



**Transport North East Committee**

Thursday, 3rd November 2016 at 2.00 pm

Meeting to be held in a Committee Room, County Hall, Durham, DH1 5UQ

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## SUPPLEMENTAL AGENDA

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11. <b>Draft Transport Budget and Levies 2017/18</b>	<b>1 - 10</b>
12. <b>Capital Programme 2016/17 Update</b>	<b>11 - 24</b>

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**To All Members**

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## North East Combined Authority

### Transport North East Committee

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**DATE:** 3 November 2016

**SUBJECT:** Draft Transport Budget and Levies 2017/18

**REPORT OF:** Chief Finance Officer

#### **EXECUTIVE SUMMARY**

This report provides the Transport North East Committee with a summary of the latest information about the draft transport budgets and transport levies for 2017/18 for consideration and comment in order to inform the recommendations to be made in the report to the NECA Leadership Board meeting on 15<sup>th</sup> November 2016 about the draft Transport Budget for wider consultation. Further comments will be reflected in the report on the Transport Budget and Levies for 2017-18 to 2019/20 due to be considered by the NECA Leadership Board on 17<sup>th</sup> January 2017. The Nexus elements of the budgets will be considered in more detail by the Tyne and Wear Transport Sub-Committee on 3 November.

#### **RECOMMENDATIONS**

Transport North East Committee is recommended to:

- a) Note the contents of this report;
- b) Note the current position with regard to the development of the overall potential transport net revenue budget of £84.808m proposed for 2017/18 as set out in section 3 and the potential Budget position for the following two years;
- c) Consider the proposals and any comments or information that should be included in the report to the NECA Leadership Board on 15<sup>th</sup> November about the draft Budget Proposal for future years; and
- d) Note that members of the committee will be informed of the results of consultation and given the opportunity to comment on Transport proposals that will be included in the NECA Leadership Board report to be considered on 17<sup>th</sup> January 2017.

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### 1. Background

- 1.1 This report sets out a summary of the proposed draft Transport Revenue Budget and Levies for 2017/18 in order that recommendations can be agreed for inclusion in the budget report to the 17 January 2017 Leadership Board meeting. This is a requirement of the NECA constitution and needs to comply with regulations relating to the allocation of Transport Budgets and Levies.
- 1.2 The revenue position in the current year 2016/17 is positive, with spending expected to be within the current year's budget. Information about the progress with all revenue budgets will be reported to the Leadership Board on 15<sup>th</sup> November as part of the Financial Update report.
- 1.3 At this stage in the development of the Transport Budget for 2017/18, Transport Levies and Transport net revenue budgets are likely to be approximately £84.808m, which is an overall reduction of £2.086m (-2.4%) compared with the current year. This reflects a potential reduction in the Tyne and Wear levy of £2.08m (-3.2%), an increase of £0.042m (0.3%) in Durham County to £15.482m and a decrease of £0.048m (-0.8%) in Northumberland to £6.286m. This will be the second year in which transport levies are being set in Durham and Northumberland under the requirements of the Combined Authority as set out in the Order. Details of the proposed budgets and levies for each area for 2017/18 are set out in section 2 below.

### 2 Transport Revenue Budgets 2017/18

- 2.1 The overall total proposed net revenue budget for transport in 2017/18 is currently £84.808m. This represents a net reduction of £2.086m (-2.4%) on the overall transport net revenue budget for 2016/17 agreed by the Leadership Board in January 2016. Information about the draft budget and the levy for each of the three areas in NECA are summarised in the table below and set out in more detail in the following sections.

**Table 1: Summary of proposed transport budgets and levies 2017/18**

Area	Transport Budget and Levy	Change from 2016/17
	£	£
Durham	15,482,424	42,381
Northumberland	6,285,980	(47,949)
Tyne and Wear	63,040,000	(2,080,000)
<b>Total</b>	<b>84,808,404</b>	<b>(2,085,568)</b>

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### Durham County Council

- 2.2 The budget and levy for public passenger transport activity in County Durham is expected to be in the region of £15.482m for 2017/18. This compares with an original budget of £15.440m for 2016/17 and a revised forecast for 2016/17 estimated at £15.399m. The budget and levy for 2017/18 is summarised in the table below.

