



# Tyne & Wear ITA - Scrutiny Committee

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Meeting to be held: Committee Room No 1, Sunderland Civic Centre, Burdon Road, Sunderland on Thursday 17 March 2011 at 1.00pm

Membership: Councillors G Miller and D Tate ( Sunderland City Council) ; Councillors M Graham and T Graham ( Gateshead Council); Councillors R Porthouse and B Watters ( South Tyneside Council); Councillors D. Charlton and J Macaulay ( North Tyneside Council) and Councillors L Hunter and M Lynch ( Newcastle City Council)

Contact Officer: Paul Staines, Scrutiny Manager Tel. No. 2777524 e mail – paul.staines@newcastle.gov.uk

The agenda, minutes and reports are also available on the ITA website at [www.twita.gov.uk](http://www.twita.gov.uk)

A buffet lunch and refreshments will be provided

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## AGENDA

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1. Welcome and Introductions
2. Apologies for Absence
3. Declarations of Interest

(If any Member has a personal/prejudicial interest please complete the appropriate form and hand this to the Democratic Services Officer before leaving the meeting. A blank form can be obtained from the DSO at the meeting).

Members are reminded to verbally declare their interest and the nature of it and, if prejudicial, leave where appropriate at the point of the meeting when the item is to be discussed

4. Minutes of Meeting held on 20 January 2011 1 - 8
5. Matters Arising

### KEY ITEM

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**COMMITTEE REPORTS**

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| <b>7.</b>  | <b>Financial and Non-Financial Impacts of Loss of Funding on Major Schemes</b> | <b>39 - 40</b> |
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**NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.**

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## Tyne & Wear ITA - Scrutiny Committee

20 January 2011  
(1.00 pm – 2.40 pm)

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### **Present:**

Councillor: Graeme Miller (In the Chair)

Councillors: David Charlton, Tom Graham, Lawrence Hunter and Mike Lynch

### **IN ATTENDANCE:-**

|                  |   |   |
|------------------|---|---|
| Paul Staines     | - | Newcastle Scrutiny Team                     |
| John Fenwick     | - | Nexus                                       |
| Graham Robinson  | - | Nexus                                       |
| Jessica Anderson | - | LTP Core Team Leader                        |
| Ian Stearman     | - | Democratic Services, Newcastle City Council |

### **41. WELCOME AND INTRODUCTIONS**

The Chair welcomed everyone to the meeting and members and officers introduced themselves.

### **42. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors David Tate, Julia Macaulay Malcolm Graham, Richard Porthouse and Bob Watters.

### **43. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **44. MINUTES OF MEETING HELD ON 18 NOVEMBER 2010**

The minutes of the meeting held on 18 November 2010 were approved as a correct record and signed by the Chair.

### **45. MATTERS ARISING**

(a) **New Tyne Tunnel Open Day**

Paul Staines reported that the New Tyne Tunnel Commissionaire had replied to the Scrutiny Committee's proposal that a charity open day be held for the public prior to the opening of the new tunnel to traffic next year. The Commissionaire had indicated that it would not be practicable to hold such an event.

(b) **River Bus**

Councillor T Graham referred to the serious disruption to road traffic in the area late last year by the snow and freezing temperatures. He pointed out that the overall situation would have been different if a river boat service had been available.

(c) **Park and Ride**

Councillor M Lynch reported that the numbers using the Bank Foot Metro Station for Park and Ride facility had declined since the imposition of charges for what was previously free to users. He thought only 20% of spaces were occupied on average. He also asked for an update at a future meeting on the possibility of siting a Park and Ride facility in Throckley.

46. **LOCAL TRANSPORT PLAN 3 DEVELOPMENT**

Submitted: Report by Joint Transport Steering Group (previously circulated and copy attached to Official Minutes).

J Anderson spoke to the report which summarised developments that had been made since their last report to the Committee and identified progress and achievements planned for the next period (January – March 2011). The following were highlighted:-

**Consultation:**

- Although formal consultation on the Plan ended on 10 December 2010, due to the adverse weather this was extended to the end of 2010. However some comments were still awaited and therefore comments were now being accepted until the end of January 2011.
- In the light of comments made by the Scrutiny Committee at its last meeting about the level of response at the mid-point of the consultation exercise, steps were taken to help increase the response to the consultation. Nexus Market Research Team carried out face to face interviews in all five districts using the same questions as the consultation summary document.
- A wide range of promotional activities had been used including:-
  - (a) An advertising screen had been erected in a number of locations within travel shops- part way into the consultations - to encourage comment
  - (b) A new LTP website was set up.
  - (c) Social networking sites such as Facebook and Twitter were used

- (d) An editorial campaign was run in partnership with the local press. The articles were placed in Council magazines to advertise the process. Media coverage was shared with the Committee including interviews with the Chair of the ITA on local radio
- (e) 10,000 consultative documents (including questionnaire) were produced and summary documents placed in a number of outlets including Council offices and libraries.
- (f) Meetings had been held with key stakeholder groups

**Feedback:**

- So far over 1,000 individual replies had been received together with approximately 65 from organisations. Responses were set out in a number of ways, including by District and means of travel those responding to the survey used. It was noted some responses were from umbrella bodies representing combining the views of a number of users/stakeholders
- Within the questionnaire respondents were asked to identify their five main priorities. It was encouraging that the two priorities receiving the greatest support were public transport and its maintenance.
- 80% of the feedback was supportive of the outlined proposals.
- There was a fair demographic balance in terms of the respondents.
- A separate report would be prepared on recommended changes to the LTP3 as a result of the consultation and other factors eg Comprehensive Spending Review, local government financial settlement and a review of national indicators.
- A report highlighting the major changes recommended to be made to LTP3 would be submitted to the full ITA on 27 January 2011. Changes would be made during February 2011, with a final version being taken to the ITA in March 2011. The final approval was required before the end of March 2011.

The Committee commented as follows:-

- Councillor T Graham said that he had been in a Nexus Travelshop and the screen promoting the consultation had not been visible probably due to the plethora of advertising in the shop. The Chair pointed out that he was not aware of any screens or posters being displayed in the Sunderland Civic Centre. It was emphasised that all local Councils should have displayed posters in public buildings and it was therefore agreed that a list of agreed notice boards sites should be drawn up to aid future marketing. J Anderson said that she would draw up a list of sites used and details would be brought to a future meeting of the Committee.

- Councillor T Graham felt an opportunity had been lost to actively engage with holders of gold card and bus passes whose names and addresses were on record. Councillor M Lynch indicated that, even if this wasn't possible due to data protection, consultation could have been promoted via reminders that had been sent out during the consultation period. It was hoped the new Nexus customer relations management system and NESTI Smart ticketing could be used as a future tool for engaging with public transport users. J Anderson agreed that subject to there not being any data protection limitations, the above be used in the future, for example, as part of the LTP refresh.
- The Committee were disappointed that only 1,089 individual replies were received from the consultation, which represented not even 1% of the Tyne and Wear population. The Committee felt that a sample size should have been set at the beginning of the process to ensure messages drawn out could be said to represent local views.
- The Chair underlined that the consultation exercise had been diminished by the small response. However he noted that J Anderson had indicated that she had sufficient information to properly analyse the data received. It was also reassuring that to note that despite the small sample size, 95% of all feedback was supportive of proposals outlined. There was also a fair demographic balance in terms of people involved. The push towards face to face consultation (37% of all responses) had not produced significantly different responses to the original web and questionnaire based approach.
- Despite 2,331 visits to the LTP website, just over 1,000 people completed the questionnaire. It was felt that follow up e-mails could have been pursued.
- The Chair pointed out that 37% of all responses received had come from the face to face targeted interviews in the five districts in the two week period. This clearly demonstrated that interviews should have been part of the process from the very start. This was a clear message for people to bear in mind in future although it was noted that resources were limited. He was also concerned that a benchmark figure, commonly used, had not been set in terms of the level and shape of response had not been set
- G Robinson underlined that the staff carrying out the face to face interviews had done exceptionally well as it had been undertaken during two weeks of extreme weather. The Committee asked that thanks be passed on to staff concerned
- The Chair observed that outside of the LTP website the results from the rest of new technology (especially the social networks) had been irrelevant to the exercise. Again this should be taken into account in the future. There was concern at whether the ITA had received the best advice from the consultation adviser engaged. The Chair and Councillor T Graham echoed a point made earlier that there would have been greater levels of feedback if Ward/Area Committees had been used. This would also have saved the ITA the consultant's fee.

- It was noted that so far South Tyneside Council and Newcastle City Council had not responded formally within the consultation process. The Committee felt that it was important that there should be a unified approach by the local authorities with all of them all putting in a response. The Chair considered that the disjointed approach by local authorities was not helpful to the ITA. Councillor M Lynch felt that the decision should have been with Councillors and not officers. J Anderson offered to clarify
- Reference was made to the poor response from the bus industry. To date only Stagecoach had indicated that they would be making a response. The Committee hoped that key partners were being chased for their responses
- The Chair indicated that he was not surprised air quality had emerged as the least supported priority. J Anderson recognised priorities were a mix of broad aspirations and more tangible issues that residents could relate to
- Councillor T Graham asked how specific proposals about how transport infrastructure could be improved would be taken forward. He sighted Snow Routes in the United States
- Councillor Lynch also sought information on links to other consultations, eg Bus Network Design Project

**RESOLVED** – That:

- i. P Staines summarises the above comments by the Scrutiny Committee for submission to the next meeting of the ITA on 27 January 2011, and
- ii. J Anderson circulate a list locations used to publicise the consultations and report, to a future meeting with colleagues from Nexus and the NESTI Smart Ticketing Partnership, on opportunities available to promote the work of ITA/Nexus and consultation opportunities available with registered card holders.

**47. PARK AND RIDE FACILITIES AT NORTHUMBERLAND PARK**

Submitted: Report of the Director of Finance and Resources, Nexus (previously circulated and copy attached to Official Minutes).

