



north east combined authority

## Transport North East Committee

Thursday 9th October, 2014 at 2.00 pm

Meeting to be held at North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, NE27 0BY

[www.northeastca.gov.uk](http://www.northeastca.gov.uk)

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## AGENDA

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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 - 6
4. **Improving Local Bus Services \***  
  
Improving Local Bus Services – Bus Strategy Delivery Project Update
5. **Prospectus for Investment in the East Coast Main Line\***
6. **Revenue Budget 2014/15 - Monitoring Report** 7 - 20
7. **Capital Programme 2014/15 - Monitoring Report** 21 - 34
8. **Concessionary Travel Budget 2014/15** 35 - 46
9. **Date and Time of Next Meeting**

Thursday, 26 February 2015 at 2pm at Northumberland County Council,  
County Hall, Morpeth, NE61 2EF

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

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

**To All Members**

## North East Combined Authority

### Transport North East Committee

29 July 2014

Meeting held: Committee Room, Newcastle Civic Centre, NE1 8QH

#### **Present:**

Councillor: Forbes (Chair)

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

#### **7 APOLOGIES FOR ABSENCE**

Councillors McCarty, Ledger and Swithenbank.

#### **8 DECLARATIONS OF INTEREST**

Councillor West declared a personal interest in all relevant agenda items due to holding a concessionary travel pass.

#### **9 MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 29 May 2014 subject to the inclusion of Councillors McElroy, M Green and S Green's declarations of personal interests due to holding a concessionary travel pass and Councillor M Green's declaration of a personal interest due to holding the Metro Gold Card were approved as a correct record and signed by the Chair.

#### **10 BUS STRATEGY DELIVERY PROJECT UPDATE**

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

Members considered the report which provided a background briefing on the Bus Strategy Delivery Project and informed Members of the process that was intended to take place over coming months to determine a way forward. During the ensuing discussion, Members noted the Durham and Northumberland position.

#### **RESOLVED – That:**

- i. The background information contained in the report be noted; and

- ii. The Transport North East (Tyne and Wear) Sub-Committee would receive a report containing more detailed information as relevant to the Tyne and Wear area.

## 11 **ADOPTION OF THE ASSURANCE FRAMEWORK**

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

Members considered the report which set out the process for updating the Assurance Framework that had been previously developed in partnership with the Department for Transport to ensure value for money and deliverability of transport major schemes. It was noted that the use of the Assurance Framework had been formally agreed by the North East Leadership Board.

**RESOLVED** – That:

- I. Part one of the Assurance Framework be replaced with the constitution for the North East Combined Authority; and
- II. Parts two and three of the Assurance Framework be formally adopted.

## 12 **NORTH EAST COMBINED AUTHORITY RESPONSE TO THE NORTHERN AND TRANSPENNINE EXPRESS PUBLIC CONSULTATION**

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

Members considered the report which sought Members' approval for the submission of the proposed response that had been prepared on behalf of the North East Combined Authority, and attached at Appendix 1 of the report, in response to the Department for Transport and Rail North consultation on the TransPennine Express rail franchise and Northern rail franchise, which were due for renewal in February 2016. The ensuing discussion included matters such as the importance of connection between Newcastle, Chester-Le-Street and Manchester Airport, clarification of the methodology used for grading rail schemes, importance of inclusion of taxis in references to public transport, importance of promotion of rail services and the benefits of local marketing and service management, importance of the extension of smart ticketing across the heavy rail and taxis, importance of having a clear understanding of the efficiencies required and using arguments to strengthen the case for the North East in order to protect local employment and reduce any consequential impact on the quality and safety of services and importance of a franchise that focused on local needs.

**RESOLVED** – That:

- I. The content of the response, attached at Appendix 1, with the addition of the comments raised at the meeting be approved for submission to the Department for Transport ahead of the closing date of the consultation on 18 August 2014; and
- II. Data be provided to Members on the journeys per purpose and the revenue generated.

### 13 **RAIL NORTH: INFLUENCING THE FUTURE OF NORTHERN AND TRANSPENNINE RAIL SERVICES**

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

Members considered the report which provided an update on the joint working that was taking place between Local Transport Authorities in the North of England and the Department for Transport (DfT), aimed at securing efficient local rail services to support economic growth and to increase the influence of the North of England over the Northern and TransPennine rail franchises.

**RESOLVED** – That:

- I. The progress of the development of Rail North be noted;
- II. Officers from Nexus and the Transport Team of the North East Combined Authority and North East Local Enterprise Partnership be authorised to continue to work proactively with Rail North, the Department for Transport and other Local Transport Authorities on behalf of the North East Combined Authority to further develop proposals;
- III. The Committee recommend to the North East Leadership Board that the Combined Authority participate in the Rail North Special Purpose Vehicle (subject to the provision of further advice from the Monitoring Officer, Head of Paid Service and Chief Finance Officer on risks or costs arising which may affect the Combined Authority); and
- IV. The Chair of the Transport North East Committee would represent the North East Combined Authority on the Association of Local Transport Authorities and the Rail North Special Purpose Vehicle and would continue to develop the partnership structures with the Department for Transport.

### 14 **CAPITAL PROGRAMME 2014/15 - MONITORING REPORT**

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

Members considered the report which provided a progress update in relation to the delivery of the transport-related capital programme for 2014/15, in line with the requirement of the North East Combined Authority's constitution and the function

delegated to the Committee. The ensuing discussion included matters such as the completion timescale of the Metro refurbishment programme and the responsibility for overseeing the progress of the works to the Tyne Pedestrian and Cyclist Tunnels, including financial implications, which was now with the Transport North East (Tyne and Wear) Sub-Committee.

**RESOLVED** – That:

- I. The report be noted; and
- II. Discussion about the responsibility of the Transport North East (Tyne and Wear) Sub-Committee for the overseeing the progress of the works to the Tyne Pedestrian and Cyclist Tunnels, including financial implications, be held at today's meeting of the Transport North East (Tyne and Wear) Sub-Committee.

## 15 **REVENUE BUDGET 2014/15 - MONITORING REPORT**

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

Members considered the report which provided a progress update in relation to how the transport-related budgets for the delivery agencies for 2014/15 were being managed, as required by the North East Combined Authority's constitution and in line with the functions delegated to the Committee.

**RESOLVED** – That:

- I. The report be noted; and
- II. A policy report be provided to a future meeting on concessionary fares and the report be inclusive of the national picture and the discretionary elements that were currently applied locally.

## 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.

17 **DATE AND TIME OF NEXT MEETING**

Thursday, 9 October 2014 at 2pm at North Tyneside Council.

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## North East Combined Authority

### Transport North East Committee

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**DATE:** 9 October 2014

**SUBJECT:** Revenue Budget 2014/15 – Monitoring Report

**REPORT OF:** Chief Finance Officer

#### **EXECUTIVE SUMMARY**

This report provides the Transport North East Committee with a progress update in relation to how the transport related budgets for the delivery agencies for 2014/15 are being managed. 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.

