



Transport North East Committee

Thursday 9th July 2015 at 3.00 pm or following the conclusion of the Transport North East (Tyne and Wear) Sub-Committee

Meeting to be held at Civic Centre, Burdon Road, Sunderland, SR2 7SN

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AGENDA

	Page No
1. Apologies for Absence	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer).	
Please also remember to leave the meeting where any personal interest requires this.	
3. Minutes of the Previous Meeting	1 - 4
4. Appointment of Vice-Chair of Transport North East Committee, Chair of Transport North East (Tyne and Wear) Sub-Committee	5 - 10
5. Transport Vision for the North East	11 - 14
6. Transport for the North	
Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985	
7. Rail Update	15 - 20
8. Quality Contracts Scheme Update	21 - 26

9. **Office for Low Emission Vehicles Go Ultra Low City Scheme Funding Opportunity** 27 - 32

10. **Approval of Major Local Growth Fund Transport Schemes**

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

11. **Capital Programme 2014/15 Outturn and Capital Programme 2015/16 Update**

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

12. **Revenue Budget 2014/15 Outturn and Revenue Budget 2015/16 Update** 33 - 50

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

24 November 2015, following the conclusion of the Transport North East (Tyne and Wear) Sub-Committee, approximately at 3pm, at Durham.

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: victoria.miller@newcastle.gov.uk

To All Members

North East Combined Authority

Transport North East Committee

20 April 2015

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

Present:

Councillor: N Forbes (Chair)

Councillors: Allen, Foster, M Green, S Green, Hobson, J McCarty, McElroy, Speding, Watson and West

43 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Ledger, Lott and Swithenbank.

44 DECLARATIONS OF INTEREST

There were no declarations of interest.

45 MINUTES OF THE PREVIOUS MEETING HELD ON 9 OCTOBER 2014

The minutes of the previous meeting held on 9 October 2014 were approved as a correct record and signed by the Chair.

46 NOTES OF THE INQUORATE MEETING HELD ON 4 DECEMBER 2014

The notes of the inquorate meeting held on 4 December 2014 were confirmed as a correct record.

47 NOTES OF THE INQUORATE MEETING HELD ON 26 FEBRUARY 2015

The notes of the inquorate meeting held on 25 February 2015 were confirmed as a correct record.

Matters Arising

(a) Local Highways Maintenance Challenge Fund

(Minute 38 refers)

It was noted that the Department for Transport (DfT) had provided feedback on the bids for the highway maintenance fund.

48 TRANSPORT FOR THE NORTH

Submitted: A report of the Chief Executive Officer for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the Transport for the North programme, including the opportunities it offered for securing improvements to transport networks within the North East Combined Authority (NECA) area and improving strategic links to the rest of Northern England.

Amongst the matters discussed were the following:

- the importance of inclusion of the wider Northern England in the proposals;
- the opportunities to discuss the proposals further, including in relation to any other potential proposals;
- the importance of speaking as one voice;
- the importance of securing new trains;
- the importance of dualling the A1 up to the Scottish border;
- the importance of investing in the infrastructure for the Northern ports; and
- the importance of further discussions to understand the proposals and develop effective governance around them.

Councillor P Watson commented on the importance of further development of proposals, effective information sharing and the need for an improved understanding of the proposals. It was confirmed that at this stage the proposals were work in progress and there would be opportunities for further discussions. A future policy seminar would provide an opportunity to look into the detail, including the ambitions and financial aspects.

RESOLVED – That the continued involvement of the North East Combined Authority in the Transport for the North partnership be endorsed in order to advance the case for the North East’s transport priorities.

49 **TRANSPORT PLAN FOR THE NORTH EAST**

Submitted: A report of the Chief Executive Officer for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which set out proposals for the development of a transport vision for the North East.

Amongst the matters discussed were the following:

- the importance of Members’ contribution to the development of a transport vision and a transport plan, including in order to ensure collective ownership of the final transport plan;
- the importance of consultation; and
- the importance of working across all Thematic areas to help the development of an approach and criteria for identifying priorities for investment.

RESOLVED – That:

- i. the report be noted; and
- ii. a progress report be submitted to a future meeting following further work to develop proposals in consultation with the Thematic areas.

50 **OFFICE FOR LOW EMISSION VEHICLES GO ULTRA LOW CITY SCHEME FUNDING OPPORTUNITY**

Submitted: A report of the Chief Executive Officer for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the Go Ultra Low City Scheme and associated Go Ultra schemes, including the expected timeframes and the approach that the Authority was taking when preparing bids. The report also sought Members' approval for the submission of a bid.

During the ensuing discussion it was confirmed that electric bikes could be considered for the inclusion in the proposals.

RESOLVED – That the Authority's proposals to submit a bid for the Go Ultra Low City Scheme funding be approved.

51 **RAIL UPDATE**

Submitted: A report of the Chief Executive Officer for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information about the new announcements and other developments affecting the rail network within the North East Combined Authority area and also rail links from the region to other areas of the country.

Amongst the matters discussed were the following:

- the effect of the timescales in relation to the rail franchises, the importance of a timely development of the North East Business Unit proposals and the possibility of securing a ring-fenced budget for the Business Unit;
- the importance of understanding the mechanisms for enabling the delegation of management responsibilities within the Partnership Agreement, which would be developed in due course;
- concerns in relation to the potential reduction in rail services to Metro Centre; and
- the benefits of electrification in delivering greater economic growth, particularly in relation to tourism.

RESOLVED – That the report be noted.

52 **DATE AND TIME OF NEXT MEETING**

Thursday, 9 July 2015 at 3.30pm or following the conclusion of the Transport North East (Tyne and Wear) Sub-Committee; subject to confirmation at the Annual Meeting.

North East Combined Authority

Transport North East Committee

DATE: 9 July 2015

SUBJECT: Appointment of Vice-Chair of Transport North East Committee, Chair of Transport North East (Tyne and Wear) Sub-Committee

REPORT OF: Monitoring Officer

EXECUTIVE SUMMARY

At the meeting of the Leadership Board on 16 June 2015 the Thematic Lead for Transport was confirmed as the Chair of the Transport North East Committee (TNEC) and two of the Vice-Chairs, representing the Counties of Durham and Northumberland were appointed. The Leadership Board delegated responsibility for the appointment of the Vice-Chair representing Tyne and Wear and the appointment of the Vice-Chair for the Transport North East (Tyne and Wear) Sub-Committee (TWSC) to TNEC for the municipal year 2015/16.

RECOMMENDATIONS

It is recommended that the Committee:

- (i) Appoint the Vice-Chair from the Tyne and Wear Constituent Authorities for the municipal year 2015/16 and confirm that the Vice-Chair is the Chair of the Transport North East (Tyne and Wear) Sub Committee; and
- (i) Appoint the Vice-Chair of the Transport North East (Tyne and Wear) Sub-Committee

North East Combined Authority

Transport North East Committee

1 Background Information

1.1 The Leadership Board has responsibility for the appointment of the Chairs and Vice-Chairs of the committees and sub-committees of the NECA. In 2014 the Leadership Board decided to delegate, for the municipal year 2014/15, the appointment to some of these roles to the appropriate committee. This specifically included the appointment of the Chair and Vice-Chair of Overview and Scrutiny Committee and the appointment of the third Vice-Chair of the TNEC representing the Tyne and Wear Constituent Authorities. At the Annual Meeting of the Leadership Board on 16 June 2015, the Leadership Board again decided to delegate the appointment to these roles to the appropriate Committees for the forthcoming municipal year.

