



**Transport North East Committee**

Thursday 9th July 2015

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## SUPPLEMENTAL AGENDA

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**To All Members**

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## North East Combined Authority Transport North East Committee

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**DATE:** 9 July 2015  
**SUBJECT:** Transport for the North  
**REPORT OF:** Chief Executive Officer for Transport

### **EXECUTIVE SUMMARY**

Following the report presented at the April meeting, this report provide members with an update on the Transport for the North programme.

### **RECOMMENDATIONS**

It is recommended that the Committee notes this report.

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### 1. Background Information

- 1.1 Members will recall that Transport for the North aims to transform connectivity between the large city regions of Northern England in order to deliver what has become known as the 'Northern Powerhouse'.
- 1.2 A Northern Transport Strategy report titled "The Northern Powerhouse: One Agenda, One Economy, One North" was published on 20<sup>th</sup> March 2015. In response to our strong regional advocacy, the report recognises the strategic economic significance of our key transport links - Newcastle International Airport, the Port of Tyne, the East Coast Main Line and the A1/A19.
- 1.3 The Transport Strategy lists a range of key measures to help deliver the Northern Powerhouse and which would benefit the North East. These were detailed in the previous report to this Committee but are briefly summarised below:
  1. A £2.7billion investment to introduce new 140mph InterCity trains on the East Coast Main Line and a significant cut in east-west rail journey times.
  2. Replacement of all Pacer trains.
  3. Expansion of capacity on the Leeds-Newcastle rail corridor, including consideration of the option of re-opening the Leamside Line.
  4. An upgrade of the A1 to provide continuous motorway standard between London and the North-East
  5. Capacity improvements to the A19
  6. As part of the next generation of major road improvements, consideration to be given to upgrading the A66 and/or A69 corridors
  7. Upgrades to the A1, A19, A69 and A66 to improve connections to and from Port of Tyne and Teesport.
  8. A single unified smart ticketing system across the North
  9. A recognition of the strategic importance of Newcastle International Airport
  10. A review into the implications of Air Passenger Duty devolution for northern regional airports such as Newcastle

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### 2. Latest developments

- 2.1 Following the General Election, the Chancellor has re-affirmed the government's support for the "Northern Powerhouse" and James Wharton, the Member of Parliament for Stockton South, has been appointed as Minister for Local Growth and the Northern Powerhouse. In addition, Andrew Jones, the Member of Parliament for Harrogate, has been appointed as Department for Transport's Minister for Northern Powerhouse issues.
- 2.2 Transport for the North has been firmly established as a partnership between the Northern city region authorities, Government and the national transport agencies.
- 2.3 A review of governance is to take place to establish the most appropriate arrangements for taking forward the programme. Currently there is a Transport for the North Partnership Board in place with its membership comprising;
- Greater Manchester
  - Liverpool City Region
  - Sheffield City Region
  - Leeds City Region
  - Hull and Humber
  - North East Combined Authority
  - Department for Transport
  - HS2 Ltd
  - Network Rail
  - Highways England
- 2.4 This is supplemented by a Regional Reference Group, comprising authorities/regions not included in the main Partnership Board, these being Cumbria, Tees Valley, North Yorkshire, Lancashire and Cheshire.
- 2.5 It is envisaged that TfN will be established as a representative body for the whole of the north of England with an independent Chair, with all partners (including members of the Regional Reference Group) represented – to ensure that TfN operates on an inclusive basis, serving the whole of the region and recognising the importance of transport connectivity for rural economies.
- 2.6 Up to £12.5m is available to take forward development work on the proposals with a view to producing a Northern Transport Strategy over the next 12-14 months.
- 2.7 As a key first step, a pan-North Freight and Logistics Strategy is to be produced in early 2016. Freight plays a major role in the UK economy (accounting for nine percent of the country's GDP). However, 90 per cent of containers currently enter the UK through southern ports – despite up to 60 per cent being destined for the Midlands and the North. The aim of the Strategy is to help realise the economic potential of freight in the north, even

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out North-South inequalities and increase the value of exports across the region – whilst also encouraging sustainable freight movements.

- 2.8 Each of the regions involved in the TfN programme has been asked to nominate two business representatives to provide private sector insight and challenge into the development of the Strategy and NECA is in the process of submitting two nominees from this region.

### 3. Next Steps

- 3.1 A number of key actions will be carried out over the next 12-14 months, including:

- Completion of the governance review and appointment of an independent Chair;
- The production of a multi-modal Freight and Logistics Strategy for the North to be published in early 2016;
- An approach to economic appraisal will be developed between TfN and the government to inform decisions about prioritised options for delivery of the programme;
- A Memorandum of Understanding will be drawn up between TfN and Network Rail / HS2 Limited, and there will also be a separate MoU between TfN and Highways England; and
- It is likely that the various areas participating in Transport for the North will be asked to contribute to the programme by bringing forward complementary study work relating to intra-regional connectivity in their own areas.

- 3.2 NECA officers are participating in all aspects of the TfN programme to ensure that our regional aspirations are realised and that Government, the Highways Agency and Network Rail deliver on their commitments. The officer time committed by NECA officers is a formal contribution to the process. It is envisaged that an update on progress with the Northern Powerhouse will be published by the government in April 2016.

