nexus performance.

Appendix 1 sets out examples of the performance we are forecasting for 2014/15 and the targets that have been set of 2015/16.

2.1 Lead in the delivery of better public transport services

The first theme is about improving public transport as currently provided. We cannot aim to do better tomorrow if we haven't first got right what we do today.

2.1.1. Grow public transport journeys

Despite a very disappointing year for Metro performance, patronage on the system grew over the last 12 months, closing at just over 38 million journeys. The growth was a result of a reduction in the price of the Metro Gold Card and fewer disruptive engineering works compared to the previous year, along with underlying growth in the number of adult fare-paying journeys which may in part have resulted from widespread roadworks and mounting congestion across the area.

2015/16 will present several challenges to Metro patronage, particularly with customer satisfaction lower than it should be (a potential indicator that people may look to alternative modes of travel), a lessening in the programme of roadworks that have caused highway congestion around the region over the past year, and in particular increased engineering activity on the system as a result of the ARP.

We expect in 2015/16 to obtain a better level of performance in the areas of punctuality, reliability and customer service from DBTW. These improvements will be brought about by a renewed focus on performance by both the Nexus and DBTW teams, with frequent punctuality-focused meetings, and a greater level of monitoring and assurance. We expect the growth in Gold Card patronage to slow, but to remain strong. However the significant levels of ARP-related engineering works will lead to significant patronage losses and so we forecast a level of 37.5 million journeys for the year.

We expect Ferry and Secured Bus patronage to be broadly level with the previous year, reflecting stability in the levels of service provision.

2.1.2. Improve customer satisfaction

As a result of the poor Metro performance, customer satisfaction scores are lagging behind their targets. Overall satisfaction which had been on a steady increase (albeit still not at target levels) slipped back to 7.7 in November 2014 – undoubtedly reflecting customer dissatisfaction with punctuality and reliability; and satisfaction with personal security, which had achieved its target over several consecutive surveys, slipped below target level again in November 2014. This is likely to be affected by overall levels of dissatisfaction (scores covering all aspects of Metro customer service were depressed), but may also have been affected by inconsistent levels of evening staffing on the system.

For 2015/16 we intend, through DBTW, to achieve the target levels which are contractual requirements of the Concession Agreement with DBTW.

We expect performance to recover as described in the section above, and we expect that evening staffing levels will stabilise permanently as a result of completion of the ticketing and gating project. Over the past 12 months we have invested in additional evening staffing, and this will be maintained over 2015/16.

2.1.3. Embed Smart Ticketing Technology

Nexus is co-ordinating the delivery of smart ticketing across the North East region for the North East Smart Ticketing Initiative (NESTI) project.

During 2015/16 we will move from pilot phase to live for Pop Pay-As-You-Go (PAYG) on Metro, with customers benefitting from a zonal price cap that will ensure that they always pay the best value fare for their travel. This will be the biggest roll-out of PAYG in the UK, and the price capping using ITSO will be a first in the UK. In addition, through NESTI customers will be able to use PAYG to buy bus and Ferry tickets, and we will continue discussions with Northern Rail to try to extend the benefit to local rail travel.

There will be an on-going focus on achieving revenue targets for our range of ticketing products and ensuring that unpaid (fraudulent) travel is minimised with DBTW's target to reduce fraudulent travel stretched further in 2015/16. The goal is to ensure Metro revenue grows to £48.935m for 2015/16 in line with the budget requirement. This will be in part achieved through finalising gating at the 13 stations and the activation of 'touch-in, touch-out' validators across the Metro system to process smart journey data, to make travel simpler and to reduce fraud.

2.1.4. Improve service quality

In respect of Metro trains there will be a continued focus on ensuring the Metro concessionaire DBTW delivers on its contractual commitments particularly in respect of finalising the $\frac{3}{4}$ Life Refurbishment programme which is scheduled to complete in June 2015. Other emphasis on train reliability will come in the form of more intrusive audit of DBTW maintenance regimes and a Performance Action Plan from DBTW aimed at improving passenger kilometres between faults across the entire fleet.

Away from Metro we will start to process real-time passenger information from all buses across the North East region. This will be available at all bus stops using smart phones and text messages, as well as some 'countdown' displays at selected stops. We will also investigate options for providing the information in new and innovative ways.