1.2 Members of the Committee are now requested to appoint the third Vice-Chair representing Tyne and Wear Authorities and to confirm the appointment of the Chair and Vice-Chair of the TWSC for the forthcoming municipal year exercising the delegation given by the Leadership Board, the Committee will wish to note, firstly, that the Vice-Chair for Tyne and Wear undertakes the role of Chair of the Transport North East (Tyne and Wear) Sub-Committee and, secondly, that in exercising the delegation in 2014 for the municipal year 2014/15 the Committee agreed the appointment of the third Vice-Chair from the Tyne and Wear Authorities would rotate in alphabetical order, annually, commencing with North Tyneside Council and the third Vice-Chair would be appointed from the Members of the Transport North East (Tyne and Wear) Sub-Committee. An extract of the minutes of the meeting of 29 July is annexed for information.

2 Next Steps

2.1 Members are requested to appoint the third Vice-Chair of the Committee representing the Constituent Authorities from Tyne and Wear. Members are requested to confirm that the Vice-Chair undertakes the role of Chair of the Transport North East (Tyne and Wear) Sub-Committee. The Committee are also requested to appoint the Vice-Chair of the Transport North East (Tyne and Wear) Sub-Committee

3 Potential Impact on Objectives

3.1 The appointments to the roles referred to in the report will enable the Authority to properly discharge the functions delegated to them.

4 Finance and Other Resources

4.1 There are no specific financial implications arising from the report.

5 Legal

5.1 There are no specific legal implications arising from the report.

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6 Other Considerations

6.1 Consultation/Community Engagement

The matters contained within the report have been subject to consideration by the Leaders on 16 July 2015.

6.2 Human Rights

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

6.3 Equalities and Diversity

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

6.4 Risk Management

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

6.5 Crime and Disorder

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

6.6 Environment and Sustainability

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

7 Background Documents

- 7.1 Report to Leadership Board on 16 June 2015 titled "Appointment of Committees and Agreement of Membership, Appointment of Chairs and Vice-Chairs, Appointment of Co-opted Members, Appointment of External Auditors and Appointment of the Head of Paid Service"

8 Links to Plans in the Policy Framework

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

9 Appendices

- 9.1 Appendix A – An extract from the minutes of the Transport North East Committee held on 29 July 2014

10 Contact Officers

- 10.1 Vivienne Geary, Monitoring Officer, Tel: (0191) 643 5339

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11 Sign off

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

Appendix A

Extract from the Minutes of the 29 July 2014 meeting of the Transport North East Committee

Minute 16. APPOINTMENT OF THE 3RD VICE-CHAIR (FROM THE TYNE AND WEAR COUNCILS)

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

Members considered the report which invited them to appoint the third Vice-Chair for the Municipal Year 2014/15, from the Tyne and Wear Local Authorities.

RESOLVED – That:

- I. The third Vice-Chair from the Tyne and Wear Authorities would rotate in alphabetical order, annually, commencing with North Tyneside Council and the third Vice-Chair be appointed from the Members who are Members of the Transport North East (Tyne and Wear) Sub-Committee;
- II. Councillor Lott from North Tyneside Council be appointed as the third Vice-Chair of the Committee for the Municipal Year 2014/15;
- III. The Committee noted the Chair of the Transport North East (Tyne and Wear) Sub-Committee was to be the third Vice-Chair of the Transport North East Committee, from the Tyne and Wear Local Authorities;
- IV. The Vice-Chair of the Transport North East (Tyne and Wear) Sub-Committee be the Member of the Tyne and Wear Local Authority next in alphabetical order, being South Tyneside Council;
- V. Councillor West from South Tyneside Council be appointed as the Vice-Chair of the Transport North East (Tyne and Wear) Sub-Committee for the Municipal Year 2014/15.

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North East Combined Authority Transport North East Committee

DATE: 9 July 2015

SUBJECT: Transport Vision for the North East

REPORT OF: Chief Executive Officer for Transport

EXECUTIVE SUMMARY

This paper provides background to the draft Transport Vision for the North East in order to deliver the strategic approach suggested by TNEC Members. A presentation on the Transport Vision will be given to the meeting.

RECOMMENDATIONS

It is recommended that the Committee considers and discusses the draft Transport Vision for the North East, as outlined in the presentation to be given at the meeting, leading up to production of the final version for consultation in the near future.

North East Combined Authority

Transport North East Committee

1. Background Information

1.1 The April meeting of this Committee agreed the need for a Transport Plan for the North East, and the recommended two-stage process and timescales as follows:

1. A Transport Vision in the form of a high-quality brochure setting out what we are aiming to achieve and why. There will be a presentation on this at the meeting. The document will be subject to a wide-ranging public consultation.

and

2. A comprehensive, detailed Transport Plan outlining how we will deliver the aspirations of the Transport Vision. This Plan will meet statutory obligations and incorporate feedback from the initial consultation on the Vision. There would be a further, formal, consultation on the Plan document.

Indicative timescales

Summer 2015: produce Transport Vision for public consultation

Autumn/ Winter 2015 : Analyse results of consultation and carry out consultation on Transport Plan document

Spring/Summer 2016: produce final version of the Transport Plan for the North East

2. The Transport Vision for the North East

2.1 The Transport Vision

The Vision provides the strategic context under which the full Transport Plan will be developed - it gives an overarching view of the Combined Authority area, how it relates to the rest of the UK and outline the NECA's ambition for its transport network in the short, medium and longer term.

3. Next Steps

3.1 The next step will be to produce the Transport Vision, and then to embark upon a full public consultation, informing production of the full Transport Plan.

4. Potential Impact on Objectives

4.1 Progress on delivery of the Transport Vision for the North East and the ensuing Transport Plan will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

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Transport North East Committee

5. Finance and Other Resources

- 5.1 The North East Combined Authority's Regional Transport Team budget for 2015-16 includes provision for the financial costs of developing the Transport Vision for the North East and the ensuing Transport Plan.

6. Legal

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

7. Other Considerations

7.1 Consultation/Community Engagement

There will be full public consultation and engagement as set out in 3.1 above.

7.2 Human Rights

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

7.3 Equalities and Diversity

An Equalities Impact Assessment will form part of the process of producing the Transport Plan for the North East.

7.4 Risk Management

Failure to have a Transport Plan in place will mean that the Combined Authority will not fulfil its commitment to have a single unified Transport plan for the NECA area.

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

A Strategic Environmental Assessment will form part of the process of producing the Transport Plan for the North East. It is envisaged that many of the measures identified by the Transport Vision will, if implemented, assist the Combined Authority in achieving a more sustainable transport system for the region.

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8. Background Documents

None

9. Links to Plans in the Policy Framework

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

10. Contact Officers:

10.1 Mark Wilson, Head of Transport Policy (North East Combined Authority)

mark.wilson@newcastle.gov.uk 0191 211 5679

Tobyn Hughes, Managing Director (Transport Operations),

Tobyn.Hughes@nexus.org.uk 0191 2033246

11. Sign off

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

North East Combined Authority

Transport North East Committee

DATE: 9 July 2015

SUBJECT: Rail Update

REPORT OF: Chief Executive Officer for Transport

EXECUTIVE SUMMARY

The purpose of this report is to update members on new announcements and other developments affecting the rail network within the North East Combined Authority area, as well as rail links from the region to other areas of the United Kingdom.

RECOMMENDATIONS

It is recommended that the Committee notes the content of this report.

North East Combined Authority

Transport North East Committee

1 Background Information

- 1.1 As was discussed at the Rail Seminar on 13th January and subsequently in the update paper to this Committee on 20th April, there are a range of rail initiatives, funding and franchise announcements under way, at both a regional and national level. This report is intended to update Members on these developments.
- 1.2 The report does not cover the rail elements of the Transport for the North programme, as this is the subject of a separate agenda item.