J Fenwick introduced the report which outlined the information on the above facility as requested by the Scrutiny Committee at its last meeting. The salient points were:-

- Prior to the opening of the multi storey Park and Ride facility at Northumberland Park in 2007, there existed a fifty space free car park which was regularly full.
- Based on market research, it was forecast that in the longer term the demand at Northumberland Park would continue to increase. Subsequently a 400 space car park was built as part of the wider development of the area surrounding Northumberland Park metro station. This was operated at a daily charge of £1.00 by Nexus and during 2009/10, average occupancy realised around 25% on weekdays.

- Clearly the income received was not sufficient and therefore it required an annual subsidy from Nexus of £165,000. When DB Regio Tyne and Wear Limited (DBTW) took over all previously paid for metro car parks, it increased the charge to £1.60 per day. Again, this was not sufficient in terms of usership but it did reduce the Nexus subsidy.
- It was emphasised that it was never envisaged that car park usage at Northumberland Park would immediately hit capacity, as facilities often take time to become established, with usage growing through recommendations and greater marketing and publicity. Hence the need to provide an adequate provision within the Nexus Revenue Budget in 2009/10 in order to subsidise an element of the gross operating cost of the facility.
- The Committee should note that passenger numbers in Northumberland Park station had increased by more than 30% since 2008. Boardings at station now rank 34<sup>th</sup> out of 60 on the network, indicating that patronage was expected to feed through to increased use of the car park. In addition, actions were being taken to improve the performance of the facility.

The Committee made a number of comments including:-

- The Chair felt that the increase in car park charges had led to motorists street parking in the vicinity which was impacting negatively on residential amenity. He thought this was the main reason for the poor use of the car park. Increasing patronage was more likely to have come from the significant number of new homes being built. It was suggested that the number of users be monitored, noting though that DBTW were aware of what they were taking on and there was regular conversation as part of the concession
- Councillor Charlton said that another factor was the site of the car park which was in the wrong location. He had contacted local Councillors for the area who were also concerned about displacement of cars onto neighbouring estates. It was unfair on local residents to introduce a paid for Residents Parking Scheme when they were not the cause of the problem
- Councillor Charlton suggested that better road signage on adjoining roads especially the A19 showing the location of the Park and Ride facility should be considered.
- J Fenwick said that the DBTW were looking at a number of actions to help improve the performance of the facility including the above suggestion. An update report would be brought to a future meeting.

**RESOLVED** – That the report be received and a report be considered, at a future meeting, on patronage.



48. **CONFERENCE REPORT - UK RAIL 2010 ' TRANSFORMING THE UK RAIL LANDSCAPE'**

Submitted: Report of the Scrutiny Officer, ITA Scrutiny Committee (previously circulated and copy attached to Official Minutes).

The report summarised the main issues discussed at the above national conference which was held in London on 7 December 2010.

Councillor Lynch said that he had heard rumours that a discontinuation of the rail service between Newcastle and Sunderland was being considered as part of the timetable. J Fenwick said that he was not aware of this but he would investigate.

**RESOLVED** – That the report be noted.

49. **ITA SCRUTINY COMMITTEE WORK PROGRAMME**

Submitted: Report of Scrutiny Officer, ITA Scrutiny Committee (previously circulated and copy attached to Official Minutes).

The report identified issues to be considered at the Committee's next and future meetings. For the March meeting the ITA's 2011/12 Budget would be prioritised. Councillor Lynch also asked for a report on the take up and costs of the Gold Card, recognising though that it represented excellent value for money.

**RESOLVED** – That the report be received.

50. **SUMMARY OF DECISIONS : INTEGRATED TRANSPORT AUTHORITY 25 NOVEMBER 2010**

Submitted: Report of Scrutiny Officer, ITA Scrutiny Committee (previously circulated and copy attached to Official Minutes).

**RESOLVED** – That the report be received,

51. **NO 10 BUS SERVICE TO WEST DENTON**

Councillor Hunter pointed out that the above bus service was discontinued for nine days during the severe weather conditions late last year. As a result, many people on the estate were unable to leave their homes.

The Chair said that this was an issue to be referred to Nexus.

**RESOLVED** – That the report be noted and forwarded to Nexus for their attention.

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## Tyne and Wear Integrated Transport Authority

### Scrutiny Committee

17<sup>th</sup> March, 2011

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**TITLE:** ITA BUDGET 2011/12

**REPORT OF:** DEPUTY CLERK AND TREASURER TO THE ITA

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**1. Summary / Purpose of Report**

- 1.1 The purpose of this report is to update the Scrutiny Committee on the 2011/12 Budget, as agreed by the ITA at its meeting on 27 January 2011.
- 1.2 The full Financial Strategy report as agreed by the ITA is appended to this report.

**2. Recommendations**

- 2.1 Scrutiny Committee is asked to receive this report for information.

**3. 2011/12 ITA Budget**

- 3.1 At its meeting on 18 November, the Scrutiny Committee received a report for information on the draft budget proposals for 2011/12. The Committee asked to be updated on these proposals as they progressed.
- 3.2 At its meeting on 27 January, the ITA agreed the budget report, and agreed to set the levy at an amount of £71,130,056, contingent upon confirmation of a capital contribution from the districts in lieu of a transfer of historic debt; or £73,792,416 if this capital contribution was not agreed.
- 3.3 Subsequent to this meeting, it was agreed that the levy would be set at the higher level, since two of the five Tyne and Wear authorities did not wish to proceed with the proposal.

- 3.4 The management of this historic debt therefore remains with the ITA, with a corresponding amount for financing charges continuing to be passed to the districts through the levy.
- 3.5 Updated pensions figures following the actuarial valuation were not available in time for the production of the budget report in January, so the previous figures were continued. The actuarial valuation has subsequently been completed, with figures for the past service deficit amounts coming in lower than the previous figures, with a slightly extended repayment period.
- 3.6 The pension deficit was valued at £12.2m, compared with the FRS 17 valuation of a £15.4m deficit reported in the 2009/10 Annual Accounts.

**4. Further comments by the:**

- **Clerk** none
- **Treasurer** see main report
- **Legal Advisor** none
- **Director General** none

**5. Background Papers**

- 5.1 2011/12 Budget Working Papers

**6. Contact Officer (s)**

- 6.1 Eleanor Goodman 0191 277 7518



# Tyne and Wear Integrated Transport Authority

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**Date:** 27 January 2011

**TITLE:** FINANCIAL STRATEGY 2011/12 – 2013/14

**REPORT OF** DEPUTY CLERK AND TREASURER, ITA and  
DIRECTOR OF FINANCE AND RESOURCES, NEXUS

**District Implications: All Districts**

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## **1 Summary/Purpose of Report**

- 1.1 This report sets out the Budget and Levy requirements for the ITA in 2011/12 and indicative funding requirements for 2012/13 and 2013/14.
- 1.2 The Authority is asked to consider the draft Budget for 2011/12; to set its levy for 2011/12 at £71,130,056. This represents a reduction of 5% from 2010/11, with an upward adjustment of £5,671,999 for the transfer back of Concessionary Fares grant now paid directly to the Districts through formula grant. It also includes a potential further reduction of £2,662,360 in respect of capital financing charges relating to a transfer of debt responsibility to the Districts (who do in fact currently receive the Government grant to finance the debt), which will be achieved by way of a capital contribution from the Districts in lieu of a transfer of actual debt. This puts the responsibility for funding debt in the right place with those receiving the grant for it; reduces the ITA's budget and results in some financial saving for the districts in 2011/12. This levy reduction is however subject to confirmation of the capital contribution from all five districts and if the capital adjustment is not agreed, the levy will be £73,792,416. The Authority is also asked to agree a Revenue Grant of £70,323,250 to Nexus for 2011/12.

## **2 Recommendations**

- 2.1 The Authority is recommended to:
- (a) Approve the ITA and Nexus Revenue Budgets for 2011/12 (Appendix A and B refers);
  - (b) Approve a levy of £71,130,056 for 2011/12, provided that confirmation of the capital contribution to enable the debt adjustment is received, or £73,792,416 in the event that the debt financing adjustment is not agreed by all 5 districts;
    - i) The levy to be apportioned between the five District Councils in accordance with The Transport Levying Bodies Regulations 1992 made under the Local

Government Act 1988, which uses the 2009 mid-year population estimates as the basis of the levy allocation, as set out in section 5.2; and

ii) The Districts to pay in twelve equal instalments, each instalment to be received by the Treasurer to the ITA on or before the last working day of each month;

iii) The lower levy of £71,130,056 to be contingent on the ITA receiving capital contributions from the five Tyne and Wear Districts equivalent to the value of debt held by the ITA, for which the districts receive grant support directly from the Government. If this confirmation is not received in writing by all 5 districts by 7<sup>th</sup> February 2011, the Levy will be set at the higher level of £73,792,416 and notified to the Districts;

(c) Approve the amount of Revenue Grant to Nexus of £70,323,250 from the levy for 2011/12; and

(d) Approve the minimum revenue provision repayments for borrowed capital expenditure for 2011/12 (attached at Appendix C).

### **3 Background**

3.1 When the 2010/11 ITA levy was agreed, the ITA limited the increase to 1.5% and the medium term plan sought to achieve a cash limited levy for future years. In view of the cuts in council funding announced in the 2010 Spending Review and the proposed 2011/12 to 2012/13 Revenue grant Settlement, the 2011/12 Budget is being prepared on the basis of absorbing cost pressures and achieving a levy reduction of 5% in 2011/12; a further 5% reduction in 2012/13, with a cash freeze in the levy in 2013/14. The reduction in levy income is to be split equally between Nexus and the ITA, i.e. both the Nexus grant and the ITA budget contribution from the levy will be reduced by 5%.

3.2 Two additional adjustments have been made to the levy in 2011/12 which are different to previous years:

- Concessionary Travel grant which was previously paid direct to the ITA will from 2011/12 be included in the Formula Grant paid to Tyne and Wear district councils. This amount has been included in the levy so that it continues to be received by the ITA and Nexus to fund concessionary travel costs (see section 8 for more details); and
- A further reduction has been made in the levy (over and above the 5% cut) to take into account a capital contribution made to the ITA by the Districts in lieu of a transfer of supported borrowing debt. This proposal is explained further at section 6.5.