**Table 2: Draft Durham Transport Budget and Levy 2017/18**

	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>
<b>Grant to Durham</b>	<b>£</b>	<b>£</b>	<b>£</b>
Concessionary Fares - Statutory	11,746,934	(9,000)	11,737,934
Concessionary Fares - Discretionary	537,000	0	537,000
Subsidised Bus Services	4,119,971	(1,806,551)	2,313,420
Bus Stations	457,791	(314,211)	143,580
Bus Shelters	31,350	(12,120)	19,230
PT Information	184,440	(95,514)	88,926
Staffing	637,334	0	637,334
<b>Total Grant</b>	<b>17,714,820</b>	<b>(2,237,396)</b>	<b>15,447,424</b>
Share of NECA Transport Costs	5,000	0	5,000
<b>Transport Levy</b>	<b>17,719,820</b>	<b>(2,237,396)</b>	<b>15,482,424</b>

- 2.3 The overall bus network in County Durham remains fairly stable and we are not aware of any significant commercial changes planned for 2017/18. The total number of bus passenger boardings in the County has seen a further modest decline over the past twelve months; this is considered to be generally in line with national trends.
- 2.4 The budget for subsidised bus services was reduced by £400,000 in 2016/17 through a combination of efficiency savings and a reduction in costs following contract retendering. Although there are no confirmed plans to make further reductions, it will be necessary to keep this area of the budget under review in line with Durham County Council's Medium Term Financial Plan requirements.
- 2.5 The majority of the council's subsidised service contracts are due to be retendered in July 2017. This creates a degree of budget uncertainty and we are anticipating some modest pressure on contract costs in line with the recent introduction of the National Living Wage. The focus of spend on subsidised services will continue to be on maintaining the level of accessibility in rural and semi-rural areas and supplementing the daytime commercial network with early and later journeys.

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- 2.6 The budget for concessionary fares continues to be subject to pressure from commercial fare increases. However, these impacts are largely being mitigated by a combination of the effects of the rise in entitlement age and a stabilisation of concessionary travel journeys.
- 2.7 In addition to public transport services, the transport team in Durham will continue to focus on integration and efficiency in the delivery of home to school transport and adult social care transport across the County.

### Northumberland County Council

- 2.8 The draft budget and levy for public transport activity in Northumberland is expected to be in the region of £6.281m for 2017/18. This compares with a budget of £6.334m for 2016/17. The budget and levy for 2017/18 is summarised in the table below.

**Table 3: Draft Northumberland Transport Budget and Levy 2017/18**

	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Concessionary Fares	4,802,940	(12,940)	4,790,000
Subsidised Bus Services	1,999,740	(696,340)	1,303,400
PT Information	3,400	0	3,400
Staffing	184,180	0	184,180
<b>Total Grant</b>	<b>6,990,260</b>	<b>(709,280)</b>	<b>6,280,980</b>
Share of NECA Transport Costs	4,939	0	4,939
<b>Transport Levy</b>	<b>6,995,199</b>	<b>(709,280)</b>	<b>6,285,919</b>

- 2.9 The indicative budget for 2017/18 has reduced by £47,949 compared with the levy for 2016/17. This is due to a slightly lower estimated spending pressure on the Concessionary Fares budget. The budget for Bus Services is unchanged to its current level with no significant investment in the county's bus stations planned for 2017/18. The final budget will be agreed at the Council's Cabinet on 6<sup>th</sup> December 2016 and ratified at the full County Council meeting on 7<sup>th</sup> December 2016.

### Tyne and Wear

- 2.10 Figures for the Tyne and Wear levy have been prepared on the basis of the potential Budget and Levy approach and figures discussed in February 2016, which involved a proportionate saving in line with the reduction in Spending Power of the Tyne and Wear authorities (excluding the social care precept increase). In headline terms this would involve a cash saving to constituent councils of £2.080m (-3.2%) in 2017/18, £3.32m (5.1%) in 2018/19 and £3.92m in 2019/20.

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- 2.11 The distribution of the Levy within Tyne and Wear is based on population and the levy will reflect changes in population as well as the cut in the overall amount. The indicative levy for 2017/18 for each of the Tyne and Wear districts is shown below, assuming that a sustainable levy reduction can be made. The saving to councils of £2.080m in 2017/18 will be achieved through a combination of a sustainable levy reduction and a repatriation of reserves, with a full sustainable levy reduction being made once budget savings have been agreed.