2 Rail North and the Northern and TransPennine Express franchises

- 2.1 Following publication of the Invitations to Tender (ITT) for the Northern and TransPennine Express franchises on 27th February 2015, North East Combined Authority officers have held a series of meetings with each of the shortlisted bidders to discuss aspirations for the franchises. Officers pressed bidders to commit to further improvements in the north east, to secure a transformation in the quality of local services.
- 2.2 The government's minimum requirements for the franchises will deliver significant improvements, including the replacement of outdated 'Pacer' rolling stock, improved services, a dedicated North East management unit, and investment in stations. This focus on growth and investment was achieved through successful partnership working between Rail North and the Department for Transport (DfT), with Rail North advocating the improvements recommended in the Long Term Rail Strategy.
- 2.3 Bids for both franchises have since been submitted (bids for TransPennine Express on 28th May and bids for Northern on 26th June). A detailed evaluation process has now commenced, which will assess each bid for quality and price. Rail North have secured representation during this process and have nominated a number of officers to participate alongside DfT officials. The successful bidders for both franchises are expected to be announced in late 2015, with the new franchises commencing on 1st April 2016.
- 2.4 In parallel, the joint DfT/Rail North partnership structure, which will manage the new franchises once let, is being established. Recruitment to key positions within the executive management structure is underway with the intention of fully populating the structure by early Autumn. The Board of Rail North Ltd, on which the North East Combined Authority continues to be represented by Councillor Nick Forbes in his capacity as Chair of this Committee, has oversight over these appointments.
- 2.5 A Members Agreement is being developed which will define how each Rail North partner authority, including the North East Combined Authority, will interact with the partnership structure described above. This Agreement

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establishes the rights under which each partner authority can propose changes to the Franchise, respond to consultations and access performance information. Nexus officers have helped to develop this Agreement, and have ensured that a mechanism to create regional business units is embedded within the drafting.

3 North East Rail Management Arrangements

- 3.1 It is proposed that those Local Transport Authorities within the North East rail geography – namely the NECA, the five Tees Valley authorities, North Yorkshire and Cumbria County Councils - formally collaborate to 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.
- 3.2 Together, this ‘Business Unit’ of authorities would act within the Rail North Partnership described in 2.4 above, to undertake delegated management responsibilities and liaise with the new Northern Rail Franchisee to deliver local outputs.
- 3.3 On behalf of the NECA, Nexus officers have developed a draft Collaboration Agreement to define how this Business Unit would operate, including its governance structure and funding arrangements. The Agreement also proposes an outline Business Plan for the first year of operation. North East Combined Authority officers will liaise with colleagues from the Tees Valley, North Yorkshire and Cumbria to refine and finalise this Agreement, and a proposal will be brought forward to this Committee for approval in due course.

4 Network Rail’s Long Term Planning Process

- 4.1 In September 2016, Network Rail will present their Initial Industry Plan for investment in the rail network during their next Control Period, which will run from 2019 until 2024.
- 4.2 To inform this Plan, Network Rail will conduct a series of planning exercises, called ‘Route Studies’, to determine where investment is required and how this investment should be distributed to secure maximum value for money.
- 4.3 Each of these Route Studies will consider different parts of the British rail network. The East Coast Main Line will be subject to its own Route Study, as will the local routes within North East England (those within the North East rail geography defined in paragraph 3.1 above). The outputs of these Studies are prioritised against those from other Studies around Great Britain, to populate the Initial Industry Plan.
- 4.4 Each Route Study has an officer-level governance structure facilitating input from train operating companies, service funders and local stakeholders into the planning process. The North East Combined Authority has been invited to

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participate in this governance structure for both the East Coast Main Line and North East England Route Studies. In addition, Nexus have been invited to participate in the North East Route Study in their capacity as service funder of the Tyne and Wear Metro.

- 4.5 Officers will use this opportunity to advocate investment in rail infrastructure throughout the North East, to accommodate future demand, improve journey times and develop connections, in accordance with the recommendations of the North East Rail Statement.

5. Proposed Open Access Operations on the East Coast Main Line

- 5.1 Two Open Access operators have applied for rights to run services on the East Coast Main Line (ECML). Alliance Rail Holdings are seeking to run hourly services between Edinburgh and London from 2016, calling at Newcastle, under the name of Great North Eastern Railway Co Ltd. First Group, one of the unsuccessful bidders for the ECML franchise, are seeking approval to run several trains a day between London King's Cross and Edinburgh from 2018, via intermediate stations at Stevenage, Newcastle and Morpeth.

- 5.2 In parallel, Virgin Trains East Coast, the new franchised operator on the East Coast Main Line, is seeking to secure access rights to deliver its own committed additional services. If delivered, Virgin East Coast would deliver an additional hourly service would be provided between Newcastle and London Kings Cross.

- 5.3 As reported previously, all three companies have submitted formal track access rights applications to the Office of Rail Regulation. The ORR are currently assessing how best to utilise the limited capacity on the route and considering the impact of commercial operations upon the DfT's budget. An industry hearing was held in mid-June to inform the ORR's decision, and officers await the findings.

- 5.4 These proposals demonstrate the strong market for travel between the North East, London and Scotland. However, they also expose the limited capacity of the route, particularly north of Northallerton, and the difficult choices which may be necessary should further capacity investment not be secured through the Long Term Planning Process.

6 Investment Delays - Latest Announcement

- 6.1 On 25th June, the Secretary of State for Transport announced that, following a review of Network Rail's upgrade programme, work on TransPennine electrification will be "paused". The Chief Executive of Network Rail has stated that a number of enhancement projects may take longer to deliver and cost more than previously envisaged. This has understandably raised concern for the delivery of the Northern Powerhouse.

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7. Next Steps

- 7.1 NECA officers will continue to make the case to central government for more investment in the region's rail network as well as working with the rail industry to secure improved services.

8 Potential Impact on Objectives

- 8.1 Securing improved rail services to, from and within the region as well as increased investment in the network will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

9 Finance and Other Resources

- 9.1 There are no direct financial implications arising from this report.

10 Legal

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

11 Other Considerations

11.1 Consultation/Community Engagement

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

11.2 Human Rights

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

11.3 Equalities and Diversity

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

11.4 Risk Management

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

11.5 Crime and Disorder

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

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11.6 Environment and Sustainability

Success in improving the region's rail network and encouraging modal shift from car or air to rail will assist the Combined Authority in achieving a more sustainable transport system for the region.

12 Background Documents

12.1 None.

13 Links to the Local Transport Plans

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

14 Appendices

14.1 None.

15 Contact Officers

15.1 Tobyn Hughes, Managing Director (Transport Operations)
0191 203 3246

16 Sign off

- Head of Paid Service/Chief Executive Officer for Transport ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

North East Combined Authority

Transport North East Committee

DATE: 9 July 2015
SUBJECT: Quality Contracts Scheme Update
REPORT OF: Managing Director (Transport Operations)

EXECUTIVE SUMMARY

The purpose of this report is to provide an update regarding progress in delivering the Tyne and Wear Quality Contracts Scheme.

RECOMMENDATIONS

It is recommended that the Committee notes the content of this report.

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1 Background Information

- 1.1 On 21st October 2014 the NECA resolved to progress the Quality Contracts Scheme (QCS) to the next stage of development, as required by the Transport Act legislation, by referring the scheme to a QCS Board.
- 1.2 This report updates members on the progress made in developing the QCS, and the work that lies ahead over the next two years.