2.2 Prepare Metro for the Future

Public transport users have rising aspirations for better quality services and facilities. Meeting these aspirations will entail significant investment. Existing assets (buildings, plant, machinery etc.) must be maintained, renewed and replaced to ensure they remain fit for purpose. Where there is a business case for new assets we must ensure they are capable of meeting future demand based requirements. We will exercise good asset management practice to ensure there is the optimum balance achieved between the investment made and benefits achieved.

2.2.1. Plan for the long-term development of Metro

A long term Metro strategy is being developed looking at what will follow the current asset renewal phase to ensure that the benefits of this major investment through to 2021 are maximised and that we have a Metro system that continues to meet the area's transport requirements for decades to come. In this regard the successful introduction of

a new fleet of trains is a primary objective. The strategy's proposals will be closely linked to the long term development aspirations of the NECA, local Councils and the North East LEP's Strategic Economic Plan.

2.2.2. Develop fleet procurement options

In parallel with the long-term plan for Metro a specification for a new fleet of Metro Cars will be developed. This will also be a catalyst for considering potential expansion of the system, where technological advances should make it possible to provide new links to the heavy rail network, if desired. Through this process the business case for a new fleet will be developed, together with a consideration of the options for how this might be procured and the costs and benefits involved.

2.2.3. Formulate arrangements for the next concession

Consideration must also be given to the arrangements that will replace the current Metro operating concession which since April 2010 has been provided by DBTW, the concessionaire, under a formal seven-year agreement that is contractually extendable to nine years which would take us to either April 2017 or otherwise April 2019. An analysis of the strengths and weaknesses of the current arrangements will be carried out, together with identifying the opportunities and other pressures that could arise in seeking renewal or replacement thereof. The analysis will then be used as the basis for developing procurement options for further consideration by the NECA.

2.2.4. Seek confirmation of funding arrangements for Phase 3

The current eleven-year funding arrangements with the Department for Transport (DfT) are in place until the end of Phase 2 of the ARP in 2021. Replacing the Metrocar fleet and providing any extensions to the system will depend on funding arrangements for Phase 3 which will need to be agreed with DfT to establish the balance of central and local financial contribution involved. Potential funding streams will need to be identified and investigated, and engagement will take place to seek the commitment of key stakeholders.

2.2.5. Deliver the Metro Asset Renewal Plan

The delivery of the Metro Asset Renewal Plan (ARP) itself needs to continue to meet time, cost and quality standards with a further £35m of modernisation works and benefits being delivered throughout the system during 2015/16.

Disruptions to service that these works may entail will be managed proactively to ensure that customers are inconvenienced as little as possible, that there is a robust communications plan so that customers and stakeholders are aware of when the works are taking place, and of the improvements available on their completion.

Sustained delivery of Metro ARP schemes is facilitating the continued build-up of considerable knowledge about the asset that is helping to support and enhance service delivery and improve planning for the future.

Alongside developments in asset management capacity and capability there is an enduring focus on improvements to work planning, efficiency and overall front-line leadership within Nexus Rail. The knowledge and experience gained from the ARP delivery will be applied in finalising the designs for the refurbishment of Heworth, Central, Tyne Dock, Chichester and Felling stations where works are scheduled to commence the following year. The works at Central Station in Newcastle are being part funded from a successful bid to the Single Local Growth Fund (SLGF).

Delivery of the asset renewal plan for Metro Reinvigoration has led to increased asset knowledge. We will continue to reinforce our organisational capability in this area. This will include adopting industry best practice to develop systems and processes that improve our knowledge of our assets and our ability to enhance them appropriately to better meet the long-term strategic objectives set for us by the NECA.

At the same time there is the need to ensure the existing Metro network and its varying asset base is properly maintained so that the Metro service can continue to be delivered safely and efficiently.

2.3 Deliver the Bus Strategy

In October 2014 the NECA took the unprecedented step of referring a Quality Contracts Scheme (QCS) for Tyne and Wear to the QCS Board. The financial year 2015/16 will be pivotal, as the legal process plays out and we prepare the organisation for the possible introduction of the QCS, subject to a further decision by the NECA. Whilst that will be both time-consuming and costly, it is a necessary step and will again place us in the national spotlight.

2.3.1. Fit for QCS

This requires detailed planning for the procurement and introduction of a QCS, should the NECA decide to progress a scheme following the decision of the QCS Board.