**Table 4: Draft Tyne and Wear Transport Budget and Levy 2017/18**

District	Population (2015 Mid Year Estimates)	2017/18 Proposed Levy	Saving compared to 2016/17
Gateshead	200,996	11,291,085	(380,260)
Newcastle	292,883	16,452,899	(418,323)
North Tyneside	202,494	11,375,236	(426,441)
South Tyneside	148,671	8,351,693	(306,425)
Sunderland	277,150	15,569,087	(548,551)
<b>Total</b>	<b>1,122,194</b>	<b>63,040,000</b>	<b>(2,080,000)</b>

- 2.12 This reduction would bring the overall annual transport levy reduction since 2010 to £15.08m, which has largely been achieved through efficiency savings and use of reserves, whilst protecting service outcomes to date. This level of saving while protecting service outcomes is a significant achievement, particularly in the light of the cost pressures in respect of Concessionary Travel and outcomes in other regions around the country where there have been some significant cuts in services.
- 2.13 Proposals for the Nexus budget are set out in detail for consideration by Tyne and Wear Sub Committee as part of their agenda. They have taken into account consultation on service priorities undertaken during 2016. The proposals for 2017/18 involve the achievement of the saving through further efficiency measures; savings in capital financing costs; some temporary use of reserves and changes which have a minimal impact on services and no impact on services considered to be a higher priority. The potential for a further reduction in the levy in future years also being considered by the Tyne and Wear Sub Committee. The achievement of this further saving and the delivery of a balanced budget over the next three years is likely to have an impact on Transport services in Tyne and Wear and this will be the subject of further consultation in 2017 before services changes are implemented in 2018. The detailed recommendations agreed by the Tyne and Wear Sub Committee will be reflected in the Budget report to the Leadership Board and in any consultation. The proposed allocation of the Tyne and Wear Levy between the Grant to Nexus and the non-Nexus Tyne and Wear Transport budget is set out in the table below:

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**Table 5: Allocation of the draft Tyne and Wear Levy for 2017/18**

	<b>2016/17</b>	<b>2017/18</b>	<b>Change</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Levy budget (non-Nexus)	2,620,000	2,150,000	(470,000)
Grant to Nexus	62,500,000	60,890,000	(1,610,000)
<b>Total Levy</b>	<b>65,120,000</b>	<b>63,040,000</b>	<b>(2,080,000)</b>

- 2.14 Proposals for the Nexus budget are set out in detail for consideration by Tyne and Wear Sub Committee as part of their agenda. The proposed allocation of the Tyne and Wear Levy is set out in the table below:

**Levy Budget (non-Nexus)**

- 2.15 This budget primarily relates to activity inherited from the former Tyne and Wear ITA along with central transport activity funded by the levy. The vast majority (89%) relates to financing charges on historic debt. Additionally, there is budget provision to pay for support services/Transport SLAs, other supplies and services, the external audit fee and a repayment to the Tyne Tunnels for use of reserves in 2013/14 to pay off the pension deficit.
- 2.16 The Tyne and Wear (former ITA) Transport Revenue reserves are estimated to reduce from £0.563m at the start of 2016/17 to £0.499m at the year end, prior to any repatriation of reserves in the current year. The indicative overall position for 2017/18 is largely breakeven. The indicative budget for 2017/18 is summarised in the table below.
- 2.17 The reduction in the contribution from the levy has largely been achieved through a proposed change to the method for calculating the Minimum Revenue Provision (MRP) which is the set aside from reserves to meet debt repayments in future years. For Tyne and Wear, this debt is historic supported borrowing taken out by the former Passenger Transport Authority, where the constituent Tyne and Wear authorities receive government grant. The proposal would involve moving from a 4% reducing balance method of calculating MRP, to a 2% straight line basis. This will be discussed in more detail in a report to the Leadership Board in November.



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**Table 6: Draft Tyne and Wear centrally held Transport Budget 2017/18**

	<b>2016/17 Revised Estimate</b>	<b>2017/18 Estimate</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Support Services / staffing	230	230	-
Administration and Governance	40	43	3
Financing Charges	2,303	1,769	(534)
Contingency / Devolution	110	110	-
<b>Total Spending</b>	<b>2,683</b>	<b>2,152</b>	<b>(531)</b>
Use of Transport Reserve	(63)	(2)	(61)
<b>Contribution From Levy</b>	<b>(2,620)</b>	<b>(2,150)</b>	<b>(470)</b>

### Tyne Tunnels

- 2.18 The Tyne Tunnels are accounted for as a ringfenced trading account within the accounts of NECA, meaning that it is wholly funded from the tolls and Tyne Tunnels reserves, with no call on the levy or government funding.
- 2.19 In 2016/17 the original budget for the Tunnels account had a small planned deficit of £0.289m to be funded from the Tyne Tunnels Reserves. Increased traffic flow in year has resulted in increased income, and along with savings in financing costs, the net outturn for the account in 2016/17 is estimated to be a reduced deficit of £0.120m.
- 2.20 The indicative budget for 2017/18 is set out in the table below.