### 4. Potential Impact on Objectives

- 4.1 Progress on delivery of the measures included in the Transport for the North programme will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

### 5. Finance and Other Resources

- 5.1 There are no specific financial implications arising from this report

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### **6. Legal**

6.1 There are no specific legal implications arising from this report

### **7. Other Considerations**

#### 7.1 Consultation/Community Engagement

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

#### 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.

#### 7.4 Risk Management

Failure to engage fully with the TfN programme could result in this region not securing necessary improvements to transport connectivity, putting the NECA area at an economic disadvantage compared to other regions of the North. The Combined Authority is actively participating in all aspects of the programme to mitigate against this situation.

#### 7.5 Crime and Disorder

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

#### 7.6 Environment and Sustainability

Many of the measures identified by the Transport for the North programme will, if implemented, assist the Combined Authority in achieving a more sustainable transport system for the region.

### **8. Background Documents**

The Northern Powerhouse: One Agenda, One Economy, One North: document published at

<https://www.gov.uk/government/publications/northern-transport-strategy>

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### 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)  
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### 11. Sign off

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



## North East Combined Authority Transport North East Committee

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**DATE:** 9 July 2015

**SUBJECT:** Approval of Major Local Growth Fund Transport Schemes

**REPORT OF:** Chief Executive Officer for Transport

### **EXECUTIVE SUMMARY**

The purpose of this report is to request approval from Members to release funding for Central Station Metro Refurbishment, one of the major transport schemes that forms part of the Local Growth Deal and was previously prioritised by the former Local Transport Body.

### **RECOMMENDATIONS**

It is recommended that the Committee approve:-

- (i) the release of funding of £2.51m from the Local Growth Fund to Nexus for the scheme set out in paragraph 3.1 of this report; and
- (ii) authorise the Monitoring Officer to complete the Grant Funding Agreement with Nexus.

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### 1. Background Information

- 1.1 The Strategic Economic Plan for the North East ("More and Better Jobs"), published in March 2014, outlined an ambitious programme of measures to grow the region's economy, including a set of major transport schemes aimed at tackling bottlenecks, enhancing public transport provision and improving rail and road connectivity.

In July 2014, the region received £290m of Local Growth Deal funding (the third highest allocation in the country), which included funding for almost all of the transport schemes submitted as part of the SEP.

### 2. Scheme approvals - overview

- 2.1 Several of these schemes have already been approved in principle by the North East Local Transport Body, the precursor body to NECA for the purposes of receiving devolved local major transport scheme funding from the Department for Transport. To enable the release of funding for delivery of these schemes, the Transport Committee will be requested to give them their final approval once a satisfactory Final Business Case has been submitted by scheme promoters.

- 2.2 The process set out in the Transport Assurance Framework dictates that schemes will be submitted to the Committee at Final Business Case stage for approval only after they have successfully undergone independent assessment. The independent assessment is intended to ensure that any scheme submitted for funding release represents good value for money, and is deliverable within accepted cost, time and quality parameters, using criteria set out by the Department for Transport in its webTAG guidance.<sup>1</sup>

Section 3 below gives details of the particular scheme to be approved by this meeting.

### 3. Scheme to be approved by this meeting

- 3.1 Central Station Metro Refurbishment

This scheme involves the high quality refurbishment of Central Station Metro Station to provide a top class passenger experience at a key transport hub which supports the economy of the wider NECA area, by providing public transport links to employment at key sites, for example at Newcastle Airport, Gateshead MetroCentre, in and around Tyne Dock Metro Station and the International Ferry Terminal. The refurbishment will make the station more accessible and attractive to both existing and future users and encourage the use of public transport as has been seen with similar redevelopment, for

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<sup>1</sup> TAG = Transport Analysis Guidance

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example the Sunderland Station below ground scheme. This is part of a wider programme of work to improve transport hubs across the Metro network including the recent completion of North Shields Interchange and the plans for a substantial redevelopment of South Shields Interchange in partnership with South Tyneside Council, another project that has already been approved in principle by the North East Local Transport Body.

3.2 The total cost of the scheme is £6.037m, £2.51m of which will come from the Local Growth Fund. Owing to procurement timescales, it is imperative that the scheme commences immediately when funding approval is received and in this regard Nexus is relying on the decision of the Transport North East Committee to award a works contract to its preferred supplier on 9<sup>th</sup> July.

3.3 Although the scheme will be completed in the next financial year, there are important considerations in regard to the profiling of expenditure. When the Metro ARP capital programme for 2015/16 was originally established, the programme of works for Central Station, funded in their entirety at that time from DfT Metro Rail Grant, were less ambitious than they are now that £2.51m of Local Growth funding was approved in principle in order to enhance the scope of works. The phasing of the Local Growth funded expenditure effectively requires DfT Metro Rail Grant funded expenditure to be re-phased into the following year 2016/17. This will put pressure on Nexus's ability to meet DfT spending requirements in the current year, although levels of over programming and the ability to accelerate expenditure from future years should allow this pressure to be mitigated.

3.4 An independent assessment of both an outline and full business case has been carried out by an independent reviewer appointed by NECA. The business case at both review stages was assessed as strong and comments made by the reviewer on minor aspects of clarity have now been addressed within a final scheme business case submission. The business case review has demonstrated that the scheme represents very high value for money (a benefit-to-cost <sup>2</sup> ratio of 4.35), strongly supports the objectives of Strategic Economic Plan and Local Transport Plan and is deliverable within acceptable cost, time and quality parameters, using criteria set out by the Department for Transport in its webTAG guidance. The scheme business case also sets out a robust procurement strategy and funding case.