Key activities will include procurement and evaluation, planning for a transitional period, and initiating the key deliverables of a governance framework, route network, fare structure, and marketing. Much of this activity will continue through the next financial year 2016/17, and will involve most of Nexus' departments and employees in one way or another.

2.3.2. Progress with the QCS

Progress with the QCS is in part dependant on external factors and Nexus has provided all of the required information and documentation to ensure that process requirements are satisfied so that the statutory QCS Board can give proper consideration to the proposed Scheme.

In the meantime, and as instructed by the NECA in October 2014, Nexus will participate in the QCS Board's public hearings in July 2015 and await publication of its findings in October 2015 so that a recommendations can be made on making the Scheme, or otherwise, by December 2015.

2.4 Continuous Organisational Improvement

2.4.1. Focus on Health and Safety

Nexus will continue to sharpen its focus on organisational health and safety during 2015/16 with a range of initiatives aimed at making a step change in the organisation's core beliefs and attitudes to ensuring safe systems of work are employed throughout.

This will be guided internally by our health and safety strategy and we will achieve ISO 18001 accreditation for our occupation health and safety management systems.

2.4.2. Employee engagement

Having implemented a Management Effectiveness Programme the next stage will be to widen this and implement an Employee Development Programme, where the focus remains on supervisory and customer facing staff.

The apprentice training programme will continue with recruitment of the final ten of the planned 30 new apprentices Nexus has committed to employing over the past three years.

Progress on how these and related developments are changing the culture of the organisation will be monitored and reviewed through the annual staff engagement survey.

Through offering tailored development opportunities we will ensure we have the right skills and knowledge within the organisation to be proactive when responding to changes in the business environment.

2.4.3. Effective budget management

A key feature of Nexus' ability to operate as a going concern is for it to maximise its funding which in addition to fare box revenues, comes in grant support whether via the NECA or central government i.e. the Department for Transport.

NECA funding has been secured from the Tyne and Wear transport levy for 2015/16 but a key priority will be for Nexus to negotiate grant support from the NECA in 2016/17 as it pursues the objectives set out for it by the NECA. Nexus will be reviewing its governance structures during the coming year in order to reflect changing requirements being placed on it in its relationship with the NECA.

Similarly, it is vital that DfT funding, whether in the form of revenue grant to help support Metro operations or capital grant necessary to continue to make the sustained investment in the Metro infrastructure is secured moving into 2016/17; something that Nexus will work closely with DfT on over the coming year.

Passenger subsidy will be monitored and reviewed to control any risks to the budget. A programme of planned efficiency savings will be implemented during 2015/16, building on the recent organisational restructure.

We are committed to working with our partners to become more efficient and to offer the residents of Tyne and Wear better value for money spent on public service. A programme of cash savings has been agreed and budgeted for in 2015/16. Work will be carried out to identify the potential for future cash savings over the remainder of the business plan period. This will be complemented by innovating new ways to improve the efficiency and effectiveness of our processes and procedures and drive out waste wherever this is feasible.

Nexus procures many millions of pounds' worth of goods and services each year and we need to be sure that we are getting the best value from this process.

2.4.4. Process improvements

Further efficiency savings will be mandated on all budget managers through the annual corporate business planning and budgeting cycle as Nexus strives to deliver its medium term financial strategy for 2015/16 to 2017/18.

Nexus will continue to ensure the organisation operates in a sustainable manner, reducing resource consumption and the production of waste materials, increase the recycling of waste and better managing our carbon footprint.

Nexus will work with stakeholders such as the Department for Transport and the North East LEP to contribute to a long term transport strategy for the NECA area as well as bidding for new external funding in the more immediate term, to enhance and improve public transport services and facilities.

As the wider business environment changes, so does the way in which Nexus works. We are increasingly becoming a project delivery organisation and therefore we need a standardised approach to ensure our projects are delivered on time, within budget and to the required quality standards. We will also ensure that organisational learning from project delivery is captured to help improve future project management practice and increase our effectiveness in achieving desired outcomes.

2.4.5. Supporting NECA's interests in Rail

The requirement in the recently published Northern Rail franchise specification for a North East management unit will provide the opportunity for improved partnership working with the successful franchisee and in this regard, Nexus will facilitate the

collaboration of all Transport Authorities within the North East rail geography – namely the NECA, the five Tees Valley authorities, North Yorkshire and Cumbria County Councils, to help deliver greater local accountability over local rail services. It is intended that this structure would complement the management unit to be created within the new Northern franchise, potentially acting within a devolved framework within the Rail North Partnership, the body established to govern the new franchisee across the pan-northern region.