**Table 7: Draft Tyne Tunnel Budget 2017/18**

	<b>2016/17 Revised Estimate</b>	<b>2017/18 Estimate</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Tolls Income	(29,633)	(29,800)	(167)
Contract payments to TT2	22,968	23,097	129
Employees	37	39	2
Pensions	52	53	1
Support Services	90	90	-
Supplies and Services	35	35	-
Community Fund	10	10	-
Financing Charges	6,901	6,900	(1)
Interest/Other Income	(100)	(100)	-
Repayment from TWITA reserves	(240)	(240)	-
<b>Contribution (to)/from reserves</b>	<b>120</b>	<b>84</b>	<b>(36)</b>

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### Regional Transport Team

- 2.21 The Regional Transport Team budget is to support NECA and NELEP as a whole, on a seven authority wide basis. The budget includes salary costs and the items required to ensure a functional central resource across the NECA area including the development of the new NECA Transport Plan and various research projects where value can be added at a NECA level including modelling works, major schemes bid development, the Freight Quality Partnership and NECA based studies.
- 2.22 The table below provides a summary of the forecast expenditure for 2016/17 and indicative budget for 2017/18, which is still subject to further discussions about the level of activity needed in 2017/18. The outcome of these discussions will be reflected in the January 2017 budget report.

**Table 8: Indicative Regional Transport Team Budget for 2017/18**

	<b>2016/17 Forecast</b>	<b>2017/18 Indicative Estimate</b>
Staffing	489,300	519,100
LTP4 Development and LGF Business Case Assessment	332,700	220,000
Research and Development	178,600	150,000
Miscellaneous (e.g. Travel and meetings)	8,000	8,000
	<b>1,008,600</b>	<b>897,100</b>
Funded by:		
NECA Integrated Transport Block	(500,000)	(500,000)
LGF Programme Management	(400,000)	(200,000)
Prior Year balances carried forward	(315,595)	(200,000)
	<b>(1,215,595)</b>	<b>(900,000)</b>

### 3 Next Steps

- 3.1 Further consultation on the 2017/18 budget proposals will be taking place during November and December. The Leadership Board will meet to agree the 2017/18 NECA Budget and Transport Levies on 17 January, taking into account the recommendation from this committee as well as any comments made during the consultation process.

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3.2 The revenue budgets of the Delivery Agencies will be monitored and reported to the Transport North East Committee on a regular basis during 2017/18.

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

4.1 The report sets out the proposed transport finance and resourcing of the Combined Authority to support the delivery of its objectives.

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

5.1 The finance implications are set out in detail in the body of the report. The reserves identified in the report are considered to be appropriate to manage risks relating to transport activities of NECA.

### **6 Legal**

6.1 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.

6.2 The treatment of transport costs and their funding through levies are set out in the NE Combined Authority Order and in the Transport Levying Bodies (amendment) Regulations 2014.

### **7 Other Considerations**

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

7.1.1 The budget proposals for 2017/18 are currently subject to a period of consultation which includes the North East Leadership Board, Treasurers/Finance Directors meetings, Chief Executives meetings, meetings with individual Councils to discuss detailed budget points, consultation with the North East Chamber of Commerce and consideration by Overview and Scrutiny Committee.

#### **7.2 Human Rights**

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

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

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

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### 7.4 Risk Management

- 7.4.1 Financial risks associated with the authority's transport activities, and actions taken to mitigate these, will be factored into strategic risk management processes for the Combined Authority. Reserves will be set to help manage risk and will take into account potential risks.

### 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.

## 8 Background Documents

- 8.1 Leadership Board 19 January 2016 - Budget Report 2015/16  
8.2 Leadership Board 20 September 2016 – 2017/18 Budget Process and Timetable

## 9 Links to Plans in the Policy Framework

- 9.1 This report has links to the delivery of the Transport plans in the Policy Framework.

## 10 Appendices

None

## 11 Contact Officers

- 11.1 Paul Woods, Chief Finance Officer, [paul.woods@northeastca.gov.uk](mailto:paul.woods@northeastca.gov.uk),  
07446936840

## 12 Sign off

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

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**DATE:** 3 November 2016

**SUBJECT:** Capital Programme 2016/17 Update

**REPORT OF:** Chief Finance Officer

#### **EXECUTIVE SUMMARY**

This report provides the Transport North East Committee with a monitoring update on delivery of the 2016/17 Transport capital programme.

#### **RECOMMENDATIONS**

It is recommended that the Committee notes the content of this report and the actions being taken and proposed to deliver the 2016/17 capital investment programme.

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### 1 Executive Summary

1.1 This report provides the Transport North East Committee with the second monitoring update on the 2016/17 Transport capital programme. This is a requirement of the NECA constitution and is a function delegated to TNEC.