#### 4. Next Steps

4.1 Subject to the Committee approving the release of funding, the NECA will issue a Grant Funding Agreement to the scheme promoter, who will then proceed with the implementation of the scheme outlined above and in accordance with the final scheme business case.

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<sup>2</sup> A Benefit-to-Cost ratio is a statistic that summarises the value of monetised benefits delivered by a proposed scheme divided by the scheme costs, essentially providing the value for money status of the proposed scheme.

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

- 5.1 Implementation of the Central Station scheme submitted in this report will enhance regional transport connectivity and will thus assist the Combined Authority in delivering its objective to maximise the area's opportunities and economic potential.

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

- 6.1 Subject to the Committee approving the release of funding, the scheme will be progressed by the promoter and LGF funding of £2.510m drawn down from the Combined Authority. The LGF Funding for this scheme is included within the Combined Authority's approved Capital Programme for 2015/16. This is part of a £6.037m total project, with identified matching funding of £3.527m. Spend will be reported to the Committee through the year and should help achieve our anticipated spending level in the current year.

### **7. Legal**

- 7.1 If the recommendation is approved a Grant Funding Agreement between NECA and the scheme promoter will be required to be entered into.

### **8. Other Considerations**

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

The scheme promoter has developed a comprehensive Stakeholder Engagement Plan as part of the scheme business case.

#### **8.2 Human Rights**

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

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

The implementation of the scheme proposals will have a positive impact on low income and vulnerable groups by improving the attractiveness and

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viability of public transport.

### 8.4 Risk Management

Nexus will project manage the works and will need to manage any cost risks accordingly since the Local Growth Fund contribution is capped.

### 8.5 Crime and Disorder

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

### 8.6 Environment and Sustainability

Implementation of this scheme will provide benefits for the environment by making public transport options more attractive and thereby reducing congestion and improving air quality.

## 9. Background Documents

9.1 \* “More and Better Jobs” – the Strategic Economic Plan for the North East – available at <http://nelep.co.uk/wp-content/uploads/2014/11/North-East-Strategic-Economic-Plan-More-and-Better-Jobs.pdf>

\* Central Station Metro Refurbishment Full Scheme Business Case.

## 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:

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### 12. Sign off

- 12.1
  - Head of Paid Service ✓
  - Monitoring Officer ✓
  - Chief Finance Officer ✓

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### Transport North East Committee

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**DATE:** 9 July 2015

**SUBJECT:** Capital Programme 2014/15 Outturn and Capital Programme 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 capital programme and the first monitoring update on the 2015/16 programme. 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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### 1 Executive Summary

1.1 This report provides the Transport North East Committee with a progress update in relation to delivery of the transport related capital programme for 2014/15 outturn and the first monitoring update on the 2015/16 programme. This is a requirement of the NECA constitution and is a function delegated to TNEC.

1.2 Capital spending in 2014/15 was £58.883m, which was 91.4% of the approved programme for the year of £64.428m. The approved programme included an element of 'over programming' to ensure that spending was above the minimum level required by DfT. The variance is due to a combination of cost savings and spending rephrased into the new year, as set out in detail in this report. The actual level of expenditure is above the minimum required by DfT and is acceptable, with unused capital funding carried over into 2015/16.

1.3 The capital programme for 2015/16 is much larger at £92m, due to the additional local Growth Fund grant of £30m that has been approved and received. It will be much more challenging to achieve this level of capital expenditure this year, because no over-programming was included in the approved LGF funded programme. At this early point in the year, there is a potential outturn spend of £83.6m. The timing of the Highway and Transport schemes in the LGF programme is under constant review and we have been given assurance by government that there is flexibility across years to manage the programme effectively. Options for maximising spending this year are being considered. An update on progress will be provided at the committee meeting.

### 2 Background Information

2.1 At its meeting held on 29<sup>th</sup> 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 as well as a base Capital Programme for 2014/15 of £66m. Following the 2013/14 outturn, the capital programme for 2014/15 was refined and revised to a new total of £64.428m.

2.2 At the Leadership Board meeting on 20<sup>th</sup> January 2015, the base transport capital programme for 2015/16 was agreed, at a level of £93m. The second half of this report reports on progress against the 2015/16 programme, where the latest estimate of likely spending is £83.6m.

### 3 Transport Capital Programme 2014/15 Outturn

3.1 The table below summarises the Transport Capital Programme for 2014/15 with expenditure to date and projected outturn. Each element is set out in more detail in the following sections.



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	<b>Original Approved Budget</b>	<b>Latest Approved Budget</b>	<b>Outturn 2014/15</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Metro Asset Renewal Plan</b>	38.685	34.650	30.936	(3.714)
<b>Tyne Tunnels</b>	3.500	4.500	3.891	(0.609)
<b>Transport Grants</b>	23.859	25.278	24.056	(1.222)
<b>Total</b>	<b>66.044</b>	<b>64.428</b>	<b>58.883</b>	<b>(5.545)</b>

### 3.2 Metro Asset Renewal Plan (ARP)

3.2.1 The ITA originally approved the Metro Asset Renewal Capital Programme for 2014/15 in January 2014 totalling £38.685m. This reflected the programme which had previously been submitted to and accepted by the Department for Transport (DfT) from whom 90% of the funding for this investment programme is received.