Appendix 1: 2015/16 Targets

CBP: Theme	Workstream	14/15 Forecast	15/16 Target
Lead in the Delivery of Better Public Transport Services	Grow public transport Journeys		
	- Metro	38.000m	37.500m
	- Ferry	0.472m	0.477m
	- Secured Bus	8.341m	8.320m
	Improve customer satisfaction		
	- Metro customer satisfaction (overall)	7.6	8.3
	- Metro customer satisfaction (perception of safety and security)	7.1	7.3
	Improve service quality		
	- Metro Charter punctuality	76.9%	87.2%
	- Metro Service Quality Regime: on-train failures per period	113	110
Prepare Metro for the Future	Deliver the asset renewal plan		
	- Maximum variance against target spend per period	4%	10%
	- Maximum variance against on-going and planned project stage gate completion per period	34%	10%
Continuous Organisational Improvement	Employee Engagement		
	- Return from annual staff engagement survey	64%	70%
	- Best Companies Index Score based on the survey results	581	585
	Effective Budget Management		
	- Periodic performance against budgeted	-£1.9m	-£3.1m

	for deficit on the Income and Expenditure Account		
	- Cumulative capital expenditure against target (%)	95.19%	100%

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

DATE: 20th April 2015

SUBJECT: Nexus's Strategic Risks 2015/16

REPORT OF: Managing Director (Transport Operations)

EXECUTIVE SUMMARY

The purpose of this report is to inform the Sub-Committee about the strategic risks identified by Nexus.

RECOMMENDATIONS

It is recommended that the Sub-Committee receives and notes the strategic business risks identified by Nexus for 2015/16.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

1 Background Information

- 1.1 Each year Nexus reviews and updates its strategic risk register, and then monitors and reviews updates against those risks on a quarterly basis.
- 1.2 In a report to the October 2014 meeting of TWSC it was indicated that, as part of the Sub-Committee's remit to monitor Nexus's performance, the TWSC could receive a copy of Nexus's strategic risk register.
- 1.3 This report is intended to fulfil that commitment by providing the Sub-Committee with a copy of the Strategic Risk Register for 2015/16 (attached).

2 Proposals

- 2.1 It is proposed that TWSC will receive a quarterly update on progress against Nexus's strategic risks to provide assurance that risk management is being applied with identified control processes being actively applied by the identified risk owners.

3 Next Steps

- 3.1 Future reporting will be built into the Forward Plan.

4 Potential Impact on Objectives

- 4.1 Nexus's strategic risk register will not impact directly on the objectives of the Combined Authority; however Nexus's approach to strategic risk management will support delivery of NECA's aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

5 Finance and Other Resources

- 5.1 There are no direct financial implications for the Combined Authority regarding the development of Nexus's Strategic Risk Register.

6 Legal

- 6.1 There are no legal implications directly arising from this report.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

7 Other Considerations

7.1 Consultation/Community Engagement

Following review of Nexus's strategic risk register for 2015/16, a risk update agenda item will be added to TWSC's Forward Plan and Nexus's strategic risks will be reviewed every quarter.

7.2 Human Rights

There are no Human Rights implications directly arising from this report.

7.3 Equalities and Diversity

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

7.4 Risk Management

The risk management implications are dealt with in the body of the Report and the Nexus Strategic Risk Register appended to the Report.

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

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

8 Background Documents

8.1 There are no background documents.

9 Links to the Local Transport Plans

9.1 Nexus's approach to strategic risk management will support delivery of the Strategic Economic Plan and the Tyne and Wear Local Transport Plan, by acknowledging the biggest long-term threats to delivery.

10 Appendices

10.1 Nexus strategic risk register for 2015/16.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

11 Contact Officers

- 11.1 Tobyn Hughes, Managing Director (Transport Operations),
Tobyn.hughes@nexus.org.uk
0191 2033246

12 Sign off

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

Nexus' Strategic Risk Log

2015/16

Michael Hunt

Background:

- Strategic Risk relates to those factors that might have a significant effect on the achievement of Nexus' long-term business objectives and therefore the successful delivery of the NECA's policies and priorities.
- The effect can be a threat (adverse consequences) or an opportunity (positive consequences).
- Risks are scored according to Likelihood (of the occurrence) and Impact (on the business).
- A five by five matrix is used, with a maximum score of 25.
- Nexus' corporate business plan themes are: Deliver Better Public Transport, Transform Metro through Reinvigoration, Deliver the Bus Strategy and Become a Smarter Organisation. Each risk indicates which theme it is associated with.