# North East Combined Authority

## Transport North East Committee

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### 1 Executive Summary

- 1.1 This report provides the Transport North East Committee with a progress update in relation to how the transport related budgets for the delivery agencies for 2014/15 are being managed. This is a requirement of the NECA constitution and is a function delegated to TNEC.
- 1.2 The current overall budget position is generally positive, with overall expenditure forecast to be in line with or slightly below budget at the year end, although there are variations, with some additional pressure on concessionary fare costs.

### 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 revenue budget of £89.73m for 2014/15 as well as a base Capital Programme for 2014/15 of up to £66m.
- 2.2 In this report, the Leadership Board acknowledged that the bulk of the net revenue and capital budgets for 2014/15 relate to transport.

### 3 Transport Revenue Budgets 2014/15

- 3.1 In 2014/15, revenue expenditure will be accounted for within a range of existing transport budgets as follows:-

#### Summary of Gross and Net Revenue Expenditure Budget 2014/15

	Total Gross Revenue Expenditure	External Income / Direct Grants / Reserves	Net Revenue Expenditure
	£	£	£
Transport			
Tyne & Wear (Grant to Nexus)	171,922,000	-107,002,000	64,920,000
Tyne & Wear (non-Nexus)	3,287,130	0	3,287,130
Tyne & Wear (Tyne Tunnels)	25,146,000	-25,146,000	0
Northumberland	6,521,560	-978,490	5,543,070
Durham	17,076,503	-1,486,476	15,590,027
<b>Total</b>	<b>223,953,193</b>	<b>-134,612,966</b>	<b>89,340,227</b>

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- 3.2 Budget monitoring statements are detailed at appendices A to E for the five elements of the budget as shown in the table at paragraph 3.1 above.
- 3.3 The following commentary should be read in conjunction with the attached appendices:-

### Appendix A – Tyne and Wear (Grant to Nexus)

The latest forecast by Nexus, covering the five periods to 16<sup>th</sup> August 2014, indicates that there will be a smaller deficit on its budget before taxation for the year, after a release of £0.657m from reserves to cover expenditure on the Bus Strategy Delivery Project, of £2.983m, compared with the budgeted deficit of £4.770m. An improvement of £1.787m.

This forecast shows a further improvement of £0.873m on the previous forecast reported to the Committee at its meeting held on 29<sup>th</sup> July 2014. The reasons for the change over the period are as follows:

	£m
Forecast Deficit at Period 02	3.856
Increased Metro Income	(1.000)
Reduced Investment income	0.100
Other changes	0.027
<b>Forecast Deficit at Period 05</b>	<b>2.983</b>

**Metro fare revenue** for the 5 periods to 16<sup>th</sup> August amounted to £17.36m, against a re-phased budget of £16.81m, a positive variance of £550k. As a comparison, the income for the first 5 periods of 2013/14 was £16.48m and accordingly, the current year's income represents an increase of £873k over the equivalent period in the previous year, although it should be noted that the previous year's figures did include the effect of the loss of income from the first 17 days of the Central Corridor closure for capital improvement works.

In view of the positive variance, the forecast for Fare Revenue for the year has been increased by £1.00m from £45.86m to £46.86m.

**Investment Income** during the first 5 periods of the year has suffered because of poor underlying market conditions, which has led to a shortfall on

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the budget of £27k to 16<sup>th</sup> August 2014. Taking into account future interest rates applicable through to the year end this budget has been adjusted down by £100k.

Whilst still running a budget deficit, Nexus' financial position is more favourable than when the original budget for the year was approved by the Tyne and Wear ITA in January 2014.

### **Appendix B – Tyne and Wear (non-Nexus)**

The latest forecast for the Tyne and Wear (non-Nexus) budget indicates that there may be an increase in reserves at the year-end of approximately £380k, primarily as a result of the contingency budget not being anticipated to be required.

When the budget for 2014/15 was prepared, a contingency line was included capturing savings made as a result of paying off the pension deficit in December 2013, and other savings resulting from the move to Combined Authority arrangements e.g. on members' allowances payments which are no longer applicable.

Small savings on some other budget items such as interest charges and supplies and services are projected, which would also result in an increased Tyne and Wear Transport reserve at the year end.

Options are currently being considered for the 2015/16 Transport Levy which will take into account the reserves position and contingency budget.

### **Appendix C – Tyne and Wear (Tyne Tunnels)**

The Tyne Tunnels are operated as a ringfenced trading account within the NECA accounts. This means that all expenditure is met from the tolls income and Tyne Tunnels reserves, with no call on the levy or any local authority funding.

The latest forecast for 2014/15 indicates that tolls income is expected to be slightly higher than originally budgeted, due to stronger than anticipated traffic figures. Higher traffic means the contract payment to TT2 will also increase, since this is calculated based on actual traffic using the tunnels.

Market conditions mean that the rate of interest generated on the Tunnels balances is likely to be lower than was anticipated when the budget was

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prepared and so this income budget has been reduced slightly. Small savings on some other areas of expenditure within the Tunnels trading account are also forecast which should largely offset this. Options for generating higher investment returns and interest income will be considered as part of the budget process and the preparation of the Treasury Management and Investment Strategy for 2015/16.

The forecast is for a slight deficit at the year end (although lower than originally budgeted), which will be met from Tyne Tunnels reserves. This is in line with the long term financing strategy for the Tyne Tunnels.

### Appendix D – Durham

The latest forecast indicates that there will be a budget overspend of £264k for the year, which is in line with the forecast at the end of quarter 1.

The main reason for the reported variances is shown below:

- a) **Concessionary Fares** - £294k overspend – this results from the final agreements with the bus companies being higher than originally anticipated when the budget was set.
- b) **Subsidised Bus Services** - £24k underspend – this results from increased fares income.

The projected overspend at the year-end will be funded by Durham County Council and taken into account in setting the levy for 2015/16.

### Appendix E – Northumberland

The latest forecast indicates that expenditure will overspend by £24k by 31 March 2015. This projected overspend at the year-end will be funded by Northumberland County Council and taken into account in setting the levy for 2015/16. An additional cost pressure on the cost of concessionary travel of £132k is partly offset by a reduced estimated cost of secured services of £108k, resulting in the net additional pressure of £24k.

Northumberland County Council's two main areas of revenue expenditure are as follow:

- 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

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for money with a view to coming up with alternative delivery models. The forecast underspend position is as a result of the use of grants to fund some of the expenditure.

- 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 now been completed to calculate the reimbursement rate for the first quarter and we are experiencing a slight increase in usage compared to previous years. Work is currently being completed regarding quarter 2 figures to confirm if trends are continuing. Misuse of bus passes (which results in higher costs) is being tackled through an anti-fraud initiative which incentivises bus companies' detection of fraud.