3.3 This report sets out details about the first two years of the three year budget strategy.

3.4 The Comprehensive Spending Review (CSR) announced on 20 October 2010 gave

national headline resource totals for the four years from 2011/12 to 2014/15, with a significant frontloading of funding cuts in 2011/12. On 13 December, the Department for Communities and Local Government (DCLG) issued detailed grant figures for local authorities for the first two years of this period 2011/12 to 2012/13. The figures are published for consultation with a response date of 17 January. A note on the settlement is attached at Appendix D.

- 3.5 The overall settlement is complex because of the removal, transfer and simplification of many grants including the concessionary fare grant of £5.7m that the ITA and Nexus currently receive. The key issues for the ITA were the grant implications for the 5 district councils and more specifically the impact of the significant changes that the Government was making to the funding for concessionary fares. The outcome of the concessionary fare formula changes is a positive, with the Government choosing to create a separate sub block and a basis of distribution that the ITA lobbied for. The outcome will enable the district councils to pass back the funding of £5.7m to the ITA through an addition to the levy for 2011/12 to compensate for the transfer of the funding of the concessionary responsibilities to the district councils. However, the pressure on individual districts is considerable with funding reductions averaging -11.4% in 2011/12 and -7.9% in 2012/13.
- 3.6 Given the very tight financial settlement the level of the reduction in the levy for the ITA reflects the high priority being given to transport services by the district councils in Tyne and Wear.

#### **4 Financial Position in the Current Year 2010/11**

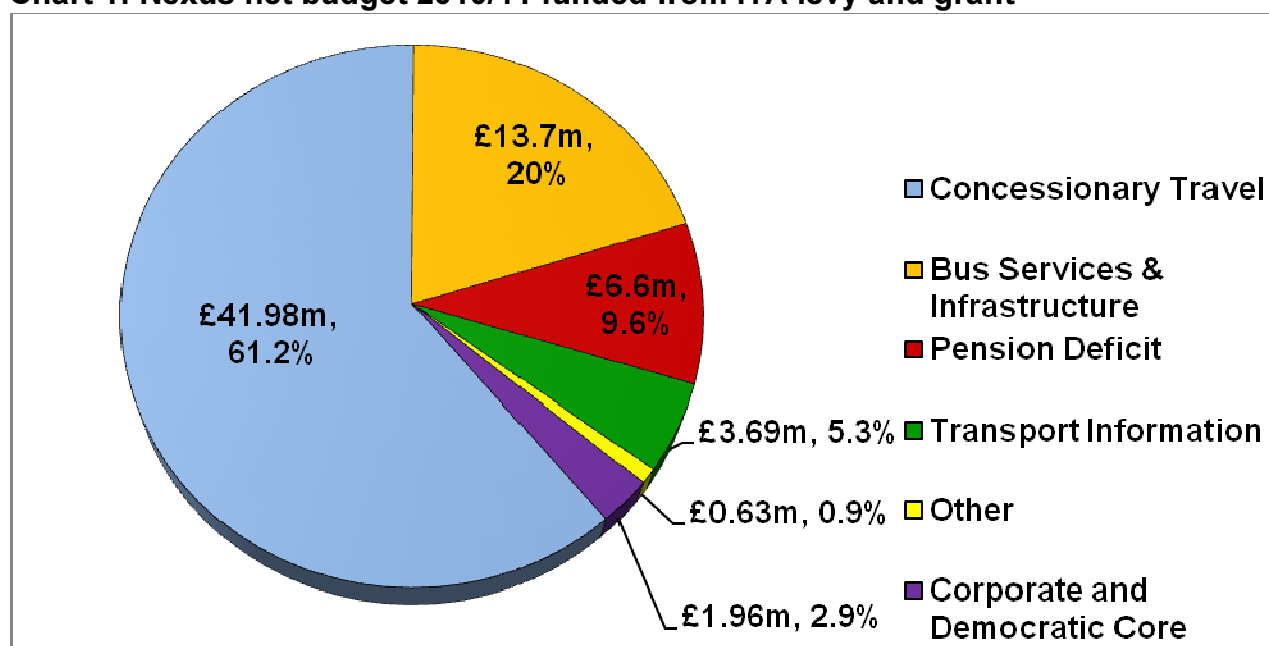
- 4.1 Forecast expenditure, revenue and grant levels in 2010/11 indicate that the latest anticipated net spending of the ITA itself will be £0.104m less than the original level of the budgeted resources available for the year. This is due to savings in the capital financing charges for 2010/11 of £0.065m, additional income on revenue balances of £0.025m and savings in other areas of £0.014m. These savings have reduced the amount of reserves required to support the levy in 2010/11 from an original estimate of £0.781m to £0.678m.
- 4.2 The grant provided to Nexus by the ITA in 2010/11 amounts to £68.555m, made up of the Levy contribution of £68.055m and a £0.500m contribution from ITA reserves and will be unchanged from the agreed grant at the start of the year.

Nexus' (original) gross expenditure requirement for 2010/11 was £159.95m. External income (mainly commercial fares in relation to Metro and Secured bus services) equates to £55.76m, which together with grant income (mainly in relation to Metro and Concessionary Travel) mean that the demand on the ITA (the levy) equates to £68.56m in 2010/11. The following Table 1 identifies the services that Nexus provides and how they are currently funded – showing Gross Cost, Gross Income, Grant Income and the ITA Grant. Chart 1 shows the relative share of costs.

**Table 1: How the Nexus budget is constructed and financed**

|  | <b>Gross Costs £m</b> | <b>Gross Income £m</b> | <b>Grant Income £m</b> | <b>ITA Grant £m</b> |
|--|-----------------------|------------------------|------------------------|---------------------|
| Metro (excl share of pensions deficit & CDC) | 67.68                 | -41.90                 | -25.11                 | 0.67                |
| Concessionary Travel                         | 49.45                 | -1.80                  | -5.67                  | 41.98               |
| Bus Services and Infrastructure              | 20.36                 | -6.17                  | -0.49                  | 13.70               |
| Pensions Deficit                             | 6.60                  | 0.00                   | 0.00                   | 6.60                |
| Transport Information                        | 5.29                  | -1.60                  | 0.00                   | 3.69                |
| Northern Rail                                | 4.36                  | 0.00                   | -4.36                  | 0.00                |
| Ferry  | 1.42                  | -0.46                  | 0.00                   | 0.96                |
| Revenue Contribution to Capital              | 2.83                  | 0.00                   | 0.00                   | 2.83                |
| Corporate & Democratic Core Costs            | 1.96                  | 0.00                   | 0.00                   | 1.96                |
|  | <b>159.95</b>         | <b>-51.93</b>          | <b>-35.63</b>          | <b>72.39</b>        |
| Financing Income                             | 0.00                  | -3.83                  | 0.00                   | -3.83               |
|  | <b>159.95</b>         | <b>-55.76</b>          | <b>-35.63</b>          | <b>68.56</b>        |

**Chart 1: Nexus net budget 2010/11 funded from ITA levy and grant**





- 4.3 In terms of the services that Nexus provides, the primary recipient of the ITA levy is Concessionary Travel which, at £41.98m in 2010/11, requires over 61% of the levy in order to sustain the reimbursement of operators under the scheme. Although Metro is the single biggest service that Nexus provides (in terms of gross expenditure) and it benefits all of the districts within Tyne and Wear, it receives a fairly small proportion of its annual funding from the levy. While the direct contribution is only £0.67m, once an allocation of the pension deficit payment and corporate and democratic core costs are factored in, Metro receives around £5m of funding from the levy which equates to around 7% of the levy.
- 4.4 In terms of the Nexus estimate, the outturn forecast for 2010/11 indicates that there will be a surplus of £0.969m, due to a combination of efficiency savings and additional income being generated in year and this will be used in 2011/12 to help accommodate the reduction in the levy next year.

## 5 The ITA Levy

- 5.1 Each year the ITA receives income from a transport levy on each of the five District Councils in Tyne and Wear. In previous years the levy has been increased each year by an agreed uplift to help fund the cost of providing transport services and for additional grant that that District Councils receive to help fund new burdens and responsibilities that the ITA/Nexus have to meet.
- 5.2 The following table shows the current levy for 2010/11, the restated base levy applying the 2009 ONS Population estimates for 2009 and the proposed levy for 2011/12, after applying a 5% reduction, an upward adjustment for Concessionary Travel grant now paid directly to the districts detailed in section 8, and a further reduction for the debt transfer proposal detailed in section 6.5.

**Table 2: ITA Levy 2010/11 and 2011/12**

|                | <b>2010/11<br/>Levy<br/>£</b> | <b>Restated<br/>Levy for<br/>2010/11*<br/>£</b> | <b>5%<br/>reduction<br/>£</b> | <b>Adjustment for<br/>Concessionary<br/>fare grant</b> | <b>Adjustment<br/>for debt<br/>transfer<br/>proposal</b> | <b>Total for<br/>2011/12</b> |
|----------------|-------------------------------|---|-------------------------------|--|--|------------------------------|
| Gateshead      | 12,499,640                    | 12,365,734                                      | (618,287)                     | 978,143  | (459,127)  | 12,266,463                   |
| Newcastle      | 17,942,821                    | 18,425,462                                      | (921,273)                     | 1,457,474  | (684,119)  | 18,277,544                   |
| North Tyneside | 12,939,030                    | 12,780,517                                      | (639,026)                     | 1,010,953  | (474,528)  | 12,677,917                   |
| South Tyneside | 9,942,001                     | 9,877,033                                       | (493,852)                     | 781,284  | (366,724)  | 9,797,741                    |
| Sunderland     | 18,382,210                    | 18,256,956                                      | (912,848)                     | 1,444,145  | (677,862)  | 18,110,391                   |
| <b>Total</b>   | <b>71,705,702</b>             | <b>71,705,702</b>                               | <b>(3,585,285)</b>            | <b>5,671,999</b>                                       | <b>(2,662,360)</b>                                       | <b>71,130,056</b>            |

\* The distribution of the levy between the Tyne and Wear Districts is based on population

estimates and there were changes between the population estimate for 2008 used to calculate the 2010/11 levy and the 2009 population estimates used to calculate the 2011/12 levy. The 'Restated levy for 2010/11' in the above table reflects the 2009 ONS population estimates. This increase in the population in Newcastle means that it funds a larger share of the levy and receives a lower % reduction in 2011/12 when compared with the 2010/11 levy. The percentage reduction for the other districts is more than 5% as a result.