Log of Nexus Strategic Risks for 2015/16

Theme: Transform Metro Through Reinvigoration.

Risk name: Funding for & affordability of Metro Asset Renewal Plan (ARP) Phase 2.

Risk Identifier: SR.15.01 **Risk Owner:** Director of Finance and Resources

Risk Description: DfT has confirmed 100% of ARP funding for 2016/17, however only 75% of uplift funding has so far been confirmed for 2017/18 and 2018/19. It is essential that full funding for these years is achieved within the next 12 months, otherwise Phase 2 of the ARP would need to be scaled back significantly. The final tranche of ARP funding for years 2019/20 & 2020/21 is presently confirmed at 50% and this will be addressed in due course.

Control Processes:

- Implementation of DfT/AMCL process audit recommendations.
- Programme management, project delivery and budget control processes.
- Financial strategy, planning and management.
- 4-weekly progress reporting to, and 1/4ly reviews with, DfT.
- Explain to DfT the outcome of not achieving full funding in terms of the implications for asset performance and the long-term affordability of the ARP.
- Procurement strategy & contractual arrangements that minimise risk and deliver VFM.
- Value engineering, technology choice, option analysis, specification and scope.
- Engaging members in work prioritisation processes.
- Active stakeholder engagement/increasing public awareness.
- Engaging with national government, local councillors & MPs and building public support.

Uncontrolled: Likelihood: Very High Impact: Very High Score: 25 (5x5)

Controlled: Likelihood: Low Impact: Very High Score: 10 (2x5)

Log of Nexus Strategic Risks for 2015/16

Theme: Transform Metro Through Reinvigoration.

Risk name: Funding commitment to Metro ARP Phase 3.

Risk Identifier: SR.15.02

Risk Owner: Managing Director (Transport Operations)

Risk Description: That key stakeholders may not give a positive commitment to Phase 3 of Metro reinvigoration.

Control Processes:

- Developing the long term Metro strategy.
- Linking the strategy's proposals to the long term development aspirations of the NECA, local Councils and the North East LEP's Strategic Economic Plan.
- Engaging with national government.
- Engaging with local councillors and MPs.
- Leading in development of the business case.
- Identifying and investigating potential funding streams.

Uncontrolled: Likelihood: Very High Impact: Very High Score: 25 (5x5)

Controlled:

Likelihood: Significant

Impact: Significant

Score: 09 (3x3)

Log of Nexus Strategic Risks for 2015/16

Theme:	Become a Smarter Organisation.
Risk name:	Realising smart technology outcomes.
Risk Identifier:	SR.15.03
Risk Owner:	Corporate Manager Business Change and Technology.
Risk Description:	That a combination of factors including emerging technological developments, changing business requirements and shifts in stakeholder expectations could give rise to sub-optimal outcomes.
Control Processes:	<ul style="list-style-type: none">• Develop a technology roadmap that will provide a blueprint for progress over the next 5 to 15 years.• Seek to 'future proof' developments using appropriate procurement and contractual arrangements.• Regular review of future business requirements.• Recruit and develop staff.• Develop new retail products and sales channels to enhance customer experience.• Develop and document internal business rules, processes and change management controls.• Manage the aspirations and expectations of partners and stakeholders.• Robust partnership working arrangements.• Clarity and shared understanding with stakeholders about what specific projects will and will not deliver.• Raise understanding and awareness of projects through relevant communications and marketing campaigns.
Uncontrolled Score:	Likelihood: Very High Impact: Very High Score: 25 (5x5)

Controlled Score

Likelihood: Significant

Impact: High

Score: 12 (3x4)