3.2.2 Delivery of the Metro ARP is reviewed on a 4 weekly cycle by the Nexus Executive and, as required by the NECA constitution, quarterly monitoring reports are presented to the Transport North East Committee as part of the composite capital monitoring report prepared by the NECA Chief Finance Officer. At the end of the third quarter of 2014/15, the Metro ARP capital programme was revised to a new level of £34.650m, which was noted by the Transport North East Committee at its meeting in February 2015.

#### **Significant ARP milestones delivered during the year include:**

- Track renewal in the Central Corridor from South Gosforth to Jesmond was completed taking the total investment in track since the start of ARP to over £42 million.
- Walkergate, Hebburn, Jarrow and Bede station investment works were completed bringing the total number of refurbished stations to 20 at the end of 2014/15.
- A total of 78 Metro Cars had been returned from refurbishment at the end of March 2015 with the remaining cars scheduled for completion by July 2015.
- Life expired escalators at Gateshead and Heworth were replaced. This means that 18 of the 26 escalators planned to be replaced across the network have now been renewed with energy efficient units. The 8

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remaining escalators are scheduled for replacement in 2015/16.

- With the replacement of lifts at Jesmond and Manors stations, the programme of lift renewals is now complete.
- A bespoke rail head treatment vehicle was commissioned in order to help improve Metro performance in the autumn leaf fall season.
- The Radio replacement contract was awarded and detail design progressed. This is one of the most complex projects to date undertaken in the Asset Renewal Plan.
- Early confirmation of full DfT Grant funding for 2016/17 was approved, alongside the approval of 50% of 'at risk' funding for 2017/18 and 2018/19. This is critical in delivering the long term track renewal strategy which aims to deliver significant efficiency savings by bundling future works into one major contract.
- The core communications infrastructure is now installed, replacing the out dated network with an IP (Internet Protocol) system. This will provide performance improvements and ease of maintenance for a system that supports customer serving functions including help points, public address systems and CCTV.

### Outturn Expenditure 2014/15

3.2.3 The 2014/15 outturn for the Metro ARP Capital programme is set out below:-

<b>Expenditure</b>	<b>Latest Approved Budget</b>	<b>Outturn</b>	<b>Over/ (Under) spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Civils	4.839	4.507	(0.332)
Communications (Note 1)	7.674	6.547	(1.127)
Level Crossings	0.360	0.317	(0.043)
Mechanical and Electrical	3.766	3.621	(0.145)
Metro Cars	8.445	8.449	0.004
Miscellaneous	0.753	0.463	(0.290)
Overhead Line	0.174	0.169	(0.005)
Permanent Way	3.417	2.977	(0.440)
Plant	0.533	0.502	(0.031)
Power	1.005	0.805	(0.200)
Signalling	1.198	1.016	(0.182)
Stations (Note 2)	2.486	1.563	(0.923)
<b>Total Metro ARP</b>	<b>34.650</b>	<b>30.936</b>	<b>(3.714)</b>

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### Note 1

The underspend on the Communications Asset Category has largely arisen as a result of slower design of the complex new Radio system compared with the contractor's original programme. This slippage will be accommodated within the revised programme for 2015/16.

### Note 2

3.2.4 The underspend on the Stations Asset Category has largely arisen as a result of re-phasing into 2015/16 of spending on South Shields and Central Station refurbishments while other external funding sources are secured.

Whilst the programme shows an under spend against the approved budget in 2014/15, it is important to recognise that this is mainly accounted for by the re-profiling of expenditure but that in addition, there have also been savings made on various projects, as the following table illustrates:

	£m
<b>Reason for Variation (Outturn v Latest Budget)</b>	
Re-profiling into 2015/16	-4.3
B/fwd from 2015/16	1.0
Net Budget Saving	-0.4
<b>TOTAL</b>	<b>-3.7</b>

It is also important to recognise that Nexus's actual expenditure during 2014/15 was comfortably above the minimum level expected by DfT under the terms of the funding arrangement agreed in 2010, something that, despite the dynamism of the programme, had been forecast for a number of months.

### 3.2.6 Metro Capital Programme Financing

The following table sets out how the Metro ARP capital programme for 2014/15 has been financed, based on the outturn as set out in this report:-

	Funding allocated in 2014/15	
	£m	£m
<b>Metro Rail Grant</b>		
2014/15 Allocation	31.000	
Less: Utilised in 2013/14	(0.735)	
	30.265	
Less: C/Fwd to 2015/16	(2.423)	<b>27.842</b>
<b>Local Contribution</b>		
LTP IT Block	2.640	
Reserves	0.454	<b>3.094</b>
<b>Total</b>		<b>30.936</b>

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### Non-Metro Capital Programme 2014/15

3.2.7 Similarly, delivery of the Nexus Non-Metro capital programme is reviewed on a 4 weekly cycle by the Nexus Executive. The latest revised budget for 2014/15 was £1.874m.

The 2014/15 outturn for the Nexus Non-Metro ARP capital programme is set out below:-

<b>Expenditure</b>	<b>Latest Approved Budget</b>	<b>Outturn</b>	<b>Over/Under spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Nexus Non Metro Programme</b>			
Real Time	0.652	0.652	-
Cycling (Note 1)	0.480	0.461	(0.019)
Ferry	0.225	0.223	(0.020)
Bus Infrastructure	0.305	0.294	(0.011)
ICT Support Systems	0.212	0.213	0.010
<b>Total Nexus Non Metro</b>	<b>1.874</b>	<b>1.843</b>	<b>(0.031)</b>

### Note 1

The under-spend on the Cycling project relates to elements of the cycle locker installation programme which will be completed in 2015/16. LTP funding has been carried forward accordingly.