## **6 ITA Budget Proposal for 2011/12**

### **The ITA's Own Retained Budget**

6.1 The ITA's costs for 2011/12 will potentially reduce from £3.932m to £0.987m, a total reduction of £2.945m, made up of the debt charge reduction of £2.662m plus other savings of £0.283m. This has been achieved through a thorough review of ITA costs over the four main spend areas:

- ITA support costs
- ITA members and governance
- Pension costs
- Financing costs

Details are included in Appendix A.

#### ITA Support Costs

6.2 Newcastle City Council provides support to the ITA through Service Level Agreements (SLAs), which include Management Support, Legal Advice, Financial Services, Audit and Risk, Administration of the Democratic Process, Scrutiny Support and Policy Advice. All of the current SLAs have been reviewed to achieve efficiency savings and ensure they provide even better value for money. Savings of 12% or £0.042m have been included in the budget for 2011/12, with more details provided in Appendix A.

In the longer term, work is under way to determine the best future operating model for the way support is provided to both the ITA and Nexus. The model of provision will be reviewed by considering examples from other regions and best practice models, and this may enable some further savings to be made in future years.

#### ITA Members and Governance

6.3 All areas of spend on items such as printing, publishing notices, the number of meetings of the ITA and its various working groups and LGA subscription payments have been considered. Initial savings of £0.020m have been identified. Specifically, these savings have been made on the external audit fee (£0.014m), the website charges payable to Nexus (£0.012m); with additional savings on the budget for scrutiny committee and reductions in the budget for printing and accommodation, as working groups will be held

less frequently where appropriate.

Work will continue in 2011/12 on reviewing areas such as the LGA subscription payments and members' allowances, where it is hoped that savings can be achieved in future years.

### Pension Costs

- 6.4 The ITA currently makes payments to reduce the pension deficit in respect of pensions for former Busways' employees, with no current employees. Results of the triennial actuarial review for the ITA have not yet been released and so the budget proposals have had to assume that the current level of deficit payments will continue. However, it is thought likely that if the deficit has not substantially increase it will be possible, with the agreement of the Tyne and Wear Pension Fund, to extend the repayment period. This could achieve a saving which would reduce the reliance on reserves to bridge the funding gap. We are expecting to hear about the pension contribution shortly and I will update members on the position at the meeting.

### Capital Financing Costs

- 6.5 Capital financing costs make up a significant proportion of the ITA revenue budget. Some savings on financing charges have been achieved in 2010/11 and 2011/12, which are reflected in savings of £0.208m in the (pre adjusted) budget for 2011/12 of £2.662m.
- 6.6 There is an option for a substantial reduction in the ITA levy if districts agree to a transfer of equivalent debt, which could produce a real net revenue saving for districts in 2011/12 and further revenue savings of 4% or more each year in future years. The reduction in the Levy for the ITA would mainly be presentational, with the reduction in levy matched by a reduction in capital financing costs, with an overall reduction in the debt managed by the ITA in future years. While the ITA holds supported debt and capital financing charges at a county-wide level, the Revenue Formula Grant received to fund the debt is paid directly to each of the districts. The formula grant calculation is currently based upon an interest rate of 5.4% (which will reduce in 2011/12 to 5.1%), whereas the ITA pool rate of interest is 4.2%.
- 6.7 The opening debt at 1 April 2011 would be £31.908m. The levy could be reduced by £2.662m if the districts received a transfer of the Capital Financing Requirement from the ITA and there was the equivalent of a debt transfer. Because the ITA has a new borrowing requirement for works to the New Tyne Crossing in excess of £31.9m, no existing debt transfer to the districts need take place, which would if required be a complicated exercise to carry out. Instead, a capital contribution could be made by each district in the first week of April 2011, which could be financed as districts determine, either from revenue reserves, from capital receipts or from borrowing at a lower interest rate if districts choose to do so, achieving some interest saving. In addition, there would be no Minimum Revenue Payment (repayment of principal) to be made in 2011/12. In future years Districts would automatically receive the benefit from the 4% annual reduction in capital financing costs as debt is reduced over time, without the uncertainty

of whether it would be reflected in the levy reduction or not. The reduction in the levy by the ITA for this debt would be permanent.

- 6.8 The capital contribution required from each District and the saving in Levy for each District is summarised below:

|                | Levy Reduction | Capital Contribution |
|----------------|----------------|----------------------|
|                | £              | £                    |
| Gateshead      | 459,127        | 5,502,621            |
| Newcastle      | 684,119        | 8,199,136            |
| North Tyneside | 474,528        | 5,687,196            |
| South Tyneside | 366,724        | 4,395,176            |
| Sunderland     | 677,862        | 8,124,153            |
|                | 2,662,360      | 31,908,282           |

- 6.9 The ITA will effectively use the capital contribution to fund capital expenditure on the New Tyne Crossing instead of borrowing new debt, and existing debt of £31.908m will be assigned to the tunnel and funded by toll income. This will give the tunnel certainty over the level of borrowing charges, which will be less than the interest rates assumed in the financial model for the New Tyne Crossing.
- 6.10 The equivalent debt transfer and levy reduction can only be carried out if all five districts agree in writing to the capital contribution before the levy notification has to be sent to each district. It is proposed that a deadline of 7 February be set for confirmation of the contributions to the ITA.

### **Tyne Tunnel Operating Costs**

- 6.11 The Tyne Tunnel trading account reflects the costs of operating the tunnel with the concessionaire. All the costs will be funded from toll income and existing reserves. Toll income in 2010/11 is forecast to be slightly higher than budgeted, and in 2011/12 is projected to increase in line with the New Tyne Crossing model.
- 6.12 Capital expenditure on the New Tyne Crossing will continue in 2011/12, with construction contributions being made to the concessionaire. The capital costs will be met from prudential borrowing and potentially capital contributions from the Districts as discussed in section 6.5 above.
- 6.13 The revised budget for 2010/11 and the budget for 2011/12 include an accounting adjustment that is required under the move to International Financial Reporting Standards (IFRS). Under IFRS, any PFI or similar arrangements have to be accounted for under

International Financial Reporting Interpretation Committee 12 (IFRIC 12). The New Tyne Crossing partnership is considered to be such an arrangement, and this has resulted in changes to the treatment of interest on finance lease and the usage payment. There is no change in cash terms, although this does affect Tyne Tunnel reserves.

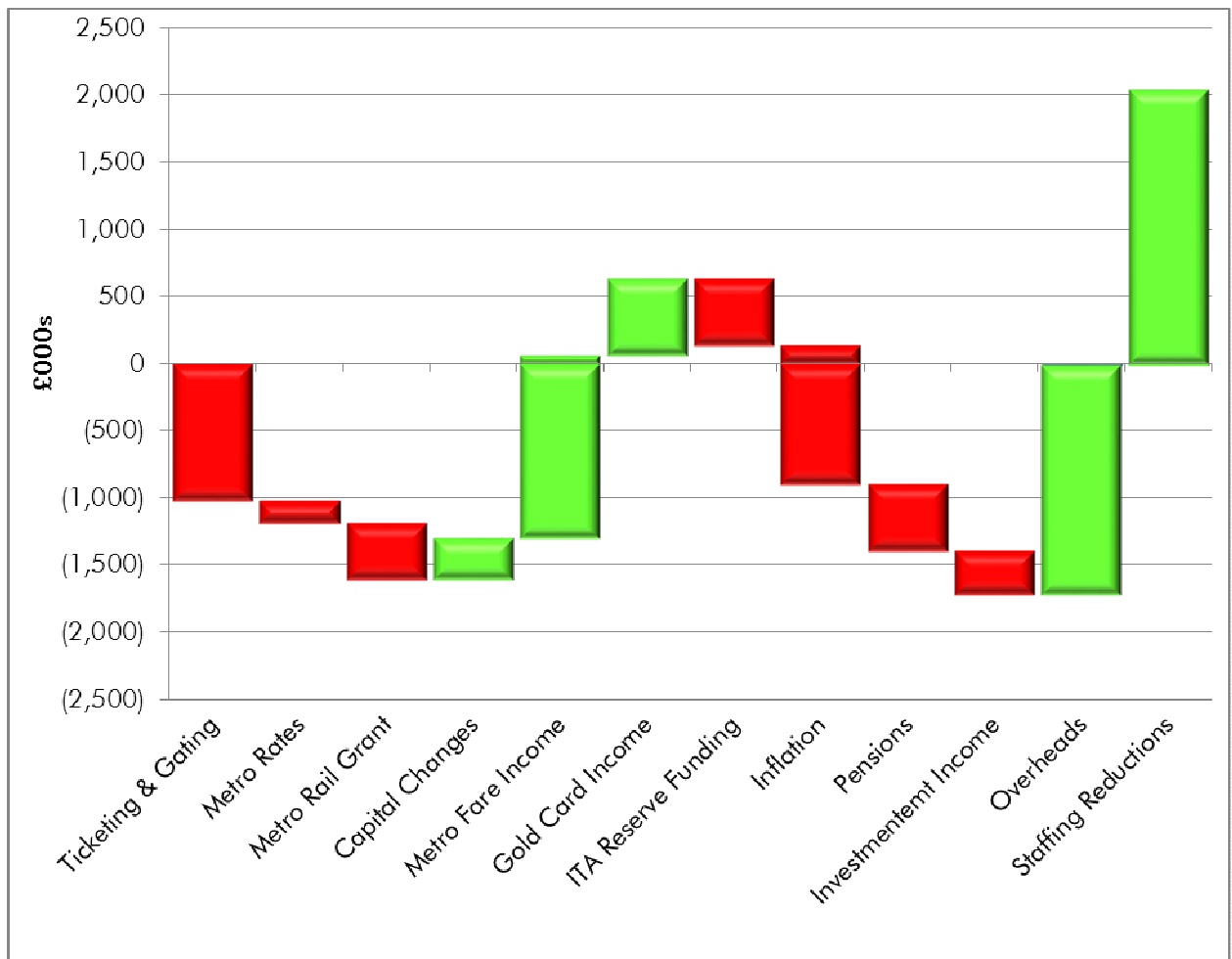
### **ITA Reserves**

- 6.14 In setting the budget for 2010-11, £0.781m of ITA reserves were used in order to restrict the levy increase to 1.5% and to provide an additional contribution of £0.5m to Nexus. This additional contribution ceases from 2011/12, however the budget proposals put forward in this report also recommend temporary use of reserves in order to bridge the gap while longer-term savings proposals are developed and implemented. Use of reserves in 2011/12 included in these budget proposals is £0.180m, which is less than in 2010/11 due to the efficiency savings that have been achieved. The effect of this will be to reduce ITA unearmarked reserves to £2.4m at the end of 2011/12. The Deputy Clerk and Treasurer considers a prudent working level of reserves to be £1m.