### 4 Next Steps

- 4.1 The revenue budget of the Delivery Agencies will continue to be monitored and reported to the Transport North East Committee on a quarterly basis.

### 5 Potential Impact on Objectives

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

### 6. Finance and Other Resources

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

### 7 Legal

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

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### **8 Other Considerations**

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

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

#### **8.2 Human Rights**

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

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

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

#### **8.4 Risk Management**

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

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

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

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

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

### **9 Background Documents**

#### **9.1 Report on the 2014/15 Budget for the Combined Authority – 29 May**

TWITA Budget and Levy 2014/15 report - 23 January 2014

Revenue Budget 2014/15 – Q1 Monitor – TNEC 29 July 2014

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

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

### **11 Appendices**

#### **11.1 Appendix A – Nexus 2014/15 budget monitoring statement**

Appendix B – Tyne and Wear non-Nexus budget monitoring statement

Appendix C – Tyne Tunnels 2014/15 budget monitoring statement

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Appendix D – Durham 2014/15 budget monitoring statement

Appendix E – Northumberland 2014/15 budget monitoring statement

### 12 Contact Officers

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

### 13 Sign off

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



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### Appendix A – Nexus Revenue Budget Report Cumulative to 16<sup>th</sup> August 2014

	Budget	Spend to Date	Forecast to Year End	Variance (Budget v Forecast)
	£m	£m	£m	£m
<b>EXPENDITURE</b>				
<b>Metro</b>				
DB Regio Concession Payment	37.047	13.812	36.951	(0.096)
Asset Costs	18.651	7.103	18.651	0.000
Nexus Rail	12.077	4.931	12.062	(0.015)
HV Power, Rates and Insurances	8.960	3.435	9.032	0.072
<b>Concessionary Travel</b>				
ENCTS	38.758	15.162	38.758	0.000
Metro/Other	5.627	2.438	5.627	0.000
Under 16s	4.748	1.870	4.748	0.000
<b>Bus</b>				
Secured Bus Services	17.498	6.468	16.819	(0.679)
Bus Infrastructure	3.188	1.163	2.980	(0.208)
<b>Other</b>				
Northern Rail	3.939	1.433	3.939	0.000
Ferry	1.173	0.451	1.173	0.000
Customer Services	4.830	1.888	4.856	0.026
Support Services	5.952	2.332	6.034	0.082
Pensions & Provisions	7.363	2.579	7.359	(0.004)
Loan Interest	2.111	0.804	2.008	(0.103)
	171.922	65.869	170.997	(0.925)

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### Appendix A (Continued)

<b>INCOME</b>				
<b>Grant Income</b>				
Local Authority Grant	(64.920)	(24.723)	(64.920)	0.000
Metro Rail Grant	(24.620)	(9.376)	(24.582)	0.038
Heavy Rail Grant	(3.958)	(1.513)	(3.958)	0.000
<b>Commercial Income</b>				
Metro	(46.347)	(17.356)	(47.347)	(1.000)
Bus	(6.946)	(2.778)	(6.946)	0.000
Ferry	(0.534)	(0.232)	(0.534)	0.000
Concessionary Travel	(1.798)	(1.447)	(1.798)	0.000
Other	(1.636)	(0.629)	(1.636)	0.000
<b>Other</b>				
Asset Financing	(15.943)	(6.152)	(15.943)	0.000
Investment Income	(0.450)	(0.144)	(0.350)	0.100
	(167.152)	(64.350)	(168.014)	(0.862)
<b>(Surplus) / Deficit</b>	<b>4.770</b>	<b>1.519</b>	<b>2.983</b>	<b>(1.787)</b>

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### Appendix B – Tyne and Wear (non-Nexus)

	<b>Original Budget</b>	<b>Spend to Date</b>	<b>Forecast to Year end</b>	<b>Variance (Budget vs Forecast)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Support Services	286	16	286	-
External Audit Costs attributable to Transport	20	-	20	-
Members' Expenses	6	3	6	-
Travel and Subsistence	4	-	2	(2)
Supplies and Services	39	4	35	(4)
Repayment to Tyne Tunnels reserves	240	100	240	-
Financing Charges	2,352	963	2,312	(40)
Interest Income	(3)	-	(3)	-
Contingency	342	-	-	(342)
<b>Net Expenditure</b>	<b>3,286</b>	<b>1,086</b>	<b>2,898</b>	<b>(388)</b>
<b>Contribution from Transport Levy</b>	<b>(3,286)</b>	<b>(1,369)</b>	<b>(3,286)</b>	<b>-</b>
<b>Transfer to Tyne &amp; Wear Transport Reserve</b>	<b>-</b>	<b>283</b>	<b>388</b>	<b>388</b>

Please note the total figures shown above include the period from 1 April 2014 to 14 April 2014 when the budget was the responsibility of the Tyne and Wear Integrated Transport Authority, before the establishment of NECA on 15 April.

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### Appendix C – Tyne Tunnels

	<b>Original Budget</b>	<b>Spend to Date</b>	<b>Forecast to Year end</b>	<b>Variance (Budget vs Forecast)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Tolls Income	(24,720)	(10,712)	(24,990)	(270)
Contract Payments to TT2	18,400	4,621	18,580	180
Employees	35	15	35	-
Pensions	50	18	50	-
Support Services	130	3	130	-
Supplies & Services	50	5	40	(10)
Community Fund	10	-	10	-
Financing Costs	6,861		6,855	(6)
Interest Income	(150)	-	(130)	20
TWITA reserves repayment	(240)	100	(240)	-
<b>Deficit on Trading Account</b>	<b>426</b>	<b>(5,950)</b>	<b>350</b>	<b>(76)</b>
<b>Contribution from Tyne Tunnels Reserves</b>	<b>(426)</b>	<b>5,950</b>	<b>(350)</b>	<b>76</b>

Please note the total figures shown above include the period from 1 April 2014 to 14 April 2014 when the budget was the responsibility of the Tyne and Wear Integrated Transport Authority, before the establishment of NECA on 15 April.