2 The QCS Board

- 2.1 The QCS Board comprises three industry experts selected by the Department for Transport, with its Chair being the Traffic Commissioner for the North East.
- 2.2 The role of the QCS Board is to examine the overall case for the QCS and make recommendations on two issues. Firstly, the QCS Board must consider whether the Scheme meets the public interest by examining its impact on bus use, the quality of bus services, the contribution to transport policies and the economy, efficiency and effectiveness of transport in Tyne and Wear – concluding with consideration of whether achieving these benefits of the scheme outweighs the impacts the scheme may have on existing operators. Secondly, the QCS Board must consider whether the statutory requirements for consultation have been met.
- 2.3 Over the period October 2014 - June 2015, Nexus and the bus operators have provided evidence and witness statements to the QCS Board in preparation for oral hearings, which will be conducted over two weeks starting Monday 13 July 2015 and ending on Friday 24 July 2015.
- 2.4 At the oral hearings witnesses on behalf of the parties will be cross-examined before the QCS Board. Nexus has put forward eight witnesses and the bus operators nine. To date some 32 witness statements and detailed reports, extending to over 2,000 pages of evidence, have been submitted to the QCS Board. The QCS Board must consider all of these witness statements, following cross examination and questioning at the QCS Board hearing, before making its recommendations.
- 2.5 Although the statutory guidance envisages that the QCS Board process should last eight weeks, the QCS Board has indicated that it intends to make its recommendations by the end of October 2015, which is a full calendar year after the Scheme was referred to the QCS Board by the Combined Authority. This timescale illustrates the complexity of the QCS legislation.
- 2.6 Under the current legislation it is for the NECA to decide whether or not to make the scheme once it has received the QCS Board's opinion. If it does so, appellants have a right to appeal to the Upper Tribunal. If the QCS Board's opinion is favourable, the scope of any appeal is limited to points of law only, but if it is unfavourable or qualified in some way, the NECA could:
 - choose to make the scheme anyway (in which case there would be no limitation on the scope of appeals);
 - revise the scheme and seek a new opinion from the QCS Board; or
 - abandon the process.

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3 Delivering the QCS

- 3.1 The QCS is currently intended to become operational in December 2017, following the timetable below:

QCS Board Hearings	Jul 2015
Recommendations from QCS Board	Oct 2015
NECA decision as to whether to make the scheme	Nov 2015 to Dec 2015
Procurement of operators	Dec 2015 to May 2017
Transition to new arrangements	June 2017 to Nov 2017
Scheme becomes operational	Dec 2017

Procurement

- 3.2 Nexus is preparing for a procurement exercise to commence at the end of 2015, in order to respond quickly should the NECA wish to formally proceed with implementation of the QCS in Tyne and Wear.
- 3.3 The procurement process has been designed to generate competition, deliver value for money to the public purse, minimise adverse effects on existing operators wherever possible and moderate the impact on employees. The procurement framework is now broadly agreed and current work is focussed on the drafting of the necessary documentation including contracts, schedules, specifications and tender materials.

Preparing Nexus for Quality Contracts: Transformation and Transition

- 3.4 A Business Transformation Plan has been prepared that details the actions and resources necessary to prepare Nexus for the introduction of a Quality Contracts Scheme, reflecting the considerable change in functions and responsibilities that this would entail. Changes to processes, systems and resourcing have been identified throughout Nexus.
- 3.5 A resource plan has been put in place so that as the start date for the Quality Contracts approaches, additional staff resources will be recruited that will allow Nexus to perform functions currently undertaken by bus operators but which transfer to Nexus in the QCS. This resource plan also identifies further resource required to manage the Quality Contracts themselves. All of these resources have been fully accounted for in Nexus' assessment of affordability.
- 3.6 Nexus is currently prioritising three transformation projects which are critical for the delivery and management of a QCS: identifying opportunities for future operators of Quality Contracts to establish new depots; the roll out of the ambitious and integrated QCS SMART ticketing proposals; and the

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development of integrated contract, information and performance management systems.

4 The Buses Bill

- 4.1 On 27 May 2015, the Queen's Speech included a commitment to a Buses Bill, giving directly elected mayors the power to take control of bus services in their areas. No further details of the Bill are available at this time as it is being developed by DfT.

5 Next Steps

- 5.1 The QCS is to be considered by the QCS Board in July 2015. A further update will be submitted to members once the QCS Board has made any recommendations.

6 Potential Impact on Objectives

- 6.1 A previous report to the Committee on 9 October 2014 set out Nexus' assessment of the extent to which the QCS would be likely to achieve the objectives of the Bus Strategy and wider objectives.

7 Finance and Other Resources

- 7.1 At this point in time, because of additional savings made in the Nexus budget in 2014/15 (and the savings expected to be made during 2015/16 as reported elsewhere on this agenda), Nexus has earmarked reserve funding that should enable it to maintain service outcomes through to the end of 2017. This is dependent on the level of NECA grant for bus services being maintained at current levels.
- 7.2 Assuming that the level of NECA grant for bus services can be maintained at current levels, the affordability analysis undertaken by Nexus demonstrates the long term financial position that the QCS will deliver, maintaining bus services (including discretionary concessions) that would otherwise decline, in an affordable way that offers good value for money to the public purse. This analysis and the whole basis for the Scheme will be thoroughly examined by the QCS Board.

8 Legal

- 8.1 A previous report to the Committee on 9 October 2014 set out a consideration of legal matters.

9 Other Considerations

9.1 Consultation/Community Engagement

Extensive consultation and community engagement has been undertaken by Nexus over the last three years to reach this stage of the QCS process.

9.2 Human Rights

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A previous report to the Committee on 9 October 2014 set out a consideration of matters pertaining to Human Rights.

9.3 Equalities and Diversity

There are no Equalities and Diversity considerations in this report.

9.4 Risk Management

There are no risk management considerations in this report.

9.5 Crime and Disorder

There are no crime and disorder considerations in this report.

9.6 Environment and Sustainability

There are no environment and sustainability considerations in this report.

10 Background Documents

- 10.1 Report to TNEC, Bus Strategy Delivery Project Update, 9th October 2014, <http://www.nexus.org.uk/busstrategy/reports-to-the-neca-october-2014/tnec>

11 Links to the Local Transport Plans

- 11.1 The Bus Strategy is part of the Local Transport Plan for Tyne and Wear. Improving transport connectivity and reducing carbon emitted by transport are objectives of the Strategic Economic Plan.

12 Appendices

- 12.1 None

13 Contact Officers

- 13.1 Tobyn Hughes, Managing Director (Transport Operations)
tobyn.hughes@nexus.org.uk; 0191 203 3246

14 Sign off

- Head of Paid Service/Chief Executive Officer for Transport ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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North East Combined Authority Transport North East Committee

DATE: 9 July 2015

SUBJECT: Office for Low Emission Vehicles Go Ultra Low City Scheme Funding Opportunity

REPORT OF: Chief Executive Officer for Transport

EXECUTIVE SUMMARY

The purpose of this report is to provide members with an update on progress with proposed bid for funding from the Go Ultra Low City Scheme (and associated Go Ultra schemes), including recent feedback from the Department for Transport (DfT) and the Office for Low Emission Vehicles (OLEV) on our successful screening phase bid and expected timeframes for the final submission.

As the deadline for final bid submission is (currently) 31st August 2015, it is proposed to take a further report to the 14th July meeting of Leadership Board seeking approval for delegated authority to submit the final bid closer to the above deadline.

RECOMMENDATIONS

It is recommended that the Committee approves the approach being taken in developing a bid for Go Ultra Low City Scheme funding.

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1. Background Information

- 1.1 The Office for Low Emission Vehicles (OLEV) Go Ultra Low City Scheme is a £35m capital based funding opportunity open to local authorities in the United Kingdom (including Combined Authorities). It is solely car based and the main objectives are to significantly increase the level of Ultra Low Emission Vehicle (ULEV) uptake and achieve exemplar status across a local area, demonstrating internationally outstanding examples for the adoption of ULEVs.
- 1.2 OLEV are looking to provide funding to support the activities of between two and four of the bids submitted. It was agreed at the Transport North East Committee meeting on 20th April 2015 that the NECA would make a final bid for the Go Ultra Low City Scheme and that it considered the proposals likely to be included in this bid to be acceptable in principle.