## **7 Nexus Budget Proposal for 2011/12**

A summary of the budget is shown in the attached Appendix B.

- 7.1 Notwithstanding the reduction in the levy, Nexus is also facing a reduction in its resource base in 2011/12 in relation to Metro Rail Grant payable by DfT, the withdrawal of ITA support of £0.500m that was provided in 2009/10 and 2010/11 in order to maintain the price of the Metro Gold Card at £12, as well as the need to re-base its forecast of investment income in response to the continued and unprecedented low level of interest being earned on its cash deposits.
- 7.2 Nexus also has a number of committed cost pressure and increases that need to be accommodated within its budget for 2011/12. These relate to the potential impact of the 2010 pensions valuation, contractual staff increments, general price inflation on contracts, an increase in the rateable value of the Metro network and increased costs associated with the introduction of new ticket machines and barriers at stations across the Metro network.
- 7.3 Recognising these pressures and the pressure on the levy, Nexus will seek to increase its income base in relation to the Metro (through the January 2011 fare increase which was approved by the ITA in November 2010) and will also realise sizeable efficiencies through the implementation of a revised organisational structure in April 2011 which reduces the staffing establishment by 10%, as well as significantly reducing its overheads. In terms of efficiency savings, to the extent that some of these savings relate to Metro (necessary because of the reduction in Metro Rail Grant) and because very little administrative overhead is incurred in the management of Concessionary Travel, when measured against the £24.2m of discretionary expenditure, Nexus is setting out to achieve a 13% saving in its overheads.
- 7.4 These cost pressures and efficiency measures for 2011/12 designed to cover cost pressures and contribute to a reduction in the levy are highlighted in the chart below:-



Cost pressures and loss of external grant relating to Metro are largely offset by a saving on capital charges and the agreed increases in fares from January 2011, as anticipated in the January 2010 reference case submission to DfT for Metro Reinvigoration Phase II. A proposed Gold card price increase (to be considered elsewhere on this agenda) will offset the loss of ITA reserve funding made available in both 2009/10 and 2010/11 which enabled the price to be frozen. Other cost pressures are offset by gross efficiency savings amounting to some £3.7m from savings in overheads and staffing reductions. This gives a net saving of almost £2.0m in 2011/12.

7.5 In summary, given the implementation of these efficiency measures, it should be possible for Nexus to withstand a reduction in the levy contribution of broadly 3% (in cash terms) without any reduction in service delivery in 2011/12.

The gap between the expenditure requirement in 2011/12 and resource availability is set out below:-

| <b>£000</b>   | <b>£000</b>     |
|---|-----------------|
| Total Nexus Requirement   | 100,933         |
| Non-Levy Grant Income   |                 |
| Light Rail (Metro)  | (24,884)        |
| Heavy Rail (Northern Rail)  | (4,361)         |
|   | <u>(29,245)</u> |
|   | 70,688          |
| Levy Contribution (including Concessionary Travel grant adjustment) | (70,323)        |
| Net Deficit   | <u>1,365</u>    |

#### 7.6 The Funding Gap 2011/12 to 2012/13

Over the period 2011/12 to 2012/13, the gap in funding will amount to £6.395m as outlined in the table below:-

|  | <b>2011/12</b>  | <b>2012/13</b>  | <b>Total</b>     |
|--|-----------------|-----------------|------------------|
|  | <b>£000</b>     | <b>£000</b>     | <b>£000</b>      |
| Total Nexus Requirement  | 100,933         | 101,261         | 201,194          |
| Non-Levy Grant Income  |                 |                 |                  |
| Light Rail (Metro)   | (24,884)        | (24,948)        | (49,832)         |
| Heavy Rail (Northern Rail)                                     | (4,631)         | (4,631)         | (8,722)          |
|  | 71,688          | 71,952          | 143,640          |
|  | <u>(70,323)</u> | <u>(66,922)</u> | <u>(137,245)</u> |
| Levy Funding (including Concessionary Travel grant adjustment) |                 |                 |                  |
| Net Deficit  | <u>1,365</u>    | <u>5,030</u>    | <u>6,395</u>     |

7.7 Given the extremely challenging funding settlement, it is Nexus' view that a two year plan which seeks to reduce the levy by up to 5% in each of the financial years 2011/12 and 2012/13 can be achieved if Nexus' balances are used to maintain service provision in the short term (including the implementation of the accessible bus

network). During the two years that this financial plan relates to, proposals that create additional, more sustainable efficiency savings will be prepared for consideration by the ITA.

### **Nexus Reserves**

7.8 Nexus revenue reserves amounted to £14.2m at 31 March 2010. The intention is to maintain a level of reserves at or around £5.0m by 2013/14, a level at which the Director of Finance and Resources considers prudent as a working balance.

To protect services in the short term will require around £9.0m of reserves to be released by March 2013, being used to:-

- Cover the short term funding gap in 2011/12 and 2012/13 of around £6.395m cumulative;
- Fund the cost of redundancies relating to the headcount reduction of 10% by April 2011; and
- Provide a contingency sum to allow the development of more sustainable efficiency savings for presentation to the ITA over the next two years.

This strategy will therefore leave around £5m in reserves as at March 2013.

## **8 Transfer of Concessionary Travel Grant**

8.1 A letter from the Secretary of State for Communities and Local Government to Leaders of Local Authorities in England confirmed that from 2011/12 Concessionary Travel Grant will be rolled into the Formula Grant. The national figures for the level of grant that will be transferred into the Formula Grant are as follows. Tyne and Wear's share of the national £223m currently being received in 2010/11 is £5.67m.

8.2 Changes have been made to the Formula Grant Distribution method, the result of which is that the base grant adjustment given to District councils in Tyne and Wear is £7.107m, compared with £5.67m that the ITA and Nexus will no longer receive directly as specific grant. This surplus will be retained by the District councils to help manage general cost pressures, in addition to the 5% reduction in the levy and the additional one off saving from capital financing adjustment.



**Table 3 – Transfer of Specific Grant for Concessionary Travel – Levy Adjustment for 2011/12 and Grant Transfer to Tyne and Wear District Councils**

|                        | <b>Levy Adjustment</b> | <b>Grant Transfer</b> | <b>Difference</b> |
|------------------------|------------------------|-----------------------|-------------------|
|                        | <b>£m</b>              | <b>£m</b>             | <b>£m</b>         |
| Gateshead              | 0.978                  | 1.239                 | 0.261             |
| Newcastle              | 1.457                  | 1.863                 | 0.406             |
| North Tyneside         | 1.011                  | 1.175                 | 0.164             |
| South Tyneside         | 0.781                  | 1.014                 | 0.233             |
| Sunderland             | 1.444                  | 1.817                 | 0.373             |
| <b>TYNE &amp; WEAR</b> | <b>5.671</b>           | <b>7.107</b>          | <b>1.436</b>      |

8.3 A second smaller grant, the ‘Rural Bus Subsidy’ grant has also been transferred from Nexus into formula grant to be paid to the districts. In 2010/11 this grant was £0.150m. For 2011/12, this grant was reduced to £0.089m before being transferred into the base grant for the five District Councils. This grant was part of the base grant that was then cut by an average of 11.4%, so the final grant has been reduced to £0.079m. Unlike concessionary fares, there was no specific allocation identified for 2011/12. It is not proposed to adjust the levy for this grant, so this additional funding will also be retained by the districts. Nexus will need to determine whether any elements of those services currently funded from rural bus subsidy grant can be retained through a further review.

8.4 Further details of the Formula Grant Settlement Announcement and the transfer of Concessionary Travel Grant are included in Appendix D to this report.

## **9 Risks Contained within the Budget**

9.1 There are some medium-term risks within the Financial Plan and these will be managed by Nexus and the ITA, with monitoring reports made to the ITA on a regular basis. These include:

- Inflationary pressures currently in excess of the future expected increase in resource levels;
- The impact of changes in interest rates on investment income and financing costs;
- The need for continued capital investment and the means by which this can be funded;
- The use of unearmarked reserves to bridge the budget gap in the short term.