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### Appendix D – Durham County Council

	<b>Original Budget</b>	<b>Spend to Date</b>	<b>Forecast to Year end</b>	<b>Variance (Budget vs Forecast)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Concessionary Fares	11,383	5,126	11,677	294
Subsidised Services	3,373	573	3,349	(24)
Bus Stations	66	29	63	(3)
Passenger Transport Information	115	37	115	-
Staffing	653	271	650	(3)
<b>Net Expenditure</b>	<b>15,590</b>	<b>6,036</b>	<b>15,854</b>	<b>264</b>

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## Transport North East Committee

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### Appendix E – Northumberland County Council

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Spend to Date</b>	<b>Forecast to Year end</b>	<b>Variance (Budget vs Forecast)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Concessionary Fares	4,277	4,319	1,576	4,451	132
Subsidised Services	1,027	985	29	877	(108)
Passenger Transport Information	40	40	3	40	-
Staffing	199	199	83	199	-
<b>Net Expenditure</b>	<b>5,543</b>	<b>5,543</b>	<b>1,691</b>	<b>5,567</b>	<b>24</b>

## North East Combined Authority

### Transport North East Committee

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**DATE:** 9 October 2014

**SUBJECT:** Capital Programme 2014/15 – Monitoring Report

**REPORT OF:** Chief Finance Officer

#### **EXECUTIVE SUMMARY**

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. 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.

# North East Combined Authority

## Transport North East Committee

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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. This is a requirement of the NECA constitution and is a function delegated to TNEC.
- 1.2 The original capital programme for the year amounted to £66.040m. The latest capital programme totals £72.45m taking into account any slippage from the previous year. This includes an element of overprogramming, as part of the planned approach to securing spending and the projected outturn is just over £66.3m. These estimates will be monitored and revised further during the 2014/15 year. Details of the various elements making up the capital programme are presented in the narrative below.

### 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 revenue budget of £89.73m for 2014/15 as well as a base Capital Programme for 2014/15 of up to £66m.
- 2.2 In that report, the Leadership Board acknowledged that the bulk of the capital programme for 2014/15 relates to transport.



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### 3 Transport Capital Programme 2014/15

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 paragraphs and the appendices.

	<b>Original Approved Budget</b>	<b>Latest Approved Budget</b>	<b>Projected Outturn 2014/15</b>	<b>Q2 Spend 2014/15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Metro Asset Renewal Plan</b>	38.685	42.679	37.800	9.532
<b>Tyne Tunnels</b>	3.500	4.500	3.550	1.340
<b>Transport Grants</b>	23.859	25.278	25.000	9.700
<b>Total</b>	<b>66.040</b>	<b>72.450</b>	<b>66.350</b>	<b>20.570</b>

While actual spending of £20.57m at Quarter 2 is less than a third of the estimated, this is broadly in line with the normal capital spending profile.

### 3.2 Metro Asset Renewal Plan (ARP)

This reflects the fifth year of the ambitious 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.

The Tyne and Wear ITA approved the Metro Asset Renewal Programme for 2014/15 in January 2014 totalling £38.685m. Following finalisation of the 2013/14 outturn and further changes to the programme, the Metro ARP was revised to a new level of £42.679m, with the increase relating largely to re-profiling from 2013/14 together with the potential acceleration of projects into 2014/15 to ensure spending targets for 2014/15 are achieved.

Expenditure as at the end of the fifth four week period of 2014/15 is £9.532m, as detailed in Appendix A. This represents almost 30% of the target DfT spend for the year of £33.628m.

The forecast for the year is £37.800m which despite being less than the

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revised budget is comfortably in excess of the minimum expenditure target for grant purposes for 2014/15 of £30.184m and the target spend of £33.628m in relation to the grant offer from DfT for 2014/15 (prior to any virement adjustment which are allowable under the terms and conditions of Metro Rail Grant). This Key Performance Indicator (KPI) is monitored on a four weekly basis and reported to both the Nexus Board and DfT.

Experience of delivery during the previous four years shows 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, helping ensure that the necessary disruption to the Metro service is minimised (avoiding key events and making best use of holiday periods and times when passenger numbers are lower).

In managing over-programming, Nexus plans to out-turn at the year end within the grant funding parameters set by DfT whilst maximising cost effectiveness and benefits realised by the programme.

A range of outputs are proposed for delivery during the course of the fifth year of the Metro Asset Renewal Plan. To the end of the fifth four week period the following key projects have been delivered: -

- Further progress with the Metro car refurbishment project (with 60 cars now completely refurbished);
- Further progress towards the implementation of the Ducting, Cable and Fibre replacement projects;
- Progress towards implementation of various ICT projects, including the tender award relating to the safety critical radio project;
- Commencement of the installation of a new fire alarm system for the Metro system;
- Progress towards refurbishment works at stations, including completion of Walkergate station.

By the end of 2014/15, delivery will have translated into:-

- An anticipated 80 metro cars completely refurbished;
- Completion of Ducting, Cable and Fibre replacement projects;
- Completion of earthwork and outstanding track replacement works in

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- the Central Corridor from South Gosforth to Jesmond;
- Completion of on-going Station refurbishment including works at Walkergate, Hebburn, Jarrow and Bede stations;
- Completion of various lift and escalator works including new escalators at Gateshead and Heworth and new lifts at Manors and Jesmond;
- Procurement of specialist vehicles to allow the Overhead Line System to start to be replaced during 2015/16;
- Progress towards the implementation of the Radio project.

### Quarter 3

Over the next quarter – to Period 9 of the Nexus 4 weekly review and reporting cycle – the ARP Cost Loaded Programme shows the following expenditure profile:

<b>Expenditure</b>	<b>YTD</b>	<b>Period 6 Forecast</b>	<b>Period 7 Forecast</b>	<b>Period 8 Forecast</b>	<b>Period 9 Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>In-Period Spend</b>	-	2.125	3.878	2.760	3.296
<b>Cumulative Spend</b>	9.532	11.657	15.535	18.295	21.591

### Key activities in Quarter 3:

- Detailed discussions will continue with DfT, concerning the funding allocation for Years 7 to 9 (2016/17 to 2018/19) where some 50% is 'at risk' under the terms of the funding agreement reached in February 2010. DfT is being pressed to confirm full funding for this period of the 11 year programme by the end of this calendar year (2014) in order to provide certainty in planning and resourcing as well as enabling Nexus to achieve procurement efficiencies, particularly in the delivery of track renewal works.

An updated Programme Initiation Document (PID) has been agreed by the Nexus Board and has been submitted in draft form to DfT who are making preparations to carry out a review of Nexus delivery mechanisms (as they did in 2012 before confirmation of full funding for Years 4 to 6).

In this regard, DfT have scheduled an Investment Board meeting for 11 November 2014 and Nexus officers are liaising with civil servants in order to ensure all relevant information is made available.

- The Internal Capital Delivery Team will continue with remedial work to duct routes, fibre replacement and signal testing and replacement; this is expected to be substantially completed by March 2015.