2. What has happened since the last update

- 2.1 A summary of the Go Ultra Low City Scheme opportunity, the NECA's approach to it and possible initiatives to be included in a bid was provided to the last meeting of TNEC on 20th April. Appendix 1 of this report provides a brief recap of the initiatives included in the draft screening phase document.
- 2.2 The NECA has now set up an officer-based Steering Group to programme manage the final bid submission. This Group is now meeting on a fortnightly basis, and is carrying out more detailed work for each of the proposals highlighted in the screening phase bid.
- 2.3 Complementing the bid is the proposal for a rapid charge EV filling station to be provided at Newcastle Science City through separate funding. Progression of this will assist with the development of an additional rapid charge filling station in Sunderland, which, it is proposed, would be funded through this bidding opportunity.
- 2.4 Officers from the Authority also held a teleconference with the Department for Transport and OLEV on 14th May to get feedback on the screening stage submission. DfT and OLEV officers advised that they planned to meet with Ministers in June to ensure that the government still wishes to proceed with the initiative – although it was their expectation that it would be continued.
- 2.5 It was anticipated that DfT and OLEV would then invite officers to attend a workshop to discuss the bidding process. Given the delay in meeting with government ministers and hosting a workshop, the submission deadline might be extended until the middle or end of September. They will be able to provide more clarity on this after their meeting with government ministers.

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- 2.6 They considered that NECA's screening phase submission was a very strong bid, creating a credible and deliverable picture, with our desired impacts linking well with our proposed measures, and they were especially interested in the proposed review of bus lanes so they could also be used by ultra-low emission vehicles.
- 2.7 DfT and OLEV reiterated that the two key considerations in assessing bids would be the anticipated uptake of ultra-low emission vehicles and achieving exemplar status. In the final bid we will need to demonstrate how we will deliver our measures and, in terms of air quality, we should demonstrate what the problems are, where are the affected locations, and what the impact would be on air quality if the measures were and were not implemented.
- 2.8 Regular meetings are taking place with stakeholders as the bid proposals are taken forward and officers will be able to update the Committee meeting with details of the latest position and any new developments since this report was published.

3. Low Emission Bus and Low Emission Taxis schemes

- 3.1 OLEV has recently released final guidance for a Low Emission Bus (£30m) scheme and a Low Emission Taxis (£20m) scheme. In respect of the taxi scheme a bid was made by NECA on 12th June to gain funding for a feasibility study to be carried out by the Energy Savings Trust, which would inform the final submission for this scheme. It is anticipated that any bids submitted in respect of these two opportunities will be linked to the Go Ultra Low City Scheme proposals.
- 3.2 In respect of the bus scheme, officers from Nexus had a teleconference call with the DfT on 12th June to discuss the NECA's proposed method of delivery. DfT found the Quality Contracts Scheme approach for the Tyne and Wear aspects of the bid interesting and advised that the most important thing will be to show that initiatives in the bid are well developed and that it is deliverable within the set timescales.
- 3.3 The approach for the bid, the role of bus operators, and the proposals within it will be progressed over the coming months. It is anticipated that a report will be taken to the North East Leadership Board meeting on 15th September asking for delegated authority for sign off for this bid by the Head of Paid Service.

4. Next Steps

- 4.1 The next steps are expected to be:

14th July – NELB requested to provide Delegated Authority to submit the

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final bid before the (current) deadline.

31st August – Deadline for final application submissions (this deadline might change based on DfT/OLEV discussions with government ministers).

Before the end of 2015 – Government to carry out final assessment of bids and advise on the winning bids, based on recommendations from OLEV officers.

There will then be discussions between the OLEV / DfT and the winning applicants so that a Memorandum of Understanding between the relevant parties can be agreed.

5. Potential Impact on Objectives

- 5.1 Should the bid submitted be successful and receive support from OLEV and the DfT, this will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential regarding the use of low carbon vehicles (including electric vehicles).

6. Finance and Other Resources

- 6.1 The financial and other resource implications will be fully assessed and considered by the Chief Finance Officer before the final bid submission. There is no new call on Combined Authority resources for match funding required, although existing complementary initiatives through previously agreed funding may be used in support of the bid.

7. Legal

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

8. Other Considerations

- 8.1 Consultation/Community Engagement
Extensive consultation has taken place with stakeholders in developing this bid.
- 8.2 Human Rights
There are no specific human rights implications arising from this report.
- 8.3 Equalities and Diversity
There are no specific equalities and diversity implications arising from this report.
- 8.4 Risk Management
There are no specific risk management implications arising from this report.
- 8.5 Crime and Disorder
There are no specific crime and disorder implications arising from this report.

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- 8.6 Environment and Sustainability
Success in securing funding for the proposals outlined in this paper will assist the Combined Authority in achieving a more sustainable transport system for the region.

9. Background Documents

- 9.1 Guidance advice from the Office for Low Emission Vehicles on the Go Ultra Low City Scheme can be found at:
<https://www.gov.uk/government/publications/go-ultra-low-city-scheme-guidelines-for-bidders>

10. Links to Plans in the Policy Framework

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

11. Contact Officers:

- 11.1 Mark Wilson, Head of Transport Policy (North East Combined Authority)
mark.wilson@newcastle.gov.uk 0191 211 5679

12. Sign off

- Head of Paid Service/Chief Executive Officer for Transport ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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Appendix 1 - Measures included in the neca's Screening Phase Application for the OLEV Go Ultra Low City Scheme

Proposals in the screening phase application had to meet primary objectives to increase ultra-low emission vehicle uptake and to become an exemplar status area, as well as secondary objectives of innovation, air quality improvements, being linked with other initiatives, and detailing how work carried out will be monitored to show if it is having any impact.

Examples of actions included in the screening phase bid are:

Incentivising ULEV cars and taxis - such as through procurement changes, ULEV car clubs, collaborations with housing developers to provide home based ULEV recharging, reviewing parking policies, car parks, and existing charge point facilities, having the UK's first ULEV (Rapid) Filling Station, targeted awareness campaigns, and use of existing communications channels.

Innovation – Using smart traffic signal infrastructure to increase traffic movement and flow and technological solutions to support ULEV parking enforcement.

Air Quality – Enhancing monitoring of air pollution levels, including future predictions, including future ULEV uptake and health impact.

Linking with other schemes – The scheme will link to a number of other initiatives, including the OLEV Low Emission Bus Scheme (£30m) and Taxi Scheme (£20m), which, it is anticipated, will also be the subject of funding applications from the Combined Authority.

Monitoring – Reports will be produced on targeted activity such as neca ULEV sales figures, reporting on air quality impact from ULEV adoption across fleets, ULEV charging data and changes in public perception.

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Transport North East Committee

DATE: 9 July 2015

SUBJECT: Revenue Budget 2014/15 Outturn and Revenue Budget
2015/16 Update

REPORT OF: Chief Finance Officer

EXECUTIVE SUMMARY

This report provides the Transport North East Committee with an update on the outturn in relation to the 2014/15 revenue budget and the first monitoring update on the 2015/16 budget. This is a requirement of the NECA constitution and is a function delegated to TNEC.

RECOMMENDATIONS

It is recommended that the Committee notes the content of this report.