9.2 **In addition to the monitoring reports outlined above there will be a full review**

**when the detailed budget for 2012/13 is set next year.**

**10 Background Papers**

10.1 ITA and Nexus budget working papers.

**11 Contact Officer(s)**

11.1 Paul Woods, Deputy Clerk and Treasurer to the ITA, tel (0191) 232 8520 or

John Fenwick, Director of Finance & Resources (Nexus), tel (0191) 203 3248

## APPENDIX A

| Integrated Transport Authority<br>Revenue Estimates 2010/11 |                  |                                       |                   |
|---|------------------|---------------------------------------|-------------------|
| 2010/11   |                  |                                       | 2011/12           |
| Original Estimate   | Forecast Outturn | Description                           | Original Estimate |
| £000s   | £000s            |                                       | £000s             |
| <b>Integrated Transport Authority/Nexus</b>                 |                  |                                       |                   |
| 3,932   | 3,829            | ITA Budget                            | 3,649             |
| -   | -                | less Debt Transfer proposal           | (2,662)           |
| 101,583   | 101,583          | Nexus                                 | 97,680            |
| <b>105,515</b>  | <b>105,412</b>   |                                       | <b>101,329</b>    |
| (71,706)  | (71,706)         | Levy on Tyne & Wear District Councils | (73,793)          |
| (33,028)  | (33,028)         | Government Grants to Nexus            | (33,028)          |
| <b>(104,734)</b>  | <b>(104,734)</b> |                                       | <b>(101,149)</b>  |
| <b>781</b>  | <b>678</b>       | Change in Reserves                    | <b>180</b>        |
| <b>Tyne Tunnel/New Tyne Crossing</b>                        |                  |                                       |                   |
| (6,231)   | (825)            | Tyne Tunnel                           | 13,769            |
| <b>(6,231)</b>  | <b>(825)</b>     | Change in Tunnel Reserves             | <b>13,769</b>     |

| ITA/Tyne Tunnel/Nexus Revenue Balances         |                  |   |                   |
|--|------------------|---|-------------------|
| 2010/11  |                  |   | 2011/12           |
| Original Estimate                              | Forecast Outturn | Description                                     | Original Estimate |
| £000s  | £000s            |   | £000s             |
| <b>Opening Balance at 1<sup>st</sup> April</b> |                  |   |                   |
| (3,176)  | (3,268)          | Integrated Transport Authority                  | (2,590)           |
| (12,875)                                       | (13,441)         | Metro Re-invigoration Reserve                   | (11,442)          |
| (33,781)                                       | (21,079)         | Tyne Tunnel Reserves                            | (21,904)          |
| (14,068)                                       | (14,165)         | Nexus   | (15,134)          |
| <b>(63,900)</b>                                | <b>(51,953)</b>  |   | <b>(51,070)</b>   |
| <b>Movement in Balances during year</b>        |                  |   |                   |
| 781  | 678              | Integrated Transport Authority                  | 180               |
| 1,999  | 1,999            | Metro Re-invigoration Reserve                   | 1,999             |
| (6,231)  | (825)            | Tyne Tunnel Reserves                            | 13,769            |
| -  | (969)            | Nexus   | 1,365             |
| <b>(3,451)</b>                                 | <b>883</b>       |   | <b>17,313</b>     |
| <b>(67,351)</b>                                | <b>(51,070)</b>  | <b>Closing Balance at 31<sup>st</sup> March</b> | <b>(33,757)</b>   |
| being  |                  |   |                   |
| (2,395)  | (2,590)          | Integrated Transport Authority                  | (2,410)           |
| (10,876)                                       | (11,442)         | Metro Re-invigoration Reserve                   | (9,443)           |
| (40,012)                                       | (21,904)         | Tyne Tunnel Reserves                            | (8,136)           |
| (14,068)                                       | (15,134)         | Nexus   | (13,769)          |
| <b>(67,351)</b>                                | <b>(51,070)</b>  |   | <b>(33,757)</b>   |

## Integrated Transport Authority

### 1 ITA Budget

#### Net Expenditure

| Item No. | Description                                       | 2010-2011         |           | 2011/2012         |
|----------|---|-------------------|-----------|-------------------|
|          |   | Original Estimate | Forecast  | Original Estimate |
|          |   | £                 | £         | £                 |
|          | ITA Administration                                |                   |           |                   |
| 1.1      | Staffing and charge for servicing officers *      | 343,300           | 343,300   | 301,507           |
|          |   | 343,300           | 343,300   | 301,507           |
| 1.2      | Audit Fees  | 47,070            | 37,470    | 32,599            |
| 1.3      | Members allowances and expenses                   | 86,300            | 86,300    | 86,300            |
| 1.4      | Accommodation charges                             | 6,120             | 6,120     | 6,090             |
| 1.5      | Subscriptions                                     | 36,040            | 36,040    | 33,000            |
| 1.6      | Conferences                                       | 1,500             | 1,400     | 1,000             |
| 1.7      | Travel expenses and subsistence                   | 4,000             | 3,000     | 3,000             |
| 1.8      | IT development                                    | 34,000            | 34,000    | 22,000            |
| 1.9      | Printing costs                                    | 16,000            | 15,200    | 15,200            |
| 1.10     | Advertising                                       | 2,050             | 2,050     | 2,050             |
| 1.11     | Scrutiny Committee                                | 6,700             | 4,700     | 4,700             |
|          |   | 239,780           | 226,280   | 205,939           |
|          | Total   | 583,080           | 569,580   | 507,446           |
| 1.12     | Pensions  |                   |           |                   |
|          | Pension deficiency payments                       | 510,000           | 510,000   | 510,000           |
| 1.13     | Financing Charges                                 |                   |           |                   |
|          | Financing Charges                                 | 2,874,370         | 2,809,140 | 2,662,360         |
|          | less Debt Transfer - contributions from Districts |                   |           | (2,662,360)       |
|          |   | 3,967,450         | 3,888,720 | 1,017,446         |
| 1.14     | Income  |                   |           |                   |
|          | Interest on Revenue Balances                      | (35,000)          | (60,000)  | (31,000)          |
|          | Net Expenditure on ITA Budget                     | 3,932,450         | 3,828,720 | 986,446           |

\* See note 1

## Integrated Transport Authority

### 2 Tyne Tunnel and New Tyne Crossing

| Net Expenditure<br>Description           | 2010-2011            |                    | 2011-2012            |
|--|----------------------|--------------------|----------------------|
|  | Original<br>Estimate | Forecast           | Original<br>Estimate |
|  | £                    | £                  | £                    |
| Tyne Tunnel Ongoing Costs                |                      |                    |                      |
| <b>TT2 Contract</b>                      |                      |                    |                      |
| Toll Income                              | (13,150,000)         | (13,260,000)       | (15,000,000)         |
| Usage Payments *                         | 2,962,000            | 6,002,600          | 6,336,800            |
|  | <u>(10,188,000)</u>  | <u>(7,257,400)</u> | <u>(8,663,200)</u>   |
| <b>Other</b>                             |                      |                    |                      |
| Employees                                | 33,310               | 32,810             | 32,810               |
| Pensions                                 | 588,410              | 588,410            | 588,410              |
| Other Expenses                           | 27,630               | 58,590             | 55,390               |
| New Tyne Crossing Support<br>Services    | 165,456              | 172,520            | 145,000              |
| NTC Community Fund                       | 10,000               | 10,000             | 10,000               |
| Financing Charges                        | 3,594,520            | 3,444,300          | 5,832,900            |
| Interest on Finance lease *              | -                    | 2,630,857          | 16,106,000           |
| Interest on Tunnel Balances              | (483,000)            | (505,000)          | (338,000)            |
| Total Expenditure                        | <u>3,936,326</u>     | <u>6,432,487</u>   | <u>22,432,510</u>    |
| Surplus/Deficit on existing Tyne Tunnels | <u>(6,251,674)</u>   | <u>(824,913)</u>   | <u>13,769,310</u>    |

\* The revised budget for 2010/11 and the budget for 2011/12 include an accounting adjustment that is required under the move to International Financial Reporting Standards (IFRS). Under IFRS, any PFI or similar arrangements have to be accounted for under International Financial Reporting Interpretation Committee 12 (IFRIC 12). The New Tyne Crossing partnership is considered to be such an arrangement, and this has resulted in changes to the treatment of interest on finance lease and the usage payment. There is no change in cash terms, although this does affect Tyne Tunnel reserves.

**NOTE 1 TO APPENDIX A**

| <b>SLA supporting the ITA, Tyne Tunnel and Capital Programme included in Budget</b> |                |                |
|---|----------------|----------------|
|   | SLA Value      | SLA Value      |
|   | 2010/11        | 2011/12        |
|   | £              | £              |
| Management Support ( <i>includes Communications</i> )                               | 77,630         | 74,340         |
| Legal Advice  | 64,020         | 47,480         |
| Accountancy and Financial Advice ( <i>includes Insurance</i> )                      | 146,870        | 127,270        |
| Internal Audit and Risk*  | 9,230          | 19,490         |
| Administration of the Democratic Process  | 82,200         | 73,980         |
| Scrutiny  | 12,000         | 12,000         |
| OD & Personnel Services   | 5,050          | 5,050          |
| Policy Advice   | 105,270        | 127,040        |
| New Tyne Crossing ( <i>excludes Monitoring Officer employed by TWITA</i> )          | 254,690        | 252,950        |
|   | <b>756,960</b> | <b>739,600</b> |
| <b>Included in Estimates</b>  |                |                |
| <b>ITA</b>  | 343,300        | 301,510        |
| <b>Tyne Tunnel</b>  | 166,510        | 145,000        |
| * From 2011/12, SLA for Internal Audit includes Risk                                |                |                |

| <b>Nexus - Revenue Budget 2011/12 to 2012/13</b> |                          |                                       |                        |                          |
|--|--------------------------|---------------------------------------|------------------------|--------------------------|
| <b>2010/11</b>                                   |                          |                                       | <b>2011/12</b>         | <b>2012/13</b>           |
| <b>Budget<br/>£000</b>                           | <b>Forecast<br/>£000</b> |                                       | <b>Budget<br/>£000</b> | <b>Forecast<br/>£000</b> |
| 47,655   | 47,463                   | Concessionary Travel                  | 47,020                 | 47,049                   |
| 25,731   | 25,160                   | Metro                                 | 23,734                 | 23,459                   |
| 961  | 975                      | Ferry                                 | 909                    | 914                      |
| 4,355  | 4,357                    | Rail                                  | 4,366                  | 4,368                    |
| 10,823   | 11,052                   | Bus Service Delivery                  | 10,590                 | 11,134                   |
| 3,229  | 3,042                    | Bus Infrastructure                    | 2,791                  | 2,829                    |
| 2,287  | 2,594                    | Information and Promotion             | 2,428                  | 2,484                    |
| 1,084  | 1,086                    | Planning                              | 1,030                  | 1,044                    |
| <b>96,125</b>                                    | <b>95,729</b>            | <b>Total Operations</b>               | <b>92,868</b>          | <b>93,281</b>            |
| 47   | 47                       | Deregulation Liabilities & Add. Costs | 47                     | 47                       |
| 6,300  | 5,883                    | Pensions & Provisions                 | 6,743                  | 6,761                    |
| 305  | 305                      | Redundancy Fund                       | 305                    | 305                      |
| 1,921  | 1,943                    | Corporate & Democratic                | 1,860                  | 1,879                    |
| <b>104,698</b>                                   | <b>103,907</b>           | <b>Total Costs</b>                    | <b>101,823</b>         | <b>102,273</b>           |
| (625)  | (609)                    | Investment Income                     | (300)                  | (300)                    |
| (377)  | (377)                    | Net Movement in Capital Reserve       | (590)                  | (712)                    |
| <b>103,696</b>                                   | <b>102,921</b>           | <b>Total Nexus Requirement</b>        | <b>100,933</b>         | <b>101,261</b>           |
| (103,696)  | (103,890)                | <b>Grants</b>                         | (99,568)               | (96,231)                 |
| 0  | (969)                    | <b>Net (Surplus)/Deficit</b>          | 1,365                  | 5,030                    |
| 0  | 969                      | <b>Transfer to/(from) Reserves</b>    | (1,365)                | (5,030)                  |
| <b>0</b>   | <b>0</b>                 |                                       | <b>0</b>               | <b>0</b>                 |

### TYNE & WEAR INTEGRATED TRANSPORT AUTHORITY ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT FOR 2010/11 UNDER THE CAPITAL FINANCE AND ACCOUNTING AMENDMENT REGULATIONS 2008.