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- Tenders for the PTI the Nexus Traffic Management System (Train route setting and associated functionality) replacement are expected in October and contract award will follow detailed evaluation.
- Focus on developing the 'second generation' Permanent Way framework is escalating - this is intended to deliver the majority of the remaining track renewal works on the north Tyne loop, central area tunnels, south Tyne and Airport lines.
- Progression of detailed design for the Radio system replacement project.
- The core communications system (Internet Protocol or IP network) will be completed and operational from October. This will allow transfer of Help Point, Public Address (PA) and CCTV services enabling the old 'end of life' communications system to be decommissioned.
- Escalator replacement works will begin in September at Heworth and Gateshead (escalators 1&2 - to bus station concourse). Completion is planned for March 2015.
- Central Station Metro detailed design and tender preparation will continue with the Procurement process commencing in December 2014 with Pre-qualification.
- Fire alarm replacement work will continue – with planned completion in February 2015
- Refurbishment of Hebburn, Jarrow and Bede stations is planned to complete in October 2014.

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### 3.3 Tyne Tunnels Capital Programme

There are two main elements to the Tyne Tunnels capital programme: the refurbishment works of 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.

	<b>Original Approved Budget</b>	<b>Latest Approved Budget</b>	<b>Projected Outturn 2014/15</b>	<b>Q2 Spend 2014/15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Pedestrian and Cycle Tunnels</b>	3.000	4.000	3.200	1.215
<b>New Tyne Crossing</b>	0.500	0.500	0.350	0.133
<b>Total</b>	<b>3.500</b>	<b>4.500</b>	<b>3.550</b>	<b>1.340</b>

#### Tyne Pedestrian and Cycle Tunnels (TPCT)

The 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. Expenditure during the first five months of this year relates to the main contract for the refurbishment, with additional costs for the provision of a shuttle bus service to maintain the link for pedestrians and cyclists during the closure period.

The projected outturn to the year end is now less than the most recent approved budget. This is due to delays in completing the main refurbishment work which have arisen due to the condition of the tunnels being worse than originally anticipated when the project was developed. The remaining budget will be included with the programme for 2015/16 when this is brought to the committee for approval.

#### New Tyne Crossing

The budget requirement for 2014/15 relates to remaining final elements of environmental works and monitoring, professional fees and costs associated with land transfer work, and provision made for land compensation claims and their assessment.

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The forecast for the year is now lower than the approved budget, due to the contribution towards the Hexham Fish Pass now being likely to be made during 2015/16 where part of this had originally been included in the programme for 2014/15. The remaining budget will be included with the programme for 2015/16 when this is brought to the committee for approval.

### 3.4 Transport Grants

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>Projected Outturn 2014/15</b>	<b>Q2 Spend 2014/15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>LTP – Tyne &amp; Wear</b>	14.786	15.172	15.172	5.983
<b>LTP – Durham</b>	4.475	4.475	4.475	2.238
<b>LTP - Northumberland</b>	2.719	2.719	2.719	1.360
<b>Go Smarter</b>	1.804	1.984	1.984	0.100
<b>North East Smart Ticketing Initiative</b>	0.075	0.928	0.655	0.027
<b>Total</b>	<b>23.859</b>	<b>25.278</b>	<b>25.000</b>	<b>9.700</b>

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### Local Transport Plan (LTP)

LTP Integrated Transport Block grant is a flexible source of capital grant funding awarded to the Authority by DfT. An element of the grant in Tyne and Wear is topsliced to meet 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 small public transport schemes, with the majority of the grant being passed to the constituent authorities to deliver capital investment in each district.

The revised budget takes account of slippage from 2013/14, where schemes will now be delivered and funding drawn down in 2014/15, which is permissible under the grant conditions.

### Go Smarter - Local Sustainable Transport Fund (LSTF)

LSTF Grant funds the Go Smarter programme in Tyne and Wear, which is a mixture of revenue and capital activity. Schools Go Smarter capital works include the School Links and Grants to Schools projects. School grants provides funding for bike sheds, to provide safe places for pupils to store their bicycles, and other works including new paths, pool bikes or tools. School links funds infrastructure works in the Districts making it easier to cycle or walk to school, such as upgrading cycle paths or installing new pedestrian crossings.

The Go Smarter to Work capital programme for 2014/15 includes works to deliver infrastructure improvements to encourage modal shift to public transport and improved information through use of Real Time Passenger Information to enable the transport user to access more reliable and up to date details about transport services.

Expenditure to Quarter 2 is £0.100m, with the majority of the capital works scheduled to take place later in the financial year, and the grant funding to be claimed by the Districts and Nexus at that point. The revised budget takes account of slippage from 2013/14, where schemes will now be delivered and funding drawn down in 2014/15, which is permissible under the grant conditions. The capital elements of this programme are scheduled to be complete by the end of the 2014/15 financial year.

### North East Smart Ticketing Initiative (NESTI)

The NECA acts as accountable body for NESTI which is a programme of investment in smart ticketing infrastructure across the north east. The programme is governed via a collaboration agreement which was entered into by all 12 local authorities in the region plus the ITA and Nexus. The ITA

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holds the funding on behalf of the authorities. Capital expenditure during the 2014/15 year has been on the regional Stored Travel Rights (STR) system, regional retail infrastructure and the small operator scheme.

The works will be funded from the NESTI contributions which are held and managed centrally by NECA in line with the funding treatment agreed in March 2010 between the North East local authorities and the ITA.

### **4 Next Steps**

- 4.1 The transport capital programme will be monitored and reported to the Transport North East Committee on a quarterly basis.

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

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

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

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

### **7 Legal**

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

### **8 Other Considerations**

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

The Authority's capital programme for 2014/15 comprises previously approved budgets which were subject to consultation as part of the approval process.



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### 8.2 Human Rights

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

### 8.3 Equalities and Diversity

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

### 8.4 Risk Management

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

### 8.5 Crime and Disorder

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

### 8.6 Environment and Sustainability

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

## 9 Background Documents

- 9.1 Report on the 2014/15 Budget for the Combined Authority – 29 May  
TWITA Capital Programme 2014/15 - 23 January 2014

## 10 Links to Plans in the Policy Framework

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

## 11 Appendices

- 11.1 Metro Asset Renewal Plan detail by asset category

## 12 Contact Officers

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

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### 13 Sign off

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

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### Appendix A – Metro Asset Renewal Plan

<b>Asset Category</b>	<b>Original Approved Budget  £m</b>	<b>Latest Approved Budget  £m</b>	<b>Projected Outturn 2014/15  £m</b>	<b>Quarter 2 Spend 2014/15  £m</b>
Civils	7.129	7.685	6.684	1.747
Communications	5.301	8.533	8.226	0.924
Depot Equipment	-	-	0.001	-
Level Crossings	0.153	0.265	0.381	0.045
Mechanical and Electrical	3.829	4.641	4.372	1.071
Metro Cars	6.562	8.445	8.182	3.090
Miscellaneous	2.741	0.827	0.815	0.005
Overhead Line	2.155	2.159	1.158	0.037
Permanent Way /Track	4.807	4.188	2.715	0.447
Plant	0.251	0.518	0.494	0.209
Power	0.682	0.982	0.869	0.711
Signalling	2.322	1.950	1.770	0.448
Stations	2.753	2.486	2.133	0.798
<b>Total Approved 2014/15 Capital Programme</b>	<b>38.685</b>	<b>42.679</b>	<b>37.800</b>	<b>9.532</b>

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### Transport North East Committee

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**DATE:** 9 October 2014

**SUBJECT:** CONCESSIONARY TRAVEL BUDGET 2014/15

**REPORT OF:** Chief Finance Officer, NECA and Director General, Nexus

#### **EXECUTIVE SUMMARY**

The purpose of this report is to provide Transport North East Committee with further information regarding the breakdown of the concessionary travel budget, as requested at the TNEC meeting of 29 July 2014.