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Transport North East Committee

1 Executive Summary

- 1.1 This report provides the Transport North East Committee with a progress update in relation to delivery of the transport revenue budget for 2014/15 outturn and the first monitoring update on the 2015/16 budget. This is a requirement of the NECA constitution and is a function delegated to TNEC.
- 1.2 The NECA transport accounts for 2014/15 show spending of £89.511m, which is a saving of £0.503m compared with the revised estimate for the year. The separate ringfenced Tyne Tunnels account showed an improved position with a net surplus of £0.197m. Nexus accounts are a part of the Group accounts of NECA and these also show an improved position with a reduced deficit for the year of £1.303m.
- 1.3 The monitoring information for 2015/16 is based on spending at the end of May (period 2). This shows an improved position in respect of the accounts for Nexus; Tyne Tunnel, Durham and no change in the budget position for Northumberland at this early point in the year.
- 1.4 Details of the various elements making up the revenue budget are presented in the narrative below with further detail in the appendices.

2 Background Information

- 2.1 At its meeting held on 29 April 2014, the Combined Authority received a report from the Chief Finance Officer setting out the Authority's proposed base net budget of £89.73m for 2014/15, of which £89.34m related to Transport activity. The revenue report to TNEC and the Leadership Board in 20 January 2015 set out the revised budget for the 2014/15 of £90.038m and a budget for 2015/16 of £89.177m.
- 2.2 This report combines the year-end outturn position for 2014/15 and an update on spend to the end of May (period 2) for 2015/16.

3 Transport Revenue Budget Programme 2014/15 Outturn

- 3.1 The table below summarises the net Transport Revenue Budget (i.e. the net cost to the North East Combined Authority after external income and direct government grants are taken into account) for 2014/15 (original and revised budget) with the outturn figures and the variance from the revised budget. Each element is set out in more detail in the following paragraphs and the appendices. The overall position is within budget for the year with savings on particular areas set out in the detailed sections for each budget area.

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Table 1 : 2014/15 Net Revenue Budget and Outturn

	Original Budget	Revised Budget	Outturn	Variance
	£000	£000	£000	£000
Durham	15,590	15,854	15,224	(630)
Northumberland	5,543	6,322	6,536	214
Tyne and Wear (former TWITA)	3,287	2,942	2,831	(111)
Nexus Grant	64,920	64,920	64,920	-
Tyne Tunnels	-	-	-	-
Total	89,340	90,038	89,511	(527)

3.2 Durham

The final outturn for 2014/15 shows net a budget underspend of £366k for the year compared with the original budget for the year. The main reasons for the reported variances (outturn compared with the original budget) are shown below:

- i. Concessionary Fares £171k overspend – this results from the final agreements with the bus companies being higher than originally anticipated when the budget was set.
- ii. Subsidised Services £492k underspend – this has primarily resulted from reduced contract prices and increased patronage.
- iii. Bus Stations £31k underspend – this results from general efficiency savings.
- iv. Passenger Transport information £14k overspend – this results from various minor overspends.
- v. Staffing £28k underspend – savings are a result of vacancies and local agreements for reduced hours.

The underspend at the year-end will be retained by Durham County Council.

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Table 2 : Summary of 2014/15 Net Expenditure in Durham

	Original Budget	Revised Budget	Outturn	Variance (Budget vs Forecast)
	£000	£000	£000	£000
Concessionary Fares	11,383		11,554	171
Subsidised Services	3,373		2,881	(492)
Bus Stations	66		35	(31)
Passenger Transport Information	115		129	14
Staffing	653		625	(28)
Net Expenditure	15,590	15,854	15,224	(366)

3.3 Northumberland

3.3.1 The outturn position indicates that expenditure overspent by £214k for the financial year 2014/15. Northumberland County Council's two main areas of revenue expenditure are as follows:

- a) Subsidised Bus Services – Northumberland County Council supports a range of socially necessary bus services, mainly in the rural North and West areas but some in the more urban South East. The Council is currently reviewing all contracts that do not offer value for money with a view to coming up with alternative delivery models.
- b) Concessionary Travel Scheme – The outturn shows a £256k overspend on Concessionary Travel due to the savings relating to the audit of disabled bus passes not being implemented as originally anticipated; rather the passes will be phased out in line with their natural expiry timescales and claims from operators (£130k) on the use of passes or where new commercial routes have been added to the network resulting in additional claims.

Table 3: Summary of 2014/15 Net Expenditure in Northumberland

	Original Budget	Revised Budget	2014-15 Outturn	Variance (Budget vs Forecast)
	£000	£000	£000	£000
Concessionary Travel	4,277	4,343	4,599	256
Subsidised Services	1,027	1,740	1,790	50
Passenger Transport Information	40	40	8	(32)
Staffing	199	199	139	(60)
Net Expenditure	5,543	6,322	6,536	214

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3.4 Tyne and Wear levy budget (Former TWITA)

3.4.1 This levy-funded budget holds items, which are a legacy from the former Tyne and Wear ITA, primarily historic financing charges, as well as the running costs of NECA, which are attributable to Transport activity.

3.4.2 The budget for 2014/15 was originally set in January 2014 by the ITA. Due to considerable uncertainty about the proposed Combined Authority, it included a significant level of contingency, created from annual savings in pension costs due to the use of one off reserves to reduce a pension deficit. Part of this contingency was used in the year to fund some additional professional advice required by NECA in relation to the Bus Strategy.

3.4.3 The position against this budget is summarised in the table below:

Table 4 :Tyne and Wear Transport Budget (excluding Grant to Nexus)

	2014/15 Revised	2014/15 Outturn	Variance
	£000	£000	£000
Service Level Agreement	250	251	1
Training, Travel & Subsistence	4	2	(2)
Members Allowances	5	5	-
Supplies & Services	30	21	(9)
Audit Fee	18	18	-
Contingency	70	35	(35)
Financing Charges	2,328	2,269	(59)
Repayment to Tyne Tunnels reserves	240	240	-
Interest Income	(3)	(10)	(7)
Total Expenditure	2,942	2,831	(111)
Contribution from Levy	(3,287)	(3,287)	-
Net (Surplus)/Deficit	(345)	(456)	(111)
Tyne and Wear Transport reserve b/f	(574)	(574)	
Refund to Districts at start of year	440	440	-
Contribution (to) reserves in year	(345)	(456)	(111)
Reserve c/f	(479)	(590)	(111)

3.4.4 The net result for the year was a surplus of £456k, which is £111k better than expected and has been added to the Tyne and Wear Transport reserve. The use of some reserves was taken into account in setting the 2015/16 budget,

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where the budget funded by the Levy was reduced from £3,287k in 2014/15 to £2,700k in 2015/16, requiring use of reserves in 2015/16 to balance the budget in advance of forecast savings in financing charges in future years. It is proposed to ringfence £100k of the additional surplus achieved in 2014/15 to fund capacity for the Devolution work which will be taking place in 2015/16, a significant proportion of which will relate to Transport.

3.5 Tyne and Wear – Nexus

3.5.1 The revenue grant that TWITA agreed to be paid to Nexus, was paid over the course of the year at the original approved level, in accordance with regulations, so there is no variation in the grant shown in the NECA accounts.

3.5.2 The accounts of Nexus are includes a part of the Group Accounts of NECA. During 2014/15 Nexus reported an improved budget position, with additional income and cost savings helping to reduce its original budget deficit from £4.770m to a revised estimate deficit of £2.983m.

3.5.3 The outturn deficit of £1.302m on the Nexus Budget represents a further improvement of £1.681m and an overall improvement of £3.467m compared to the original budget deficit, as set out in Table 5 below.