#### Summary

The Authority is required to produce a Minimum Revenue Provision (MRP) Statement which sets out how it will provide for the repayment of any debt. This is the fourth such statement we have had to produce which recommends which Option will be used to calculate the MRP. The regulations provide four options (detailed below)

#### Recommendation

The revised MRP guidance has been offered, giving four options on how to calculate the MRP. MRP is the repayment of any debt. Having considered the options it is recommended to agree the adoption for MRP arrangements in 2011/12 of:

- Option 1 for supported capital borrowing, which is a continuation of the current practice of a 4% minimum revenue provision;
- Option 3 on unsupported capital borrowing (known as Prudential Borrowing) which will be repaying the debt in equal annual instalments over the estimated life of the asset; and
- Option 3 on unsupported capital borrowing (known as Prudential Borrowing) for the New Tyne Crossing which will be repaying the debt over the life of the asset on an annuity basis.

The ITA has no supported capital expenditure which requires borrowing in 2010/11 and 2011/12, as from 1 April 2008 the Integrated Transport allocation is in the form of capital grant.

More details on the regulations are given below.

#### Background

Under regulation 27 of the 2003 Regulations, local authorities are required to charge to their revenue account for each financial year MRP to account for the cost of their debt in that financial year. Prior to its amendment by the 2008 regulations, regulation 28 set out the method authorities are required to follow in calculating MRP. For the financial year 2007/08 and subsequent financial years, the detailed calculation has been replaced with a requirement that local authorities calculate an amount of MRP which they consider to be prudent. This guidance is issued under section 21(1A) of the 2003 Act (as inserted by section 238(2) of the Local Government and Public Involvement in Health Act 2007) and addresses this new requirement in regulation 28. In accordance with section 21(1B) of the 2003 Act, local authorities must have regard to this guidance.

#### Previous Practice

Prior to 2007/08, the calculation of the MRP was done via the Regulatory Method under regulation 28; i.e. MRP is equal to 4% of the Capital Financing Requirement (CFR) at the end of the preceding financial year.



## Options for calculation of Minimum Revenue Provision

The Revised MRP Guidance offers four options for Prudent Provision. These four options are:

### **1. Option 1: Regulatory Method**

For debt which is supported by Revenue Support Grant (RSG), authorities will be able to continue to use the formulae in the current regulations 28 and 29 of the 2003 Regulations, since the RSG is calculated on that basis. This option will be available for all capital expenditure prior to 1 April 2008.

### **2. Option 2:CFR Method**

This can be used on supported debt and is similar to Option 1. While still based on the concept of the CFR, which is easily derived from the balance sheet, it avoids the complexities of the formulae in Regulation 28. This option will be available for all capital expenditure prior to 1 April 2008.

### **3. Option 3: Asset Life Method**

For new borrowing under the Prudential system for which no government support is given and therefore self-financed, there will be two options. Option 3 is to make MRP provision in either

- **Equal annual instalments over the estimated life of the asset** for which the borrowing is undertaken. The original estimate of the life is determined at the outset and should not be changed in later years, even if in reality the condition of the asset has changed significantly: or
- **Annuity Method** - this method has the advantage of linking the MRP to the flow of benefits from an asset where the benefits are expected to increase in later years.

The formula allows an authority to make voluntary extra provision in any year. Freehold land cannot have a life attributed to it so it should be treated as a maximum of 50 years.

MRP is calculated following the year in which the expenditure is incurred. However, paragraph 13 of the guidance highlights an important exception to this rule. In the case of the construction of a new building or infrastructure, MRP would not have to be charged until the new asset came into service. This 'MRP holiday' until the asset was complete and earning income to service the debt in sensible and should make major projects (such as the New Tyne Crossing) more affordable.

### **4. Option 4: Depreciation Method**

MRP is to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements.

For this purpose standard depreciation accounting procedures should be followed, except in the following respects:

- (a) MRP should continue to be made annually until the cumulative amount of the provision is equal to the expenditure originally financed by borrowing or credit arrangements. After that, the authority may cease to make MRP;

- (b) On disposal of the asset, the amount of the capital receipt can not be taken to the revenue account and the authority must comply with the normal requirements of the 2003 Act on the use of capital receipts, i.e. receipts go to the balance sheet;
  
- (c) Where the percentage of the expenditure on the asset financed by borrowing or credit arrangements is less than 100%, MRP should be equal to the same percentage of the provision required under depreciation accounting.

### **Conditions**

Options 1 and 2 can only be used in relation to:

- (a) Capital expenditure before 1 April 2008, and
- (b) Capital expenditure incurred on or after that date which the authority is satisfied forms part of its Supported Capital Expenditure.

Options 3 and 4 should be used on all capital expenditure incurred on or after 1 April 2008 which is financed by borrowing or credit arrangements and which does not form part of the authority's Supported Capital Expenditure, i.e. Prudential Borrowing.

Option 3 can be used for all capital expenditure.

### **CFR adjustment**

Where an authority has used Option 3 or 4, the CFR for the purpose of Options 1 and 2 should be treated as not being increased by the amount of the expenditure on the asset to prevent double counting. In addition, the CFR should not be treated as being decreased by the amount of MRP made under Options 3 and 4.

## Tyne & Wear Passenger Integrated Authority Policy on making MRP

The revised regulations came into force on 31 March 2010.

A financial analysis has been done for a new capital project that uses Prudential Borrowing comparing the current MRP practice to the new Option 3 (see below) -

### **Financial Analysis**

In this example, work on a new project started in 2006/07 and is going to cost £100m over the three years it takes to construct (£25m 2006/07, £50m in 2007/08 and £25m in 2008/09).

*Current Practice* – MRP would be charged at 4% per year, starting in 2007/08.

*Option 3* – The life of the asset is 50 years and therefore the MRP will be charged over 50 years with the asset operational in 2010/11.

MRP calculation on £100m project over the initial 6 year of the project -

|                                     | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|
| Current Practice                    | £3.000m | £3.880m | £3.725m | £3.575m | £3.433m | £3.295m |
| Option 3 - Equal Annual Instalments | 0       | £2.000m | £2.000m | £2,000m | £2.000m | £2.000m |
| Option 3 - Annuity                  | 0       | £0.270m | £0.290m | £0.310m | £0.330m | £0.350m |

If Option 3 - Equal annual instalments is used, it would allow projects to be completed and receiving revenue income before MRP payments are required and the borrowing could be taken out over a longer period. However, it should also be noted that there would be a knock-on consequence to the project from higher interest charges on a larger outstanding debt over the life of the borrowing. The external interest on all the authority's borrowing is recharged to projects on the basis of outstanding debt. Under Option 3 the outstanding debt for the £100m project would incur greater interest charges.

If Option 3 - Annuity basis is used the principal repayments increase over the period of repayment, reflecting the benefits from the capital project over the life of the project and it has the benefit that it can be revisited and varied to reflect changing revenue forecasts. However, as discussed above, the knock-on consequence would be increased interest payments in the earlier years of a project.

This basis is beneficial for use in the New Tyne Crossing project as the back-loading of the MRP using the annuity method is consistent with the principal repayment of debt included in the New Tyne Crossing model which will be repaid at the end of a 30 year period. The New Tyne Crossing model reflects an increase in traffic and tolls over the 30 year life which is consistent with back loading the principal repayments.

It is proposed that the ITA will adopt the following arrangements for MRP in 2011/12 (based on 2010/11 capital expenditure): using option 1 on Supported Capital Expenditure; Option 3 on unsupported capital expenditure funded by Prudential Borrowing - based on equal instalments; and for the New Tyne Crossing project Option 3 – using the annuity basis.

The ITA will also continue to make voluntary repayments if appropriate.

## Formula Grant Settlement Announcement

### 1 Summary

- 1.1 The Comprehensive Spending Review (CSR) announced on 20 October 2010 gave national headline resource totals for the four years from 2011/12 to 2014/15. On 13 December, the Department for Communities and Local Government (DCLG) issued detailed grant figures for local authorities for the first two years of this period 2011/12 to 2012/13.
- 1.2 The overall settlement is complex because of the removal, transfer and simplification of many grants including the concessionary fare grant of £5.71m that the ITA and Nexus currently receive. The key issues for the ITA were the grant implications for the five district councils and more specifically the impact of the significant changes that the Government was making to the funding for concessionary fares. The outcome of the changes is a positive one with the Government choosing to create a separate sub block and a basis of distribution that the ITA lobbied for. The outcome will enable the district councils to pass back the funding of £5.71m to the ITA through an addition to the levy for 2011/12 to compensate for the transfer of the funding of the concessionary responsibilities to the district councils.
- 1.3 This appendix summarises the impact of the settlement announcement and the key points reflected in the response to the consultation paper.