The report also highlights the position with regards the national funding for Statutory Concessionary Travel and the pressure on Councils' budgets as the cuts in national funding are not matched by a reduction in the cost of concessionary travel.

#### **RECOMMENDATIONS**

The Committee is recommended to \_

1. receive this report for information and comment;
2. note the contents of this report, in particular section 5 which advises of the scale of the Concessionary Travel budget across the NECA area and also the differences in Scheme arrangements, particularly the different discretionary add-ons that prevail across all three Travel Concession Authorities (TCAs);
3. note for information the additional costs of special needs home to school transport within the budgets of the seven constituent councils in their capacity as Local Education Authorities;
4. note the underfunding of the concessionary travel scheme costs in Tyne and Wear and the cuts that continue to be applied to the grant funding for Concessionary Travel funding and the growing gap between the cost and funding for statutory concessionary travel at a local and national level; and
5. consider any further representations on the need to address the inadequacy of funding for the statutory concessionary fares scheme.

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### 1 Background Information

- 1.1 This report is in response to a discussion at the TNEC meeting of 29 July 2014 in which it was agreed to provide further information regarding the breakdown of the concessionary travel budget for 2014/15 and provide information on the funding for the statutory scheme.
- 1.2 The three delivery agencies (Durham County Council, Nexus and Northumberland County Council) as Travel Concession Authorities (TCAs) are responsible for the administration of concessionary fares schemes and in doing so have regard to both the 1985 and 2000 Transport Acts which provide for statutory off-peak bus concessions for elderly and disabled persons (the English National Concessionary Travel Scheme or ENCTS) but also give powers to TCAs to provide additional discretionary concessions, for instance peak time concessions on bus for the elderly and disabled, to children or on other modes of public transport e.g. the Tyne and Wear Metro.
- 1.3 The Concessionary Travel budget for 2014/15 across the NECA area is £64.3m which represents 72% of the £89.3m funded from the three transport levies.
- 1.4 In addition to this, there is an estimated £34.5m of expenditure incurred across the NECA area for the transportation of children to and from school. Some of this expenditure (around £4.4m) is funded from the transport levies; although the majority (around £30.1m) is incurred by the seven councils in their capacity as Local Education Authorities.
- 1.5 Government funding for Concessionary Travel now forms part of the general Revenue Support Grant and is no longer separately identified. The overall grant block has been cut nationally by 11% in 2014/15 and by around 24% since 2010/11, with a further cut of 14% planned for 2015/16. An analysis of the recently published national budget figures for 2014/15 show that the budget for statutory concessionary travel costs has increased by 2.2% to £1.11bn. Discretionary costs fell as councils had to make some cuts in services and the combined overall cost of concessionary travel increased by 0.6% to £1.22bn compared with 2013/14.
- 1.6 Since 2010/11 the overall costs of concessionary travel has increased by 6% from £1.11bn to £1.22bn. Given the statutory nature of the scheme it is unlikely that budgeted costs will fall significantly in 2015/16. This means in effect that councils are having to find spending cuts in other areas of their budgets and this poses considerable additional pressure in areas such as the North East with high levels of concessionary travel usage.

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### 2 Statutory and Discretionary Concessionary Travel Costs

#### 2.1 Nexus

In terms of the ENCTS, the following discretions are available:-

- i. Peak journeys (all journeys made after 23:00 hours);
- ii. Peak Journeys (journeys made pre 09:30 hours for medical appointments);
- iii. Companions (where certain individuals are also allowed to travel at zero fare with a companion, having met the relevant eligibility criteria), i.e. where the pass holder needs a carer in other aspects of their life and therefore the qualifying allowances include elements of Disability Living Allowance, Attendance Allowance and Personal Independence Payments.

Technically, providing the scheme to any other age group and/or on any other mode than bus requires a different set of scheme arrangements and form part of the non-statutory i.e. discretionary enhancements on offer:-

- i. The Child Scheme allows subsidised travel for any Tyne and Wear resident in possession of an Under 16 Pop card on any transport mode at a fare level of £1.10 all day or 60p single;
- ii. On the Tyne and Wear Metro system, anyone in possession of an ENCTS bus pass can purchase a 'Gold Card' and have it loaded electronically onto their ENCTS bus pass for an annual fee (currently £12 for Tyne and Wear residents and £25 for Durham and Northumberland residents travelling in Tyne and Wear). This product then enables the ENCTS pass holder to unlimited, off peak travel;
- iii. The Gold Card is also eligible for use on the Shields Ferry and a concessionary fare also allows discounted travel on Northern Rail services to ENCTS pass holders.

The following table shows the 2014/15 Nexus concessionary travel budget:-

	2014/15 BUDGET (£000)				
	E & D non statutory	E & D statutory	TOTAL E & D	CHILD	TOTAL
BUS	1,218,217	36,698,362	37,916,579	3,898,205	41,814,784
FERRY	114,608	0	114,608	5,386	119,994
NORTHERN RAIL	82,160	0	82,160		82,160
METRO	5,512,064	0	5,512,064	844,323	6,356,387
<b>TOTAL</b>	<b>6,927,049</b>	<b>36,698,362</b>	<b>43,625,411</b>	<b>4,747,914</b>	<b>48,373,325</b>

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At £37.9m, the vast majority of the £48.4m budget is expended on the ENCTS (77%). Of this, 97% of the total relates to the statutory elements of the scheme.

The Child Scheme (across all modes) accounts for almost 10% of the total budget.

Reimbursement for the carriage of concessionary passengers on the Tyne and Wear Metro (both elderly and disabled and children) amounts to 13% of the total budget.