Log of Nexus Strategic Risks for 2015/16

Theme:	Deliver the Bus Strategy
Risk name:	Public Funding for Bus Services
Risk Identifier:	SR.15.04
Risk Owner:	Director of Finance and Resources
Risk Description:	That reduced public transport funding, including changes to the allocation of CT, may further limit Nexus ability to deliver socially necessary bus services.
Control Processes:	<ul style="list-style-type: none">• Financial strategy, planning and management.• Explain the need to protect budgets for secured service provision to stakeholders.• Use Continuous Monitoring Survey and Smart Ticketing data to help inform discussions with bus operators with regard to the calculation and distribution of CT reimbursement.• Engage government via pteg and directly on CT funding matters.• Increase awareness of the need for public funding to support the local bus service network.• Build local support for the social, environmental and economic benefits of bus services.• Ensure that procurement strategy and contractual arrangements deliver VFM.• Prepare options for service reductions should pressures on funding become material.• Clearly articulate how the BSDP/QCS will protect service provision.
Uncontrolled:	Likelihood: Very High Impact: Very High Score: 25 (5x5)

Controlled: Likelihood: Significant Impact: Very High Score: 15 (3x5)

Log of Nexus Strategic Risks for 2015/16

Theme: Deliver the Bus Strategy.

Risk name: Tools to deliver the bus strategy.

Risk Identifier: SR.15.05

Risk Owner: Corporate Manager Bus Services

Risk Description: That the process to introduce a QCS is novel and complex, leading to uncertainty over outcomes and timescales for delivery.

- Control Processes:**
- Mitigate legal risks by seeking detailed advice from Counsel and specialist legal advisers.
 - Ensure that the financial strategy dovetails with expected QCS timescales.
 - Prepare a detailed transformation plan.
 - Mitigate operational and procurement risks by seeking advice from bus industry specialists.
 - Ensure the QCS is legally and procedurally compliant to meet the required formal conditions.
 - Ensure local and national stakeholders are aware of the process as it develops.
 - Maintain constructive dialogue with local bus operators.
 - Put in place background information and research projects in order to ensure that a strong and open competition for the procurement of Quality Contracts can be achieved.

Uncontrolled: Likelihood: Very High Impact: Very High Score: 25 (5x5)

Controlled: Likelihood: Significant Impact: High Score: 12 (3x4)

Log of Nexus Strategic Risks for 2015/16

Theme: Deliver better public transport.

Risk name: Service Quality of Metro Concession.

Risk Identifier: SR.15.06

Risk Owner: Director of Rail and Infrastructure.

Risk Description: That continued delivery of the current Metro operating concession may not meet expectations.

Control

Processes:

- Maintain close concession contract management with DBTW.
- Reinforce DBTW approaches with professional support and expertise from Nexus employees where appropriate.
- Joint meetings to focus on operational delivery and improvements to customer communications.
- Regular liaison between Nexus/DBTW senior management teams and with Arriva Rail.
- Keep key stakeholders informed of developments.
- Enforcement of contractual penalty mechanisms.
- Feed lessons into development of approaches to future delivery of Metro services

Uncontrolled:	Likelihood: High	Impact: Very High	Score: 20 (4x5)
Controlled:	Likelihood: Significant	Impact: Significant	Score: 9 (3x3)

Log of Nexus Strategic Risks for 2015/16

Theme:	Deliver better public transport.
Risk name:	Quality of non-Metro Infrastructure Assets.
Risk Identifier:	SR.15.07
Risk Owner:	Director of Rail and Infrastructure
Risk Description:	That, due to financial pressures, reductions in the level of capital resources for the non-Metro asset base (e.g. ferry, bus stations, bus shelters and associated infrastructure) could result in adverse consequences for the quality of this infrastructure with consequential negative impacts on service delivery and customer satisfaction which need to be addressed through better use of the resources available.
Control	<ul style="list-style-type: none"> • Update and expand knowledge of the non-Metro infrastructure asset base including information confirming current location, deployment, use and condition etc. • Development of a long term plan for improving the condition, capability and capacity of the non-Metro

Processes: assets to meet the required standards for service delivery e.g. through maintenance, repair, replacement or renewal.

- Engage as necessary external stakeholders to obtain their commitment to the resource requirement involved.

Uncontrolled: Likelihood: High (4) Impact: High (4) Score: 16 (4x4)

Controlled: Likelihood: Low (2) Impact: High (4) Score: 8 (2x4)

Log of Nexus Strategic Risks for 2015/16

Theme: Become a Smarter Organisation

Risk name: Learning from safety related accidents and near-miss incidents

Risk Identifier: SR.15.08

Risk Owner: Corporate Manager Health, Safety, Training, Quality & the Environment

Risk Description: That Nexus' ability to deliver services and functions could eventually be compromised if it does not ensure organisational learning from workforce accidents and near misses. Reducing the incidence of accidents and near misses by analysing causes and implementing improvements will help ensure the capacity and capability of the workforce is retained and developed.