### Non-Metro Capital Programme Financing

The following table sets out how the Nexus Non-Metro capital programme for 2014/15 has been financed, based on the outturn as set out above:-

	<b>Approved Funding 2014/15 £m</b>	<b>Funding allocated in 2014/15 £m</b>
<b>Grant</b>		
Local Transport Plan (LTP)	0.815	0.808
Local Sustainable Transport Fund (LSTF)	1.035	1.035
<b>Nexus Contribution</b>		
Reserves	0.024	-
<b>Total</b>	<b>1.874</b>	<b>1.843</b>

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- 3.3.1 There are two main elements to the Tyne Tunnels capital programme: the refurbishment works on the Pedestrian and Cycle Tunnels which commenced in 2013, and residual costs and works in relation to the major New Tyne Crossing project to construct the new vehicle tunnel. These are set out in the table below:

	<b>Original Approved Budget</b>	<b>Latest Approved Budget</b>	<b>Outturn 2014/15</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Pedestrian and Cycle Tunnels</b>	3.000	4.000	3.466	(0.534)
<b>New Tyne Crossing</b>	0.500	0.500	0.425	(0.075)
<b>Total</b>	<b>3.500</b>	<b>4.500</b>	<b>3.891</b>	<b>(0.609)</b>

### Tyne Pedestrian and Cycle Tunnels (TPCT)

- 3.3.2 The Tyne Pedestrian and Cycle Tunnels closed to the public in May 2013 to allow for a full refurbishment, installation of inclined lifts to replace the old wooden escalators, and structural works to be completed. Total expenditure during 2014/15 of £3.466m related mainly to the main contract for the refurbishment works, with additional costs for professional fees and costs for the provision of a shuttle bus service to maintain the link for pedestrians and cyclists during the closure period.
- 3.3.3 The main contractor for the refurbishment, GB Building Solutions Limited, entered into administration in March 2015. NECA has assumed project management responsibilities including contracting directly with the specialist sub-contractor for the inclined lift installation, to enable the project to progress to completion. However, this has caused delays to the programme, with around £0.5m of the revised budget slipping to 2015/16, and will have implications for the overall scheme cost. The full implications and revised costings are being assessed and will be reported to the Tyne and Wear Sub Committee. Any cost increases will be met from the earmarked Tyne Tunnels reserves.

### New Tyne Crossing

- 3.3.4 Expenditure during 2014/15 of £0.425m related to the remaining final elements of environmental works and monitoring, professional fees and costs associated with land transfer work, and land compensation claims and their assessment. This will be funded from the earmarked Tyne Tunnels reserves.

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### 3.4 Other Transport Grants

3.4.1 NECA is the responsible body for a number of DfT grants, which are awarded to the Authority and which it pays to the constituent authorities and delivery agencies to deliver transport works and capital investment in the region.

	<b>Original Approved Budget</b>	<b>Latest Approved Budget</b>	<b>Outturn 2014/15</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>LTP – Tyne &amp; Wear</b>	14.786	15.172	14.398	(0.774)
<b>LTP – Durham</b>	4.475	4.475	4.475	-
<b>LTP – Northumberland</b>	2.719	2.719	2.719	-
<b>Go Smarter</b>	1.804	1.984	1.984	-
<b>North East Smart Ticketing Initiative</b>	0.075	0.928	0.480	(0.448)
<b>Total</b>	<b>23.859</b>	<b>25.278</b>	<b>24.056</b>	<b>(1.222)</b>

#### 3.4.1 Local Transport Plan (LTP)

LTP Integrated Transport Block grant is a flexible source of capital grant funding awarded to the Authority by the DfT. An element of the grant in Tyne and Wear is topsliced to fund local contribution requirements on the Metro Asset Renewal Plan (and is shown within the budget figures in the ARP section of this report) and to fund minor public transport schemes.

The variance against the programme primarily relates to carry forward against the funding held for minor public transport schemes to be delivered in South Tyneside and Newcastle. This funding is to be used to delivery works in 2015/16 which is permitted under the grant conditions.

#### 3.4.2 Go Smarter – Local Sustainable Transport Fund (LSTF)

LSTF Grant funds the Go Smarter programme (Schools Go Smarter and Go Smarter to Work) in Tyne and Wear, which is a mixture of capital and revenue activity. Capital expenditure during 2014/15 was on 'School Links' projects within the Districts, funding infrastructure works making it easier to cycle or walk to school; infrastructure improvements in Team Valley to encourage modal shift to public transport; improved cycle storage facilities at Metro stations and key interchanges; and improved information through use of Real Time Passenger Information to enable transport users to access more reliable and up-to-date details of transport services. All capital elements of the Go

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Smarter programme are now fully delivered, in line with the grant conditions.

### 3.4.3 North East Smart Ticketing Initiative (NESTI)

NECA acts as accountable body for NESTI which is a programme of investment in smart ticketing infrastructure across the wider north east. Capital expenditure of £0.480m during the year has been on the regional Stored Travel Rights (STR) system, regional retail infrastructure and the small operator scheme. The works have been funded from the NESTI contributions which are held and managed centrally by NECA. Slippage on the programme will be incorporated into the 2015/16 programme.