1.2 The latest estimate of the 2016/17 Transport Capital Programme is £90.77m, which includes over-programming, with a forecast spend for the year of £85.9m at this time. Given the complexity of the schemes in the programme, there is still the potential for some of the planned activity and spending on LGF projects to slip over into 2017/18. Further actions to maximise the LGF grant spend this year are being considered and these are set out in section 3.2.3. Details of the various elements making up the capital programme are presented in the narrative below with further detail in the appendices.

### 2 Background Information

2.1 At its meeting on 20 January 2016, the Leadership Board agreed a total capital programme for 2016/17 of which around £96m related to investment in Transport schemes.

### 3 Transport Capital Programme 2016/17

3.1 A summary of the Transport Capital Programme for 2016/17 is shown in the table below. The latest approved budget takes into account the outturn position for 2015/16. At the mid point of the year, expenditure is around £29.591m, or 33% of the latest approved programme, but is anticipated to be around £85.898m at the year-end.

Transport Programme	Original Approved Budget 2016/17 £m	Latest Approved Budget 2016/17 £m	Spend at end Q2 Sept 16 £m	Forecast 2016/17 £m
Local Growth Schemes	41.980	31.678	2.136	28.668
Metro Asset Renewal	41.192	44.314	19.798	42.455
Nexus Non-Metro*	0.650	0.842	0.011	0.838
Tyne Tunnels	0.000	1.199	0.686	1.199
Other Transport Grants*	12.362	12.738	6.960	12.738
<b>Total</b>	<b>96.184</b>	<b>90.771</b>	<b>29.591</b>	<b>85.898</b>

\*Less grant funding shown in other programme lines

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### 3.2 Local Growth Deal Capital Schemes 2016/17

3.2.1 The total current LGF programme for 2016/17 amounts to £86.658m including £31.678m of Transport schemes. Forecast spend for the year is now £28.668m, as set out in the table below:

LGF Transport Scheme	Approval Status	2016/17 Forecast (£m)
Lindisfarne Roundabout	Approved	2.509
Northern Access Corridor Ph 3 Stage 2	Business Case	2.154
Northern Access Corridor Ph 3 Stage 1	Approved	0.346
Local Sustainable Transport Fund Package	Approved	3.822
A19 employment corridor access improvements (North Tyne)	Approved	1.750
A191 junctions including Coach Lane and Tyne View Park	Approved	1.333
Newcastle Central Station to Stephenson Quarter – Stage 1	Approved	0.190
Newcastle Central Station to Stephenson Quarter – Stage 2	Pipeline	-
A1056-A189 Weetslade roundabout improvements and A1-A19 link (A1058)	Approved	3.031
Scotswood Bridgehead – Stage 1	Approved	0.139
Scotswood Bridgehead – Stage 2	Business Case	2.160
South Shields Transport Hub – Stage 1	Approved	0.873
Sunderland Low Carbon Zone	Approved	4.583
A1058 Coast Road	Approved	3.730
A167 Park and Ride Corridor	Pipeline	-
Northern Access Corridor – Ph 2 Stage 1	Approved	0.068
Northern Access Corridor – Ph 2 Stage 2	Business Case	0.410
Horden Rail Station	Pipeline	0.750
A185/A194/A19 (The Arches)	Pipeline	0.720
A19 North Bank Tyne (Swans)	Pipeline	0.100
<b>Total</b>		<b>28.668</b>

3.2.3 At the end of the second quarter, a total of £2.136m had been drawn down by projects. This is relatively low against the current programme. It reflects the much higher level of activity planned in the second half of the year, and officers are exploring options to maximise expenditure in the current year. The programme contains several complex projects, including some at pipeline stage and some at the stage of completion of the Final Business Cases for

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approval. This is reflected in the stage of activity on the ground and the level of expenditure to date. Over-programming was included in the 2016/17 programme to help achieve spending in line with available grant. Given the slippage in planned spending that has already been identified, further options to achieve spending and use of LGF grant are being explored for consideration and approval by the North East LEP Board. These include reprofiling and accelerating the use of LGF grant on approved schemes from future years into 2016/17; funding swaps with approved Enterprise Zone works being carried out this year; and the temporary funding of the works on the Tyne Pedestrian and Cyclist Tunnels from LGF grant. This last option also has the benefit of the revenue nature of funding from the Tyne Tunnel reserves, when this is returned to pay back the temporary use of the LGF grant. All options would be subject to approval by the LEP Board and will be the subject of future reports as required.

### **3.3 Metro Asset Renewal Plan (ARP)**

3.3.1 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.

3.3.2 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.