Table 5: Nexus 2014/15 Budget and Outturn for Tyne and Wear

	Original Budget	Outturn	Variance
	£000	£000	£000
Concessionary Travel	47.644	47.485	(0.159)
Metro	(0.424)	(2.446)	(2.022)
Ferry	0.794	0.811	0.017
Subsidised Bus Services	12.492	11.387	(1.105)
Bus Stations/Infrastructure	2.635	2.440	(0.195)
Business Development	1.447	1.447	0
Passenger Transport Information and Promotion	2.752	2.749	(0.003)
TOTAL Operations	67.340	63.873	(3.467)
Revenue Contributions to capital	2.349	2.349	0
Total Nexus Requirement	69.689	66.222	(3.467)
Revenue Grant from NECA/Levy	64.920	64.920	0
Planned Deficit funded from Nexus reserves	4.769	1.302	(3.467)

3.5.4 The major variations, a number of which have been previously reported to the Committee during the course of the year, between the original budget and the outturn are set out below.

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3.5.5 Concessionary Travel

Following the ITA's decision to revert the price of a Gold Card back to £12 as part of the budget setting process for 2014/15, the number of cards sold during the year increased by 45%, from 56,097 in 2013/14 to 81,453 in 2014/15. Despite the reduction in price, income from card sales increased to £1.164m, some £0.318m above budget. This increase in income has however been partly offset by a reduction in the numbers of Scholars passes purchased by LEA's in Tyne and Wear which led to a reduction in this income of £0.148m. Together with minor changes in other areas of the Concessionary Travel budget, expenditure for the year was in total, £0.159m lower than budget. Expenditure relating to the English National Concessionary Travel Scheme (ENCTS) was £38.095m during 2014/15, representing 80% of this budget.

3.5.6 Metro

Throughout the year the Committee has been advised that Metro fare revenue was performing significantly ahead of budget and the estimate for the year as a whole was increased by £1.500m at the end of the third quarter. This positive trend continued throughout the final quarter of the year and, together with a distribution of prior year income from Network Ticketing Limited ("NTL"), which was £0.340m higher than the level that had previously been incorporated into the budget, resulted in Metro income being £2.144m above budget. This strong performance in commercial revenues was reflected in patronage growth, which to the end of the year was 38.1m, an increase of 2.4m (6.8%) on 2013/14.

There was a positive variance of £0.163m resulting from a reduction in the Concession Payment to DB Regio because of changes to inflation indices after the original budget was set.

Efficiency savings achieved during the year within Nexus Rail amounted to £0.161m.

Saving on the cost of HV Power in year totalled £0.246m.

Asset financing costs were £0.692m higher than the original budget. A loss on asset disposals following a comprehensive review of Nexus' fixed assets register in preparation of changes to the CIPFA accounting code of practice will bring of £0.297m was recorded. In addition, an increase in the depreciation charge during the year (out with the adjustments made in connection with the review of the fixed assets register) amounted to £0.395m.

3.5.7 Bus Services

Savings were made in relation to a number of secured bus services contracts that were renewed during the year. These savings, which appear to arise,

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inter alia, from a combination of factors including the introduction of different configurations in service design, a fall in fuel prices and the entry of new operators into the market, amounted to £0.802m over the course of the year. In addition, income from secured bus services was, as noted below, £0.303m above budget, resulting in an overall saving against budget of £1.105m.

3.5.8 Bus Infrastructure

Efficiency savings in the operation of bus interchanges and shelters throughout Tyne and Wear, including the renewal of maintenance and security contracts, amounted to £0.195m over the course of the year.

3.5.9 Other

There were a range of budget pressures identified during the year which were largely offset by compensating savings achieved elsewhere.

There were general efficiency savings across other areas within Nexus together with a reduction in loan interest payments, higher than originally anticipated Bus Services Operator Grant (BSOG) and the write back of some provisions e.g. where insurance claims have been paid at values less than originally provided for.

These savings have helped offset additional depreciation charges within Customer Services together with cost pressures arising from a reduction in external sales commissions, the slightly later than anticipated closure of three travel shops and an increase in staffing costs within the 'One Stop Shop' customer services centre. In addition, investment income was less than budget and there was a minor change in the Metro Rail Grant payment from DfT.

3.6 Tyne Tunnels

3.6.1 The Tyne Tunnels are operated as a ringfenced trading account, meaning it is fully funded from tolls income and dedicated tunnel reserves, with no impact on the levy. The position to the year-end has improved significantly, from a projected deficit to a surplus of £197k.

3.6.2 The position on the Tyne Tunnels revenue account is summarised in the table below:

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	2014/15 Revised	2014/15 Outturn	Variance
	£000	£000	£000
Gross Income			
Tolls	(25,315)	(26,116)	(801)
Other Income	-	(3)	(3)
Interest	(150)	(155)	(5)
Repayment from TW Transport reserve	(240)	(240)	-
Gross Expenditure			
Contract Payments	19,040	19,643	603
Employees	35	35	-
Pensions	50	54	4
Support Services	130	98	(32)
Supplies & Services	50	39	(11)
Community Fund	10	1	(9)
Financing Charges	6,812	6,447	(365)
Net (Surplus)/Deficit	422	(197)	(619)
Contribution to/(from) Tunnels reserve	(422)	197	619
Total	-	-	-

- 3.6.3 Traffic volumes increased by around 8% compared with the previous year, resulting in an improved toll income outturn of £26,116k compared with the budget of £25,315k. The contract payment to the Concessionaire, TT2 Ltd. is based on traffic volumes. The payment to TT2 has therefore increased as the toll income has increased (outturn of £19,643k compared to budget of £19,040k), but with a resulting net improvement against the budget of £198k.
- 3.6.4 The other significant saving was on financing charges, where work to reduce interest charges by repaying debt early and using cash balances in place of external borrowing has resulted in a reduction of £365k against the budget.

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4 2015/16 Revenue Budget – Period 2 Update

4.1 At the meeting on 20 January 2015, the Leadership Board approved a total levy of £89.177m to fund transport activity across the North East Combined Authority area.

4.2 Transport Levy

4.2.1 The budget for 2015/16 is set out in the table below, with income and expenditure to the end of period 2. 2015/16 is the first year of the transport levies for all seven authorities.

	2015/16 Original	2015/16 Forecast	May (P2) Position
Transport Levy	(89,177)	(89,177)	(14,863)
Grant to Durham	16,072	16,072	2,679
Grant to Nexus	64,500	64,500	10,750
Grant to Northumberland	5,896	5,896	983
Retained budget			
Service Level Agreement	256	250	7
Training, Travel & Subsistence	3	3	-
Members Allowances	5	5	1
Supplies & Services	22	20	1
Audit Fee	17	13	-
Contingency	10	10	-
Financing Charges	2,236	2,159	360
Repayment to Tyne Tunnels reserves	240	240	40
Interest Income	(3)	(5)	-
Contribution (to)/from Reserves	77	(14)	(42)

4.2.2 The budgeted position was a use of reserves to support the budget of approximately £77k. Due to the piece of work to reduce financing costs that has been completed since the budget was prepared, the total budget estimate for the year has reduced by approximately £90k. Minor reductions on some other budget heads are anticipated, such as the audit fee, service level agreement and supplies and services.

4.2.3 At this early stage in the **Page 42** expenditure is largely limited to grant

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payments made to the delivery agencies and allocations for financing charges.

4.3 Durham

4.3.1 The latest forecast indicates that there will be a budget underspend of £395k for the year. The main reason for the forecast variance (forecast outturn against original budget) is shown below:

- i. Concessionary Fares £395k underspend – this results from final agreements with the bus companies being lower than original anticipated when the budget was set.

The projected underspend at the year-end will be retained by Durham County Council.

	Original Budget	Spend to Date	Forecast to Year end	Variance (Budget vs Forecast)
	£000	£000	£000	£000
Concessionary Fares	11,891	1,668	11,496	(395)
Subsidised Services	3,228	(225)	3,228	0
Bus Stations	184	10	184	0
Bus Shelters	80	4	80	0
Passenger Transport Information	79	49	79	0
Staffing	609	114	609	0
Share of NECA Transport Costs	5	0	5	0
Net Expenditure	16,076	1,620	15,681	(395)

4.4 Northumberland

4.4.1 Since the 2015-16 budget figures were submitted to the Combined Authority, the 2014/15 savings in relation to Concessionary Travel have been reinstated to the budget as the savings are now anticipated to be realised over a number of years.