## 4 **Transport Capital Programme 2015/16**

4.1 At its meeting on 21 January 2015, the Leadership Board agreed a total capital programme for 2015/16 of £119m, of which around £90m related to investment in Transport schemes. The latest approved budget takes into account the outturn position for 2014/15. At this early stage in the year, expenditure for the first two accounting periods is low but the outturn is anticipated to be around £82m at the year end. Options for increasing this level of expenditure are currently under consideration.

	Original Approved Budget 2015/16 £m	Latest Approved Budget 2015/16 £m	Period 2 2015/16 £m	Projected Outturn 2015/16 £m
Local Growth Deal Transport Schemes	30.150	30.150	0	24.550 <sup>^</sup>
Metro Asset Renewal Programme	45.271	45.296	2.642	41.108
Nexus Non-Metro*	1.153	1.153	0.004	1.153
Tyne Tunnels Capital Programme	3.100	3.709	0.074	3.700
Other Transport Grants	11.309	12.083	2.263	12.083
<b>Total</b>	<b>90.983</b>	<b>92.391</b>	<b>4.983</b>	<b>82.594</b>

\*Less grant funding shown in other programme lines

<sup>^</sup>This is currently under review and will be subject to an update at the meeting.

### 4.2 **Local Growth Deal Capital Schemes 2015/16**

4.2.1 The North East Growth Deal announced in July 2014 included funding for a

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number of transport schemes, including the devolution of Local Major Schemes funding previously agreed. NECA received £53.910m on 10 April 2015, comprising the 2015/16 allocation of the growth deal, made up of transport and non-transport schemes amounting to £30.150m, for which the grant funding has been received. This estimate was based on a forecast anticipated spend on transport schemes at the time of submitting the SEP in March 2014.

- 4.2.2 At this early stage in the year no LGF funding held by NECA has yet been drawn down. Final business cases are in the process of being agreed in order for project approvals and grant offers to be made. The first such approvals appear on this agenda and on the agenda for next week's meeting of NELB. Normally in order to deliver a spending of £30m in the first year of a new programme, significant over-programming of at least 20% would be included, but this has not been possible.
- 4.2.3 The 2015/16 programme is currently being reviewed to update proposed expenditure this year. Transport scheme promoters are currently moving through the various stages of scheme business case development, site investigation and land acquisition. At this point, an estimated spend of £24.55m (as shown in the table) is anticipated which takes into account:
- Scheme re-scoping to accommodate arising constraints and opportunities as part of the move to full business case;
  - Difficulties in securing land necessitating CPO procedure and possible protracted pre-purchase negotiations; and
  - A compressed construction market that is unable to meet current demand at anticipated value points.
- 4.2.4 The Combined Authority, exercising its transport programme management function, is working closely with scheme promoters on a scheme-by-scheme basis, and with LGF programme management colleagues at the Local Enterprise Partnership, to review the timing of projects. We have been given assurance by government that there is flexibility across years to manage the programme effectively.
- 4.2.5 It will also be important to ensure that, once the final business cases of projects are finalised, the formal approval of the business cases in the decision making process is completed in a timely way in order to ensure that projects can proceed to be implemented as quickly as possible.



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- 4.3.1 This reflects the sixth year of the eleven year programme to renew the Metro network where investment is directed towards those assets where there is greatest need, recognising that logistical and other planning processes also play a significant role in determining where resources are deployed in fulfilling the objectives of Nexus' three year rolling programme of delivery.
- 4.3.2 The Leadership Board approved the Metro Asset Renewal Plan (ARP) capital programme for 2015/16 in January totalling £45.271m. Following finalisation of the 2014/15 outturn, the Metro ARP capital programme has been revised to a new level of £45.296m. Although in total, the budget has changed by only a small amount, there has been re-profiling of individual projects into future years and acceleration of projects into 2015/16, reflecting the dynamic nature of the programme and to ensure spending targets for 2015/16 are achieved.
- 4.3.3 Expenditure as at the end of the second period of 2015/16 is £2.642m, as detailed in Appendix A. This represents approximately 8% of the £33.692m minimum expenditure level required by DfT for this financial year. The forecast for the year is £41.109m and, whilst below budget, is comfortably in excess of the minimum expenditure target referred to above. Although it is also slightly in excess of the maximum expenditure target of £40.581m, this is not expected to cause any funding problems at this point in time.
- 4.3.4 This Key Performance Indicator (KPI) is monitored on a four weekly basis and reported both internally and to the DfT with experience during the previous five years indicating that over-programming levels reduce during the course of the year as efficiencies are delivered and/or specific projects are re-phased in order that expenditure levels are contained within the agreed DfT funding envelope. A key benefit of this strategy is 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 procurement savings and consolidating packages of work to increase market interest and competitiveness, to ensure that the necessary disruption to the Metro service is minimised (avoiding key events and making best use of holiday and lower patronage windows). The schedule at Appendix A outlines the current three year programme compared with current expenditure projections over this time horizon.
- 4.3.5 A range of outputs are proposed for delivery during the course of the sixth year of the Metro Asset Renewal Plan. To the end of the first quarter of 2015/16 the following key projects have been progressed:
- The final Metro car to undergo its  $\frac{3}{4}$  life refurbishment has been delivered to the works contractor. This significant programme of work will therefore be complete by the end of July 2015.
  - Tenders have been evaluated for the Central Station refurbishment project. The business case for the Single Local Growth Fund (SLGF) bid will be completed and discussed by TNEC in July.
  - The QEII Bridge plain line renewal works were completed successfully in early May following two 54-hour possessions over consecutive weekends.