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- 3.3.3 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.
- 3.3.4 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).
- 3.3.5 At the end of the sixth of 13 periods (ending 17 September 2016), the Metro capital budget for the current year, has been revised to £44.314m.
- 3.3.6 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. All of these movements in budget are within the context of the agreed three year programme. Examples include:
- i. Rail Traffic Management projects, reflecting the need to re-schedule elements of the programme into future years in order to successfully deliver this complex project in conjunction with the radio project;
  - ii. Radio, where the overall delivery programme is now revised following delays in finalising some detailed designs and completing works on site;
  - iii. Track works carried out at Easter 2016 which were delivered in 2015/16 to a greater extent than originally forecast;
  - iv. Central Station works re-profiled from 2015/16 to 2016/17 to reflect the contractor's timescales and additional works required; and
  - v. Other station works re-profiled from 2015/16 to 2016/17 following DfT funding reductions.
- 3.3.7 These examples reflect the dynamic nature of the programme and also helps ensure spending targets are achieved. The £3.1m movement between the original budget for 2016/17 and the latest budget for 2016/17 can be summarised as follows:-

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### Movement between original budget and latest budget, 2016/17

	£m
Re-phasing from 2015/16, increasing 2016/17 budget	8.2
Accelerated projects (from 2016/17 to 2015/16), reducing 2016/17 budget	(1.9)
Re-phasing from 2016/17 to future years, reducing 2016/17 budget	(6.6)
Accelerated projects (from 2017/18 to 2016/17), increasing 2016/17 budget	1.0
Other changes (largely proposed changes to financing of projects)	2.4
<b>TOTAL</b>	<b>3.1</b>

- 3.3.8 Expenditure as at the end of Period 6 is £19.798m. This represents 62% of the £31.913m minimum expenditure level required by DfT for this financial year.
- 3.3.9 The latest forecast to the year end is now £42.455m; lower than budgeted largely because of reduced expenditure forecasts in the phasing of works relating to a number of projects and anticipated efficiencies in the need to use contingency budgets.
- 3.3.10 An evaluation of the risks to delivery in this year's programme together with several options to undertake managed re-profiling of expenditure will ensure that the final outturn falls within the DfT's prescribed funding tolerance (which as previously indicated, is required to be between £31.913m and £38.802m).
- 3.3.11 At this stage any variation in expenditure against the revised budget that is not forecast to be incurred in the current year will be carried forward into the 2017/18 programme, unless projects are sufficiently advanced to allow efficiency savings to be handed back to the overall programme.
- 3.3.12 To the end of the sixth four week period of 2016/17, the following key projects have been progressed:
- The Newcastle Central Metro Station refurbishment works are nearing completion with the new escalator installed in advance of the Great North run as planned. The final weekend closure will take place from 8:00pm on 7th October, reopening as normal on the morning of 10th with the contractual completion of the scheme expected to be in mid-November 2016.

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- The track renewal scheme from Tynemouth to Northumberland Park is now largely complete with the conclusion of the second 15 day line closure in August. A final weekend possession is scheduled for 8th & 9th October together with continuing non-disruptive works overnight works until final completion in November.
- Track re-railing within the North / South central area tunnels commenced in June and is progressing to programme with completion planned for November 2016. Work is being undertaken outside of track access in the early hours by the Nexus Capital Delivery team to avoid disrupting the Metro service.
- A further track renewal work package has been awarded to renew track between St James and Chillingham Road Stations. This will commence in December with completion planned for late March 2017. A further work package to renew track between Northumberland Park and South Gosforth Stations is also being finalised. This will be delivered in summer 2017, together with the replacement of Killingworth Road Bridge between South Gosforth and Longbenton stations, which will be carried out at this time in order to deliver efficiencies and minimise disruption by maximising the work being carried out during this significant line closure.
- The Railway Traffic Management System (RTMS) project is now temporarily paused in order to accommodate dependencies with Radio infrastructure. Design work is complete together with substantial site installation of equipment.
- Design work is at an advanced stage for Four Lane Ends, Regent Centre and Chichester Stations. Whilst not currently planned to be delivered within the current ARP funding envelope, the completion of the design works will assist in advancing these particular projects to the 'start line' should external funding be made available.
- Installation of the new radio equipment infrastructure is continuing and is planned for completion by December. Planning for Metrocar radio equipment installation and staff training continues and is expected to be underway from March 2017. The overall delivery programme is now revised and agreed in light of delays in finalising some detailed designs and completing works on site where access and ownership issues have been encountered. This is impacting on the Rail Traffic Management System scheme which as highlighted above, has been temporarily paused in agreement with the contractor.
- Nexus continues to engage with South Tyneside Council and its developer, Muse in relation to the South Shields Transport Interchange where a CPO inquiry is planned for December.
- Preparation for the system wide renewal of the overhead line continues. Specialist plant has been procured and vehicle acceptance is underway.