4.4.2 The latest forecast indicates that expenditure will remain within the overall budget. Northumberland County Council's two main areas of revenue expenditure are as follows:

- a) Subsidised Bus Services – Northumberland County Council supports a range of socially necessary bus services, mainly in the rural North and West areas but some in the more urban South East. The Council is currently reviewing all

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contracts that do not offer value for money with a view to coming up with alternative delivery models as a result of a £200k saving being required in 2015/16.

- b) Concessionary Travel Scheme – Although claims from operators are made monthly all adjustments to reimbursement rates are made quarterly to ensure that operators are being reimbursed with an accurate overall rate. Work has not yet been completed to calculate the reimbursement rate for the first quarter. Misuse of bus passes (which results in higher costs) is being tackled through an anti-fraud initiative which incentivises bus companies' detection of fraud.

	Original Budget	Revised Budget	Spend to Date	Forecast to Year end	Variance (Budget vs Forecast)
	£000	£000	£000	£000	£000
Concessionary Fares	4,366	4,516	399	4,366	-
Subsidised Services	784	769	(90)	784	-
PT Information	36	3	-	36	-
Staffing	176	176	21	176	-
Net Expenditure	5,362	6,219	330	6,219	-

4.5 Tyne and Wear – Nexus

- 4.5.1 The Forecast Outturn for the 2015/16 year for Nexus as at Period 02 is a Deficit on the budget before taxation of £1.824m. This compares with the original budgeted deficit of £3.103m, a positive variance of £1.279m.

The major variations between the original budget and the forecast outturn are set out below and in the subsequent table.

4.5.2 EXPENDITURE

Metro

The concession payments to DB Regio are partly determined by inflation indices unavailable at the time the Budget for the year is set. The actual indices are now available and as a result the concession payment to DB Regio will increase by £94k.

The budget for high voltage power costs was set with regard to advice that the Government's Electricity Market Reform ("EMR") would be introduced during the financial year, resulting in an increase in power costs. It now appears that

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the EMR will not be introduced until later in 2016 and as a result the estimated cost of HVP has been reduced by £250k against budget.

Bus

Substantial savings against budget have been achieved during the renewals of secured bus service contracts during the course of the last 6 months. These savings, which appear to arise, *inter alia*, from a combination of factors including the fall in fuel prices and the entry of new operators into the market, indicate that a saving of approximately £750k will be made against budget over the course of the financial year. It is however probable that these savings will not represent a permanent reduction in the base cost of the services provided in view of the volatility of tenders dependent on fuel prices and it is possible that the current year savings will be reversed in future contract renewals.

Staff costs

The reorganisation of management posts following the appointment of the new Director General on 1st of January is now substantially complete. The targeted reduction in the base budget as a result of the changes to management structures following that reorganisation including national insurance and pension costs, was c£420k.

4.5.3 INCOME

Metro Rail Grant

As with the concession payments to DB Regio, the level of the Metro Rail Grant ("MRG") received from the DfT is partly determined by inflation indices unavailable at the time the Budget for the year is set. With the actual indices now being available, the MRG receivable over the course has been reduced by £47k from the level included in the Budget.

	Budget	Forecast	Variance
	£m	£m	£m
EXPENDITURE			
Metro			
DB Regio Concession Payment	37.108	37.202	0.094
Asset Costs	22.632	22.632	0.000
Nexus Rail	11.956	11.956	0.000
HV Power, Rates and Insurances	9.443	9.193	(0.250)

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Concessionary Travel			
ENCTS	37.449	37.449	0.000
Metro	6.392	6.392	0.000
Under 16s	4.748	4.748	0.000
Bus			
Secured Bus Services	18.356	17.606	(0.750)
Bus Infrastructure	2.860	2.860	0.000
Other			
Northern Rail	2.902	2.902	0.000
Ferry	1.214	1.214	0.000
Customer Services	5.339	5.339	0.000
Support Services	7.518	7.098	(0.420)
Pensions & Provisions	6.377	6.377	0.000
Loan Interest	1.927	1.927	0.000
	176.221	174.895	(1.326)
INCOME			
Grant Income			
Local Authority Grant	64.500	64.500	0.000
Metro Rail Grant	24.503	24.456	(0.047)
Heavy Rail Grant	2.901	2.901	0.000
Commercial Income			
Metro	49.044	49.044	0.000
Bus	7.063	7.063	0.000
Ferry	0.570	0.570	0.000
Concessionary Travel	1.828	1.828	0.000
Other	2.128	2.128	0.000
Other			
Asset Financing	20.251	20.251	0.000
Investment Income	0.330	0.330	0.000
	173.118	173.071	(0.047)
(Surplus) / Deficit	3.103	1.824	(1.279)

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4.6 Tyne Tunnels

4.6.1 The budget for 2015/16 is set out in the table below, with income and expenditure to the end of period 2.

	2015/16 Original	2015/16 Forecast	P2 Update
Income			
Tolls	(27,100)	(27,761)	(4,534)
Other Income	-	(34)	(34)
Interest	(200)	(200)	-
Repayment from TW Transport reserve	(240)	(240)	(40)
Expenditure			
Contract Payments	21,907	21,618	3,530
Employees	36	36	6
Pensions	50	55	9
Support Services	120	120	-
Supplies & Services	50	50	1
Community Fund	10	10	-
Financing Charges	6,793	6,419	1,070
Net (Surplus)/Deficit	1,426	73	(8)
Contribution to/(from) Tunnels reserve	(1,426)	(73)	8
Total	-	-	-

4.6.2 The forecast to the year-end shows a significantly improved position from when the original budget was set. This is primarily due to improved traffic incomes and reduced financing costs as a result of treasury management work. One-off miscellaneous income of £34k relates to savings on insurances between TT2 and NECA.

4.6.3 The position at the end of period 2 is largely breakeven, although at this early stage in the year there are many costs which will not become payable until much later in the year.

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5 Next Steps

- 5.1 The transport revenue budget will be monitored for the remainder of the financial year and the outturn position reported following the year end.

6 Potential Impact on Objectives

- 6.1 The report sets out the transport revenue budget of the Combined Authority, which supports meeting its objectives.

7. Finance and Other Resources

- 7.1 The finance implications are set out in detail in the body of the report. The position is better than previously reported, which means a strengthening of reserves. There are no significant issues to report in the new year. Savings and efficiencies will continue to be identified to offset any pressures that may emerge.

8 Legal

- 8.1 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.

9 Other Considerations

9.1 Consultation/Community Engagement

The Authority's revenue budget for 2014/15 and 2015/16 comprises previously approved budgets, which were subject to consultation as part of the approval process.

9.2 Human Rights

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

9.3 Equalities and Diversity

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

9.4 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.

9.5 Crime and Disorder

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

9.6 Environment and Sustainability

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

10 Background Documents

10.1 Report on the 2014/15 Budget for the Combined Authority – Leadership Board 29 April 2014

Revenue Budget Q1 Update – TNEC 29 July 2014

Revenue Budget Q2 Update – TNEC 9 October 2014

Revenue Budget 2015/16 – Leadership Board 21 January 2015

Revenue Budget 2015/16 – Leadership Board 17 February 2015

Revenue Budget Q3 Update – TNEC 26 February 2015

11 Links to Plans in the Policy Framework

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

12 Appendices

12.1 N/A.

13 Contact Officers

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14 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Section 73 Chief Finance Officer ✓

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