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- Pre-Qualification Questionnaires (PQQs) for the Permanent Way Framework Contract were returned and it is expected that the Invitation to Tender (ITT) will be issued in June.
- Remedial earthworks in the South Gosforth to Jesmond corridor are continuing. This work is being undertaken by Nexus' Capital Delivery team and is planned to be completed without disruption to the Metro service.
- The ducting refurbishment for the Direct Current Feeder Cable in the central corridor is now complete.
- Radio installation work within the central area tunnels is now complete.
- The Railway Traffic Management System (RTMS) contract has been awarded and contract start-up meetings have commenced. Presentations outlining the new system have been delivered to both Nexus and DBTW staff.
- Tender evaluation is complete for the remedial work to Metro bridges in the Wallsend to Walkergate area. The award of contract is planned for June.
- Technical evaluation is now complete for the tenders submitted in respect of specialist Overhead Line Renewal vehicles for which contract award is planned for June.
- The internal Nexus Capital Delivery Team is continuing to delivery signalling and duct route renewals and this work is scheduled to complete this year.

4.3.6 Over the next quarter, the cost loaded programme shows the following expenditure profile:

<b>Expenditure</b>	<b>YTD</b>	<b>Period 3</b>	<b>Period 4</b>	<b>Period 5</b>	<b>Period 6</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>In-Period Spend</b>	-	1.315	3.692	3.390	3.137
<b>Cumulative Spend</b>	2.642	3.957	7.649	11.039	14.176

- Central Station refurbishment works are scheduled to start on site in September, and are likely to take 12 months to complete.
- A site visit to a live RTMS system operating in Marylebone is planned for early June to gain a fuller understanding of how the system operates in practice. The knowledge gained will be used in the specification of Nexus' detailed functional requirements.
- Programmes are being developed for the refurbishment of Four Lane Ends and Regent Centre Metro Stations. Design work will progress this year to enable construction to start next year.
- Radio infrastructure installation activities will continue and this element is planned to complete in November 2015. Installation of radio equipment into the Metro Cars will then follow.
- Contract award for the refurbishment of bridges in the Wallsend and Walkergate areas are programmed for June. Start on site is scheduled for July with possession planned in August, in order to help minimise disruption.
- An order will be placed to commence manufacture of winding-in, winding-out (WIWO) vehicles – **Page 24** of the final items of specialist plant equipment

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required for the Over-Head Line replacement project.

- Nexus' Capital Delivery Team will continue to complete remedial work to duct routes, fibre replacement and signal testing and correlation and replacement.
- Refurbishment of Felling and Gateshead Stadium Metro Stations will start in July. This work is also being undertaken by Nexus' Capital Delivery Team.
- The ITT for the new Permanent Way framework will be issued in June.

### 4.4 Nexus Non-Metro

4.4.1 Delivery of the Nexus Non-Metro capital programme is reviewed on a 4 weekly cycle. The latest revised budget for 2014/15 is £1.585m as set out below. This represents the total expenditure, with some of the funding to be met from sources of grant listed in other sections.

<b>Expenditure</b>	<b>Latest Approved Budget 2015/16</b>	<b>Projected Outturn 2015/16</b>	<b>Quarter 1 Spend 2015/16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Nexus Non Metro Programme</b>			
Real Time (Gateway Project)	0.297	0.297	-
Cycling (Gateway Project)	0.069	0.069	-
Cycling	0.082	0.082	0.004
Training Facility	1.000	1.000	-
Wi-Fi	0.077	0.077	-
Asset Knowledge	0.060	0.060	-
<b>Total Nexus Non Metro</b>	<b>1.585</b>	<b>1.585</b>	<b>0.004</b>

4.4.2 The following table sets out how the Nexus Non-Metro capital programme for 2015/16 will be financed:

	<b>Approved Funding</b>	<b>Projected Funding</b>
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	2015/16 £m	2015/16 £m
<b>Grant</b>		
Local Transport Plan (LTP)	0.066	0.066
Local Sustainable Transport Fund (LSTF)	0.366	0.366
<b>Nexus Contribution</b>		
Reserves	1.086	1.086
Other	0.067	0.067
<b>Total Nexus Contribution</b>	<b>1.153</b>	<b>1.153</b>
<b>Total</b>	<b>1.585</b>	<b>1.585</b>

### 4.5 Tyne Tunnels Capital Programme 2015/16

	Original Approved Budget 2015/16 £m	Revised Budget 2015/16 £m	Period 2 2015/16 £m	Projected Outturn 2015/16 £m
Tyne Pedestrian and Cyclist Tunnels	2.500	3.034	0.054	3.025
New Tyne Crossing	0.600	0.675	0.019	0.675
<b>Total Tyne Tunnels</b>	<b>3.100</b>	<b>3.709</b>	<b>0.074</b>	<b>3.700</b>

#### 4.5.1 Tyne Pedestrian and Cyclist Tunnels

2015/16 will be the final year of major works on this project, as the refurbishment and the installation of the new inclined lifts are due to be completed and the tunnels re-opened to the public. Expenditure at this early stage in the year is limited, with no major payments falling due in the first two periods of 2015/16.