### 2.2 Durham County Council

In terms of the ENCTS, the following discretions are available:-

- i. Peak Journeys (all journeys made after 23:00 hours)
- ii. Peak Journeys before 09:00 at flat fare of 50p / journey
- iii. Companions (where certain individuals are also allowed to travel at zero fare with a companion, having met the relevant eligibility criteria), i.e. where the pass holder needs a carer in other aspects of their life and therefore the qualifying allowances include elements of Disability Living Allowance, Attendance Allowance and Personal Independence Payments.
- iv. Durham Park and Ride service
- v. Link2 (Demand Responsive Transport Service)

Other discretionary enhancements available:-

- i. ENCTS pass holders resident in County Durham are able to access discounted travel on local rail journeys on Northern Rail Services
- ii. County Durham ENCTS pass holders can also purchase a Tyne & Wear Metro Gold Card as per 2.1 above

The following table breaks down the Durham County Council concessionary travel budget for 2014/15:-

	2014/15 BUDGET (£000)				
	E & D non statutory	E & D statutory	TOTAL E & D	CHILD	TOTAL
BUS	563,111	11,089,925	11,653,036	0	11,653,036
NORTHERN RAIL	39,699	0	39,699	0	39,699
<b>TOTAL</b>	<b>602,810</b>	<b>11,089,925</b>	<b>11,692,735</b>	<b>0</b>	<b>11,692,735</b>



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This shows that 94.8% of the total spend on concessionary travel in County Durham is expended on statutory ENCTS bus travel.

In light of ongoing budget pressures, consideration is being given to reviewing the remaining non-statutory elements of spend in County Durham as part of the Council's Medium Term Financial Plan process

### 2.3 Northumberland County Council

In terms of the ENCTS, the following discretions are available:-

- i. Disabled persons' passes are valid all day every day
- ii. Peak Journeys (older people's journeys made after 23:00 hours) are valid Monday to Friday;
- ii. Peak Journeys (older people's passes are valid after 09:00 instead of 09:30 and also pre-09:00 for medical appointments only);
- iii. Companions – disabled ENCTS pass holders can have a zero-fare companion entitlement, if they meet the relevant eligibility criteria, i.e. receipt of, or eligibility for : Higher rate care component of DLA ; Attendance Allowance ; registered blind ; appropriate Personal Independence Payments

In terms of discretionary enhancements, Northumberland offers:-

- i. a taxi token scheme to disabled residents unable to use public transport
- ii. Northumberland ENCTS pass holders can also purchase a Tyne & Wear Metro Gold Card as per 2.1 above

The following table breaks down the Northumberland County Council concessionary travel budget for 2014/15:-

	2014/15 BUDGET (£000)				
	E & D non statutory	E & D statutory	TOTAL E & D	CHILD	TOTAL
BUS	65,000	4,206,330	4,271,330	0	4,271,330
TAXI TOKEN	5,670	0	5,670	0	5,670
<b>TOTAL</b>	<b>70,670</b>	<b>4,206,330</b>	<b>4,277,000</b>	<b>0</b>	<b>4,277,000</b>

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Almost all the budget is expended on the ENCTS, and in turn virtually all relates to the statutory elements of the scheme.

The taxi token scheme accounts for a very small proportion of total scheme costs; the eligibility criteria are such that only around 60 people currently receive tokens

### **3 Concessionary Travel - Principles of Reimbursement**

- 3.1 In order to arrive at these estimates of expenditure, TCAs have regard to industry recognised principles of reimbursement which are included within extensive Department for Transport (DfT) guidance.
- 3.2 In relation to the ENCTS, on behalf of whom the majority of expenditure is incurred, the DfT guidance is usually updated on an annual basis. The three delivery agencies follow this guidance in developing their Published Schemes for reimbursement which calculates sums due to operators. The general principle is that operators should be “no better or no worse off” as a result of carrying concessionary passengers and are therefore reimbursed for “revenue foregone” or the sums of money that they would have received if the concession did not exist.
- 3.3 Broadly, the principle dictates that if an elderly (or disabled) person was required to pay full fare for every journey made, they would not travel as frequently. A substantial number of journeys are therefore hypothesised to be “generated” and only exist because of the concession. Authorities only pay for “non-generated” trips i.e. those that are hypothesised to have been made at full fare “revenue foregone” together with any “additional costs” which operators may have incurred in transporting “generated passengers” for whom no payment for “revenue foregone” is made. Examples of additional costs could be the use of higher capacity vehicles or for running a more frequent timetable to cope with demand.
- 3.4 The DfT have provided guidance as to how the two elements of payments to operators – “revenue foregone” and “additional costs” should be calculated. This guidance is technical in nature and takes account of the following factors:-
  - The total number of concessionary journeys;
  - A hypothetical demand curve which acknowledges the relationship between the price of a journey and demand for that journey where as fares increase, the number of “non-generated” trips is hypothesised to reduce;

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- Average fares (which takes into account subtle complexities such as journey length by concessionary pass-holders may be different to fare paying adults or where in the absence of the scheme, some concessionary pass-holders would have purchased discounted season ticket products and therefore not paid the full single fare);
- Changes in real fare levels in line with the movement in the Retail Price Index;
- Vehicle capacity levels;
- Trip length;
- Journey speeds.

3.5 In relation to discretionary arrangements, in Tyne and Wear, the former Integrated Transport Authority (TWITA) introduced the Under 16 concession in September 2008. Here, the reimbursement of operators is also based on “no better, no worse” principles; therefore the difference between the concessionary fare taken through the fare box and the commercial fare that the operator would have charged if the scheme did not exist, is reimbursed to the operator. As section 2.1 indicates, the fare is £1.10 all day and £60p single on any mode; the fare has increased since the scheme was first introduced at £1.00 all day and 50p single mainly in response to operator commercial fare increases.

3.6 In terms of the Tyne and Wear Metro, when the TWITA introduced Gold Card scheme in 2006, Nexus used “no better, no worse” principles of reimbursement in order to establish a budget. That budget has remained frozen since 2010, and is broadly equivalent, on a per passenger basis, to current reimbursement levels on bus via the ENCTS. Technically, whilst the Gold Card Scheme is classed as discretionary expenditure and therefore not subject to the legislation surrounding the statutory ENCTS, in reality the continued existence of the ENCTS for bus travel has the effect of distorting the public transport market for the elderly and disabled in Tyne and Wear by making bus travel free for those passengers. The Gold Card allows customers the opportunity to extend the ENCTS benefits to allow off-peak travel on Metro in return for a relatively modest annual fee, thus reducing some of the negative impact of this market distortion which would lead to fewer passengers on Metro. Without the existence of the Gold Card it can be assumed that a significant proportion of these passengers would transfer their travel from Metro to Bus, incurring an increased external cost to Nexus of providing statutory reimbursement to bus operators under the ENCTS, despite customer choice and convenience being reduced for this passenger group. The increase in external reimbursement costs would require reductions to be made in Nexus’ expenditure elsewhere.