- Control Processes:**
- Continue to record and monitor data about accidents and near misses.
 - Reinforce the process of identifying failings through accident investigation and analysis of near misses.
 - Ensure progress is made in improvement actions identified to address those failings.
 - Continue to utilise the All Accident Frequency Rate and similar indices for reporting and monitoring purposes.
 - Seek to establish benchmarking against best practice for similar organisations.
 - Enhance the safety culture of the organisation through the Safety Plan and a safety culture improvement programme.
 - Monitor and review organisational progress through the Corporate Management Team.

Uncontrolled: Likelihood: Very High (5) Impact: Very High (5) Score: 25 (5x5)

Controlled: Likelihood: Significant (3) Impact: Very High (5) Score: 15 (3x5)

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North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

DATE: 20 April 2015

SUBJECT: Metro Performance Update
DB Regio Tyne and Wear Limited (DBTW) Performance Update

REPORT OF: Managing Director (Transport Operations)

EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the current performance issues with regards to DBTW.

RECOMMENDATIONS

It is recommended that the Committee note the contents of this report.

North East Combined Authority

Transport North East (Tyne and Wear) Sub-Committee

1. Background Information

- 1.1 In addition to the regular performance update, this paper is aimed at offering an insight into the matters currently driving the performance levels of the Metro system.
- 1.2 Overall performance of the network is measured at a macro level using Charter Punctuality. The target for this measure is 87.2% and since the lowest ever “post concession” figure of 64.53% in period 8 of this year, other periods have delivered:
- Period 9 71.71%
 - Period 10 76.79%
 - Period 11 77.94%
 - Period 12 76.86%

These figures are on average 8.1% less than the same periods last year. The last time the target was achieved was Period 1 this current year (2014/15).

- 1.3 Punctuality results are a function of not only DBTW’s performance but also that of Nexus and Network Rail. In the case of Nexus, during recent periods there have been mixed levels of output performance ranging from very good to two very poor periods. In Period 8 a number of Nexus signalling related problems occurred at the same time as Low Rail Adhesion peaked and these factors consequentially suppressed punctuality. In early January 2015 (Period 11), two major power outages emanating from the National Grid also adversely affected Metro performance. From Period 8 to 12 inclusive, DBTW have posted their worst performance results ever in four out of the five periods using Excess Headway minutes (EHW mins). Over and above the performance of Nexus and DBTW in the period from P8 to P12 inclusive, Network Rail has had a number of serious incidents resulting in their performance being worse by around 30%. The net effect of this convergence of incidents has seen an extremely poor set of period results since Period 8 of this year.
- 1.4 Notwithstanding matters outlined in section 3 above, in a typical period the percentage contribution of each party is in EHW mins (using Period 12 to illustrate):
- Operator 63%
 - Timetable (attributed to Operator) 21%
 - Nexus 9%
 - Network Rail 5%
 - Other 2%

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Note that timetable EHW mins delays are a function of our timetable spec Vs the way in which the OPR gathers data. Ordinarily no delays are seen by passengers but EHW mins data is gathered.