#### 4.5.2 New Tyne Crossing

There are a small number of pieces of work still underway in relation to the New Tyne Crossing during 2015/16: namely the contribution to the Hexham Fish Pass works agreed with Northumberland County Council, (which was a requirement of the environmental obligations as part of the project); provision for outstanding Part 1 Land Compensation Claims; and ongoing work in relation to land transfers with North and South Tyneside. Professional fees and costs associated with this work and work on variations to the Project Agreement are also included within the 2015/16 budget. Expenditure at this early stage in the year is limited, with no major payments falling due in the first two periods of 2015/16.

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### 4.6 LTP Integrated Transport Block 2015/16

	Original Approved Budget 2015/16 £m	Revised Budget 2015/16 £m	Period 2 2015/16 £m
Durham	<b>2.789</b>	<b>2.789</b>	<b>0.597</b>
Northumberland	<b>1.695</b>	<b>1.695</b>	<b>0.324</b>
Tyne and Wear (less ARP contribution included in section 4.3 above)	<b>6.825</b>	<b>7.599</b>	<b>1.304</b>
	<b>11.309</b>	<b>12.083</b>	<b>2.263</b>

The revision to the budget is to update the figures to include carried forward grant from 2014/15 as described in section 3.4.1.

## 5 Next Steps

- 5.1 The transport capital programme 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 capital programme of the Combined Authority which supports the meeting of its objectives.

## 7. Finance and Other Resources

- 7.1 The finance implications are set out in detail in the body of the report. In terms of the 2015/16 programme, where LGF grant funding for 2015/16 has been received it is important to demonstrate good progress on scheme implementation and spend to the Government as this demonstrates the north east area's ability to deliver key projects. To this end, the timing of projects is being kept under review although we have assurance from government that there is flexibility across years to assist in effective programme management. An update on progress will be given at the meeting.

- 7.2 While we received information from DCLG about indicative grant level in 2016/17 and future years, these figures are subject to the outcome of the spending review and are not therefore formally confirmed. This means that we cannot give full unconditional approvals for funding in future years, which many schemes require. A request has been made to DCLG to give early formal approval to funding in future years.

## 8 Legal

# North East Combined Authority

## Transport North East Committee

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- 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 capital programme 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. Risks are assessed for each project and managed appropriately. In order to manage the key risk of the overall programme delivery, further action to identify options to help achieve spending plans and to expedite the approval process and.

#### **9.5 Crime and Disorder**

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

#### **9.6 Environment and Sustainability**

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

### **10 Background Documents**

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

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TWITA Capital Programme 2014/15 - 23 January 2014

Capital Programme Q1 Update – TNEC 29 July 2014

Capital Programme Q2 Update – TNEC 9 October 2014

TWITA Capital Programme 2015/16 – Leadership Board 21 January 2015

Capital Programme 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 Appendix A – Metro Asset Renewal Plan

### **13 Contact Officers**

13.1 Eleanor Goodman, Senior Accountant, [eleanor.goodman@newcastle.gov.uk](mailto:eleanor.goodman@newcastle.gov.uk),  
0191 277 7518

### **14 Sign off**

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

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Asset Category	Original Approved Budget (DfT submission) 2015/16	Latest Approved Budget 2015/16	Latest Approved Budget 2016/17	Latest Approved Budget 2017/18	Total Budget 2015/16-2017/18	Quarter 1 Projection 2015/16	Quarter 1 Projection 2016/17	Quarter 1 Projection 2017/18	Total Projection 2015/16-2017/18
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Civils (1)	9,490	8,167	8,908	6,567	23,642	6,957	5,801	9,530	22,288
Communications (2)	4,643	5,830	265	640	6,735	5,096	1,043	128	6,267
Level Crossings	2	45	0	0	45	38	0	0	38
Mechanical & Electrical (3)	1,938	4,046	89	280	4,415	3,732	92	80	3,904
Metro Cars	2,148	2,144	1,363	1,250	4,757	2,209	956	833	3,998
Miscellaneous	435	489	3,007	3,013	6,509	486	2,890	3,013	6,389
Project Management Costs	0	0	2,301	2,301	4,602	0	2,301	2,301	4,602
Inflation allowance	0	0	561	713	1,275	0	561	713	1,275
Overhead Line	1,986	1,991	4,200	3,000	9,191	2,040	4,239	2,977	9,256
Permanent Way	12,304	10,799	11,971	19,911	42,682	10,948	13,210	19,845	44,003
Plant	0	31	0	0	31	81	0	0	81
Power	0	193	0	0	193	183	0	0	183
Signalling	4,652	6,390	5,341	4,476	16,207	5,410	5,163	4,529	15,102
Stations	7,673	5,171	7,279	6,171	18,622	3,928	8,412	5,149	17,489
<b>Total ARP Programme</b>	<b>45,271</b>	<b>45,296</b>	<b>45,287</b>	<b>48,323</b>	<b>138,905</b>	<b>41,109</b>	<b>44,670</b>	<b>49,098</b>	<b>134,877</b>
Major Projects	3,500	6,837	300	0	7,137	6,847	300	0	7,147
<b>TOTAL</b>	<b>48,771</b>	<b>52,133</b>	<b>45,587</b>	<b>48,323</b>	<b>146,042</b>	<b>47,956</b>	<b>44,970</b>	<b>49,098</b>	<b>142,024</b>