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Procurement of the conductor wire is complete and a further contract for design and supply of the connecting components will be awarded in November. Survey work and installation of the system will follow.

- 3.3.13 Over the next 3 four week periods of 2016/17, the Metro ARP cost loaded programme shows the following expenditure profile:

	<b>Year to Date</b>	<b>Period 7 Forecast</b>	<b>Period 8 Forecast</b>	<b>Period 9 Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
In Period Spend		2.3	2.7	2.7
Cumulative Spend	<b>19.8</b>	<b>22.1</b>	<b>24.8</b>	<b>27.5</b>

The forecast expenditure for 2016/17 is financed as follows:-

	<b>Latest Approved Funding 2016/17 £000</b>	<b>Projected Funding 2016/17 £000</b>
<b>ARP</b>		
Metro Rail Grant (MRP)	31,821	31,821
Local Contribution 10%		
• Local Transport Plan (LTP)	2,640	2,640
• Reserves	896	896
Over-programming	7,233	5,513
<b>Total - ARP</b>	<b>42,591</b>	<b>40,870</b>
<b>Other Schemes<sup>1</sup></b>		
• Reserves/Other funding	1,724	1,585
<b>Total – Other Schemes</b>	<b>1,724</b>	<b>1,585</b>
<b>Total</b>	<b>44,314</b>	<b>42,455</b>

<sup>1</sup> Other schemes include Killingworth Road Bridge, South Shields Station and Metro Maintenance and Renewals Skills Centre

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### 3.4 Nexus Non-Metro

3.4.1 The latest revised budget for 2016/17 is £0.842m, with forecast expenditure at £0.838m, as set out below:-

<b>Nexus Non Metro Programme</b>	<b>Latest Approved Budget 2016/17</b>	<b>Projected Outturn 2016/17</b>	<b>Period 6 Spend 2016/17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cycling	166	154	-
Real Time Gateway Project	261	261	-
Wi-Fi	61	59	-
Ferry works	354	364	11
<b>Total Nexus Non Metro</b>	<b>842</b>	<b>838</b>	<b>11</b>

The Cycling project will be completed in 2016/17 and it is planned to procure a concession for the utilisation of Nexus communications infrastructure with the provision of Wi-Fi facilities by the end of the financial year.

3.4.2 Nexus has now received the approval of its business case submission for the Real Time Gateway Project where expenditure, budgeted at £0.261m will now be incurred in 2016/17.

### 3.4.3 Non-Metro Capital Programme Financing

The following table sets out how the Nexus Non Metro capital programme for 2016/16 will be financed:-

	<b>Latest Approved Funding 2016/17</b>	<b>Projected Funding 2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>Grant</b>		
Local Transport Plan (LTP)	77	77
Local Sustainable Transport Fund (LSTF)	261	261
<b>Nexus Contribution</b>		
Reserves	438	434
Other	66	66
<b>Total</b>	<b>842</b>	<b>838</b>

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### 3.5 Tyne Tunnels Capital Programme 2016/17

	Original Approved Budget 2016/17 £m	Revised Budget 2016/17 £m	Spend End Q2 September £m	Projected Outturn 2016/17 £m
Tyne Pedestrian and Cyclist Tunnels	-	0.947	0.601	0.947
New Tyne Crossing	-	0.252	0.085	0.252
<b>Total Tyne Tunnels</b>	-	<b>1.199</b>	<b>0.686</b>	<b>1.199</b>

#### 3.5.1 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.

Since the last update, works to remove asbestos containing materials in the tunnels has been ongoing. A report was taken to the Tyne and Wear Sub Committee in September, and the Committee agreed to recommend to the Leadership Board that the project budget be increased by £2.89m to enable the project to be completed. The budget requirement for the completion of the Tyne Pedestrian and Cyclist Tunnel refurbishment following the asbestos removal works and the main contractor entering Administration has been assessed at £11.92m, an increase of £2.59m. It is also recommended that a further contingency allowance of £300k is made on the project. This gives a total additional budget allowance of £2.89m. If this is agreed by the Leadership Board it will be included in the programme for 2017/18.

In the absence of any allocations from other funding sources at this point in time, it is recommended that approval is given for the additional costs to be met from the Tyne Tunnels Reserve, which currently stands at £27.1m. It is important to note that this reserve is currently ring-fenced for use on the tunnels. If a source of grant funding for the works can be identified, this will be used and reduce the call on reserves. Temporary funding from Local Growth fund grant is an option, which would delay the call on reserves. The completion of the project is currently scheduled for Spring 2018.