- 1.5 EHW minutes are used as a means of quantifying perturbation on the Metro system and allocated to causal factors. Each causal factor with the exception of “Other” has an owner in terms of an organisation. The analysis using EHW mins allows a determination of which organisation has contributed to what level of perturbation in any given period. Reflecting the extent of their operations, DBTW will bring most of the disruption to the network and are by far the biggest contributor to good or bad performance. In short DBTWs good performance is key to maintaining a high level of performance which results in the Charter Punctuality being achieved.
- 1.6 In this year, three main factors have dominated DBTW performance, these being:
 - Driver (total) 35,613 EHW mins
 - Metrocar door 19,734 EHW mins
 - Metrocar power 19,302 EHW mins
- 1.7 In addition to the above, for part of this year, some other causal factors have gathered considerably higher quantities of EHW mins and given that these are categories such as *Under Investigation*, *Passenger Loadings* and *Regulation*, the actual disruption relating to Drivers and Metrocar problems (doors and power) will almost certainly be understated.
- 1.8 In relation to disruption caused by drivers’ issues, DBTW had a larger than normal number of drivers leaving their employment in 2014. The number of drivers leaving employment in 2014 was 18, around double the mean of the three previous years. A number of actions have been undertaken around how to respond to this and a totally revised set of arrangements have been put in place to train more drivers. This has resulted in the capability to train drivers doubling to 24 per year. Further to this an “up front” recruitment programme for drivers has been undertaken and resulted in a bank of successful candidates being established allowing a quicker and more responsive set of arrangements.
- 1.9 Metrocar doors, in line with almost all other passenger vehicles in any railway system, represent a significant source of unreliability. The emerging trend in 2014/15 is 25% worse than the previous year. This performance risk is being addressed, in the main, by a major door overhaul programme which forms part of the $\frac{3}{4}$ Life Refurbishment. It should be noted the door works lags behind the main $\frac{3}{4}$ Life work. This programme is due to be completed in late

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2015. Analysis undertaken by DBTW shows the door overhauled Metrocars door systems operate three times more reliable than those not yet overhauled. Other work aimed at improving door reliability is currently being developed by the DBTW Fleet Engineering Team.

- 1.10 Metrocars power problems are 49% worse this year Vs last. The types of problems are varied and from a Nexus perspective there is less visibility of and therefore a reduced confidence in any solutions delivering a reversal of this trend. This matter represents an on-going and potentially worsening risk to the Metro punctuality.

Low Rail Adhesion (LRA)

- 1.11 Low Rail Adhesion affects all operators of trains in the UK and represents a significant performance risk around autumn. Whilst there are many factors that prevail upon how services perform under LRA conditions, the physical interface between the train wheels and the track is key to how best to mitigate the risk. In recent years, Nexus has undertaken an upscaling of its line side devegetation programme and additionally invested in a Rail Head Treatment Train (RHTT). The latter has introduced the latest and best practices from the UK rail industry into combating autumn problems for Metro users. LRA year on year has fallen from 25,480 EHW mins to 14,101 EHW mins (a 45% improvement). Work will continue on LRA both within Nexus and DBTW aimed at delivering further improvements.

Management of DBTW

- 1.12 Reflecting a decline in performance on the part of DBTW, a number of actions have already been initiated by Nexus, these include:
- The establishment of a joint performance system
 - The introduction of a 4-weekly Joint Performance Meeting
 - Directing DBTW to focus on core activities aimed at improving performance of the Metros.
- 1.13 Moving forward and aimed at addressing the areas of DBTW's activities that require greater visibility, it is intended to introduce a closer degree of monitoring of fleet maintenance activities. This will take the form of a weekly meeting that will closely follow the progress on key activities being undertaken by the DBTW Fleet Engineering Team and, in addition to this, frequent assurance checks on the quality of work undertaken on Metrocars.
- 1.14 DBTW has been advised of the intended introduction of this additional monitoring approach and is co-operating fully with Nexus. It is envisaged the

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additional monitoring approach will continue until such time as there is an improving trend emerging or, should a further decline in Metrocar fleet performance materialise, increased incremental actions be deployed.

- 1.15 The activities and actions outlined in this report will be monitored by, subject to the approval of new arrangements, the soon to be formed Corporate Management Team Meetings.

2. Potential Impact on Objectives

- 2.1 The successful operation of the Tyne and Wear Metro assists the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

3. Finance and Other Resources

- 3.1 The Director of Finance and Resources confirms that DBTW will suffer financial penalties amounting to around £270,000 this financial year as a result of their performance in respect of the OPR. This is in line with expectations.

4. Legal

- 4.1 There are no direct legal considerations arising from this report.

5. Other Considerations

5.1 Consultation/Community Engagement

There are no specific consultation/community engagement considerations arising from this report.

5.2 Human Rights

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

5.3 Equalities and Diversity

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

5.4 Risk Management

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

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5.5 Crime and Disorder

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

5.6 Environment and Sustainability

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

6. Background Documents

6.1 None.

7. Links to the Local Transport Plans

7.1 This report has no direct links to plans in the Policy Framework.

8. Appendices

8.1 Not applicable.

9. Contact Officer

9.1 Raymond Johnstone, Director of Rail and Infrastructure, Nexus
Tel: 0191 203 3500

10. Sign off

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

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