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### 4 Home to School Transport

4.1 In addition to this, there is an estimated £34.5m of expenditure incurred across the NECA area for the transportation of children to and from school. Some of this expenditure (around £4.4m) is funded from the transport levies; although the majority (around £30.1m) is incurred on special needs provision by the seven councils in their capacity as Local Education Authorities

4.2 This is shown in the table below:-

	<b>Tyne &amp; Wear £000</b>	<b>County Durham £000</b>	<b>N'land £000</b>	<b>Total £000</b>
SCHOLARS SERVICES	3,500,000	50,000	754,000	<b>4,404,000</b>
SCHOLARS PASSES	800,000	1,300,000	595,000	<b>2,695,000</b>
LEA HOME TO SCHOOL	8,294,000	10,076,000	9,000,000	<b>27,370,000</b>
	<b>12,694,000</b>	<b>11,426,000</b>	<b>10,349,000</b>	<b>34,469,000</b>

### 5 Summary of Concessionary Travel Costs

5.1 The NECA Concessionary Travel budget accounts for £64.3m or 72% of the £89.3m expenditure funded from the three transport levies.

5.2 Technically, the ratio of statutory to discretionary expenditure is in the order of 80:20 although as explained in paragraph 3.6, it is a moot point as to whether elderly and disabled travel on other modes, in particular the Tyne and Wear Metro should be excluded from this analysis because of the distorting effects not including it has on the public transport market. By including it, the ratio of statutory to discretionary expenditure would be nearer to 90:10.

5.3 The level of discretionary expenditure is therefore circa £6.5m of which £4.7m or 72% relates to the Tyne and Wear Child Scheme.

5.4 Whilst Concessionary Travel reimbursement consumes a significant proportion of the NECA transport levies funded budget, it is apparent that differences exist across the schemes operated by the three TCAs making up the NECA area.

5.5 These differences range from the availability of the concession on the mode of transport e.g. concessions on Northern Rail are available in only two of the three TCA areas and although the scheme that is available on the Tyne and Wear Metro is available to residents from all three TCAs, there is a price

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differential depending upon county of residence, to age eligibility e.g. only Tyne and Wear provides a scheme for Under 16's

- 5.6 Even within the ENCTS, it is apparent that differences exist across the three TCAs where the approach to morning peak journey entitlement is different e.g. Durham allow pre 09:30 boardings if the pass holder pays a flat 50p fare; in Northumberland post 09:00 boardings are allowed at zero fare whilst in Tyne and Wear there are no discretionary add-ons in relation to the morning peak time fare and pass holders can only board buses at zero fare post 09:30
- 5.7 Budgets for 2014/15 (which primarily relate to reimbursement made to commercial bus operators) are largely fixed but payments to operators in 2015/16 will be subject to the principles of reimbursement set out in section 3 of this report, having regard to the current scheme arrangements that prevail within the particular TCA. Should members wish to see any changes that would lead to a convergence of these different arrangements, the three TCAs would need to assess the financial implications as part of the budget setting process.

## **6 Concessionary Travel Grant Funding**

- 6.1 Tyne and Wear ITA has raised concerns each year about the way funding for Concessionary Fares has been allocated, which has disadvantaged Tyne and Wear in particular. Initially DfT allocated sufficient additional grant nationally to meet the costs of the introduction of the England National Concessionary Travel scheme. However, the formula that was devised by DCLG and DfT to allocate the funding between councils across the country did not adequately reflect the higher level of concessionary travel boardings, particularly in Tyne and Wear, resulting in a large funding gap. Although some changes were made over time, the data on the actual number of boardings and costs in councils was not taken into account, instead a theoretical model of what boarding may be was used. The overall level of national funding amounted to around round £1.0bn in 2010/11, broadly in line with costs at that time.
- 6.2 Between 2011/12 and 2013/14 the formula spending assessment for Concessionary Travel was cut by -13%. In 2013/14 the funding for Concessionary Travel was merged into a baseline funding assessment for all councils and split between grant and funding from the 50% localised business rates in a single line for all upper tier (county level) services. In 2014/15 this funding block was cut by a further -11%, resulting in an overall national cash grant cut since 2011/12 of 24%. Provisional grant figures that have been announced for 2015/16 would see a further -14% national cut in this funding block, giving an overall national funding cut of -38% in cash terms from 2010/11 to 2015/16 for statutory concessionary travel, giving an indicative funding level of £780m in 2014/15 and potentially £650m in 2015/16.

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- 6.3 At the time the 2013/14 baseline figures were determined, figures were published showing the proportion of the national revenue needs formula (RNF) for concessionary fares available nationally that was allocated to each council although cash funding figures were not published. These percentage shares gave a funding share of 4.75% for the NECA area, indicatively estimated to amount to a grant funding level of around £37m in 2014/15.
- 6.4 The lack of transparency in the complex grant system means that it not possible to actually identify the amount of cash grant that the NECA area actually receives for concessionary travel. My indicative estimate is based on the RNF factors applied to an estimate of national funding for 2014/15 of £0.78bn.
- 6.5 Budget figures published by DCLG for 2014/15 (adjusted for known data errors) show that the national costs of concessionary travel has in fact risen rather than fallen since 2011/12 to an estimated £1.2bn, leaving a significant funding gap to be met by councils. The share of national Statutory Concessionary Travel Budgeted costs in 2014/15 for the NECA area of £61m is 5.46% of the national total, which is higher than the share of national funding.
- 6.6 The national Budget figures for 2014/15 show national statutory costs of £1.11bn with a further £0.11bn of discretionary costs, giving a total of £1.22bn. The Budgets for Statutory costs increased by just over 2% compared with 2013/14, while some reduction in discretionary costs reduced the overall annual budget increase to 0.8% in 2014/15.
- 6.7 Since 2010/11 the overall costs of concessionary travel has increased by 6% from £1.11bn to £1.22bn. This contrasts sharply with the cut in funding over the same period. Given the statutory nature of the scheme it is unlikely that budgeted costs will fall significantly in 2015/16. This means in effect that councils are having to find spending cuts in other areas of their budgets and this poses considerable additional pressures in areas such as the North East with higher levels of concessionary travel usage.

## **7 Potential Impact on Objectives**

- 7.1 This report is for information and has no direct impact on objectives.

## **8 Finance and Other Resources**

- 7.1 Financial details are set out in the report.

## **9 Legal**

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

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### **10 Other Considerations**

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

There are no consultation / Community Engagement Issues arising directly from this report

#### **10.2 Human Rights**

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

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

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

#### **10.4 Risk Management**

There are no specific risk management implications arising from this report. Risk issues in relation to funding are dealt with as part of the annual budget reports.

#### **10.5 Crime and Disorder**

There are no implications for Crime and Disorder arising directly from this report.

#### **10.6 Environment and Sustainability**

There are no specific risk management implications arising from this report

### **11 Background Documents**

- 11.1 Report to TWITA in September 2013. RA data for 2014/15 published by DCLG and adjusted to reflect known data errors.

### **12 Appendices**

- 12.1 Not applicable.

### **13 Contact Officers**

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### 14 Sign off

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