#### 3.5.2 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

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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.

### 3.6 Other Transport Grants 2016/17

3.6.1 LTP Integrated Transport Block grant is a flexible source of capital funding which is awarded to NECA by the DfT. This grant is provided to NECA's constituent authorities and Nexus, to deliver transport capital schemes, and is paid on a quarterly basis. In the case of Nexus, the grant provides match funding to the Metro Capital grant funding the Metro Asset Renewal Programme.

3.6.2 NECA acts as accountable body for the North East Smart Ticketing Initiative (NESTI), which is a programme of investment in smart ticketing infrastructure across the wider North East. The programme is delivered by Nexus and the works are funded by NESTI contributions held and managed centrally by NECA. This will be drawn down towards the year end.

	Original Approved Budget 2016/17 £m	Revised Budget 2016/17* £m	Spend to Q2 September 2016/17 £m
Local Transport Plan (less Metro ARP Local Contribution shown above)	11.309	11.685	6.960
North East Smart Ticketing Initiative	1.053	1.053	-
<b>Total</b>	<b>12.362</b>	<b>12.738</b>	<b>6.960</b>

\* The revision to the budget was to update the figures to include carried forward grant from 2015/16, which is permitted under the grant conditions.

## 4 Next Steps

4.1 The transport capital programme will be monitored for the remainder of the financial year and the outturn position reported following the year end.

## 5 Potential Impact on Objectives

5.1 The report sets out the transport capital programme of the Combined Authority, which supports the achievement of its objectives.

## 6 Finance and Other Resources

6.1 The finance implications are set out in detail in the body of the report.

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### **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**

Financial risks associated with the authority's activities, and actions taken to mitigate these, will be factored into strategic risk management processes for the Combined Authority.

#### **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 Capital Programme 2016/17 – Leadership Board 19 January 2016  
Capital Programme Monitoring Update 2016/17 – TNEC 7 July 2016



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### **10 Links to Plans in the Policy Framework**

10.1 This report has no direct link to plans in the Policy Framework.

### **11 Appendices**

11.1 Appendix A – Metro Asset Renewal Plan

### **12 Contact Officers**

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

### **14 Sign off**

- Head of Paid Service ✓
- Monitoring Officer ✓
- Section 151 Officer ✓

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### Appendix A – Metro Asset Renewal Plan

Asset Category	Budgets					Forecasts			
	Original Approved Budget (DfT submission) 2016/17	Approved Programme 2016/17	Approved Programme 2017/18	Approved Programme 2018/19	Total Budget 2016/17-2018/19	Period 6 Forecast 2016/17	Period 6 Forecast 2017/18	Period 6 Forecast 2018/19	Total Forecast 2016/17-2018/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Civils	1,715	2,240	1,884	874	4,998	2,103	1,514	1,382	4,998
Communications	3,650	4,632	1,988	1,776	8,396	3,668	2,778	202	6,648
Level Crossings	0	5	0	0	5	14	0	0	14
Mechanical & Electrical	335	603	280	80	963	291	282	280	852
Metro Cars	1,365	1,880	1,750	1,663	5,293	1,421	1,250	1,163	3,834
Miscellaneous	715	659	690	690	2,039	558	761	690	2,008
Project Management Costs	0	0	0	1,993	1,993	0	0	1,993	1,993
Inflation allowance	0	0	0	0	0	0	0	0	0
Overhead Line	3,650	4,424	3,167	3,000	10,590	4,663	3,366	3,270	11,299
Permanent Way	19,470	18,390	20,585	13,927	52,901	19,681	18,727	14,239	52,647
Plant	0	12	0	0	12	7	0	0	7
Power	0	305	0	100	405	322	51	0	373
Signalling	6,685	5,003	4,996	965	10,964	4,474	4,730	1,176	10,380
Stations (Note 1)	2,505	4,440	5,730	1,028	11,198	3,669	8,132	7,316	19,117
<b>Total ARP Programme</b>	<b>40,090</b>	<b>42,591</b>	<b>41,069</b>	<b>26,096</b>	<b>109,756</b>	<b>40,870</b>	<b>41,590</b>	<b>31,711</b>	<b>114,170</b>
Major Projects	1,102	1,724	5,270	0	6,993	1,585	4,670	0	6,255
<b>TOTAL</b>	<b>41,192</b>	<b>44,315</b>	<b>46,338</b>	<b>26,096</b>	<b>116,749</b>	<b>42,455</b>	<b>46,260</b>	<b>31,711</b>	<b>120,425</b>

#### Note 1

Stations' projections include full cost of works. Other funding opportunities are currently being explored and the forecast spend currently provides for the full project costs