### 2 Formula Grant Announcement

- 2.1 On 13 December DCLG announced grant figures for 2011/12 and 2012/13 for consultation.
- 2.2 In overall terms the Tyne and Wear Districts received significant reductions in their formula grant funding as part of the national frontloading of funding reductions. The grant reductions for each of the five districts are outlined below, including reductions averaging -11.4% in 2011/12 and -7.9% in 2012/13.

#### FORMULA GRANT FIGURES FOR TYNE AND WEAR DISTRICTS 2010/11 TO 2012/13

|                 | 2010/11                            |                                    | 2011/12                |                       |        | 2012/13                |                       |       |
|-----------------|------------------------------------|------------------------------------|------------------------|-----------------------|--------|------------------------|-----------------------|-------|
|                 | Original<br>Formula<br>Grant<br>£m | Adjusted<br>Formula<br>Grant<br>£m | Formula<br>Grant<br>£m | Grant<br>Change<br>£m | %      | Formula<br>Grant<br>£m | Grant<br>Change<br>£m | %     |
| Gateshead       | 105.814                            | 119.629                            | 105.905                | -13.724               | -11.5% | 97.419                 | -8.486                | -8.0% |
| Newcastle       | 166.957                            | 193.214                            | 171.381                | -21.833               | -11.3% | 158.119                | -13.262               | -7.7% |
| North Tyneside  | 87.909                             | 103.271                            | 90.568                 | -12.702               | -12.3% | 82.544                 | -8.024                | -8.9% |
| South Tyneside  | 90.285                             | 101.062                            | 90.058                 | -11.004               | -10.9% | 83.192                 | -6.866                | -7.6% |
| Sunderland      | 157.462                            | 178.278                            | 158.132                | -20.145               | -11.3% | 145.837                | -12.295               | -7.8% |
| TOTAL           | 608.427                            | 695.454                            | 616.045                | -79.409               | -11.4% | 567.111                | -48.934               | -7.9% |
| England Average |                                    |                                    |                        |                       | -9.9%  |                        |                       | -7.3% |

2.3 The increase in the base adjusted grant for 2010/11 includes a number of grant transfers from specific grants to the main formula grant. In particular the figures include the following grant transfer in respect of concessionary travel grant and rural bus support from the ITA/Nexus to the original districts.

2.4 DCLG used a new broader analysis of change, which showed the impact of grant changes on 'Revenue Spending Power', which reflected the loss of other specific grants and Councils' access to funding from Council Tax and some new HNS funding. Transitional grant was allocated to cap the maximum reduction in spending power to - 8/9%. The change in spending power for Tyne and Wear Districts on this broader measure is shown below and averages 7.7% after the application of transitional grant for South Tyneside. The above average reductions for four of the five Tyne and Wear Districts mainly reflects the loss of specific grants such as the Working Neighbourhood Fund. North Tyneside had already suffered the loss of its WNF grant in previous years.

#### Change in 'Revenue Spending Power' in 2011/12

|                 | 2011-12 Revenue Spending Power | Change in estimated 'revenue spending power' 2011-12 |        | Transition Grant | Damped Change in Revenue Spending Power in 2011/12 |       |
|-----------------|--------------------------------|--|--------|------------------|--|-------|
|                 | £m                             | £m   | (%)    |                  | £m   | £m    |
| Gateshead       | 217.085                        | -18.602  | -7.9%  | 0.000            | -18.602  | -7.9% |
| Newcastle       | 311.475                        | -26.486  | -7.8%  | 0.000            | -26.486  | -7.8% |
| North Tyneside  | 197.574                        | -9.045   | -4.4%  | 0.000            | -9.045   | -4.4% |
| South Tyneside  | 168.906                        | -19.804  | -10.5% | 3.009            | -16.795  | -8.9% |
| Sunderland      | 290.400                        | -28.310  | -8.9%  | 0.000            | -28.310  | -8.9% |
| TOTAL           | 1,185.439                      | -102.247   | -7.9%  | 3.009            | -99.238  | -7.7% |
| England Average |                                |  | -4.7%  |                  |  | -4.5% |

#### Transfer of Concessionary Travel Grant

2.5 A letter from the Secretary of State for Communities and Local Government to Leaders of Local Authorities in England confirmed that from 2011/12 Concessionary Travel Grant will be rolled into the Formula Grant. The national figures for the level of grant that will be transferred into the Formula Grant are as follows. Tyne and Wear's share of the national £223m currently being received in 2010/11 is £5.671m.

| (£m)                               | Baseline | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|------------------------------------|----------|---------|---------|---------|---------|
| Concessionary Travel Special Grant | 223.00   | 224.00  | 204.00  | 208.00  | 212.00  |

2.6 The protection of the funding for concessionary travel at a high level for 2011/12 onwards is welcomed as there were indications in the national March 2010 Budget that the assumption of significant efficiency savings could have cut this grant significantly.

2.7 A major consultation exercise over the summer about Formula Grant Distribution options considered over 40 options, some of which resulted in potential net gains (surplus) for Tyne and Wear Authorities. Section 26 and 27 of the consultation letter set out what the Government has done, as shown below.

“26. Concessionary travel would be removed from the lower tier by reverting to the 2005/06 weightings in the district-level EPCS formula and notionally adjusting each authority’s prior year formula grant base position based on estimated 2010/11 net revenue expenditure (CONCF3). Concessionary travel would be added to the county level ECPS formula using the second formula based on regression against past expenditure, adjusting the base position for the transfer of the Department for Transport special grant pro rata to the new concessionary travel formula (CONCF8).

27. Concessionary travel would have its own sub block within the EPCS RNF.”

2.8 The formula changes made by the Government are in line with the ITA’s response to the options consulted upon in the late summer. The ITA had recommended either of options CONCF3 or CONCF4 combined with CONCF8 and the use of the separate Relative Needs Formula (RNF) sub block to give greater visibility of changes in the future. These have all been agreed and as a result the base grant adjustment given to the District councils in Tyne and Wear is £7.107m, which is £1.436m higher than the £5.671m of grant that the ITA and Nexus will no longer receive directly as specific grant. As the budget strategy involves the guaranteed levy adjustment in line with the £5.671m loss of grant, there will be a surplus for the district councils to help manage general cost pressures.

**Transfer of Specific Grant for Concessionary Travel – Levy Adjustment for 2011/12 and Grant Transfer to Tyne and Wear District Councils**

|                        | Levy Adjustment | Grant Transfer | Difference   |
|------------------------|-----------------|----------------|--------------|
|                        | £m              | £m             | £m           |
| Gateshead              | 0.978           | 1.239          | 0.261        |
| Newcastle              | 1.457           | 1.863          | 0.406        |
| North Tyneside         | 1.011           | 1.175          | 0.164        |
| South Tyneside         | 0.781           | 1.014          | 0.233        |
| Sunderland             | 1.444           | 1.817          | 0.373        |
| <b>TYNE &amp; WEAR</b> | <b>5.671</b>    | <b>7.107</b>   | <b>1.436</b> |

**Separate Concessionary Travel RNF Sub Block**

2.9 The establishment of a separate RNF sub block gives more visibility of changes to concessionary fare funding. The RNFs are not expressed in cash terms but as proportions which are applied to distribute resources between authorities, expressed to 15 decimal places. The RNF totals for 2011/12 and 2012/13 are shown below for England and Tyne and Wear. Tyne and Wear’s share of the national total is 3.19%. The

Minister's letter made it clear that the national control total of the specific grant to be transferred into Formula Grant was to reduce from £224m to £204m, an 8.9% reduction. However, a comparison of the RNF totals for 2011/12 and 2012/13 shows a significantly larger national reduction of -18.7%, which implies a much bigger reduction in funding support for Concessionary Travel. The average reduction in total RNF for England between the two years is -8.2%, so the national reduction appears to be more than twice the national average. This is an issue that has been highlighted in the response to the consultation.

|                | 2011/12 RNF      |       | 2012/13 RNF      |       | Change |
|----------------|------------------|-------|------------------|-------|--------|
|                |                  |       |                  |       |        |
| England        | 0.01282939498307 | 100%  | 0.01043291908773 | 100%  | -18.7% |
| Gateshead      | 0.00007127574136 | 0.56% | 0.00005769507158 | 0.55% | -19.1% |
| Newcastle      | 0.00010717827938 | 0.84% | 0.00008713997602 | 0.84% | -18.7% |
| North Tyneside | 0.00006758592514 | 0.53% | 0.00005493898734 | 0.53% | -18.7% |
| South Tyneside | 0.00005832316324 | 0.45% | 0.00004723627148 | 0.45% | -19.0% |
| Sunderland     | 0.00010450593285 | 0.81% | 0.00008445637654 | 0.81% | -19.2% |
| Tyne and Wear  | 0.00040886904196 | 3.19% | 0.00033146668295 | 3.18% | -18.9% |

### Rural Bus Subsidy Grant Transfer into Formula Grant

- 2.10 A second smaller grant, the 'Rural Bus Subsidy' grant has also been transferred from Nexus into formula grant to be paid to the districts. In 2010/11 the base grant was £0.150m.

For 2011/12, this grant was reduced to £0.089m before being transferred into the base grant for the five districts as shown below. This grant was part of the base grant that was then cut by an average of 11.4%, so the final grant has been reduced to £0.079m. Unlike concessionary fares there was no specific allocation identified for 2011/12. It is not proposed to adjust the levy for this grant.

### Transfer of Rural Bus Subsidy Grant – Levy Adjustment for 2011/12 and Grant Transfer to Tyne and Wear District Councils

|                | Transferred to<br>base grant | Adjustment For<br>Formula Grant | Amount following<br>reduction |
|----------------|------------------------------|---------------------------------|-------------------------------|
|                | £m                           |                                 | £m                            |
| Gateshead      | 0.015                        | -11.5%                          | 0.014                         |
| Newcastle      | 0.023                        | -11.3%                          | 0.020                         |
| North Tyneside | 0.016                        | -12.3%                          | 0.014                         |
| South Tyneside | 0.012                        | -10.9%                          | 0.011                         |
| Sunderland     | 0.023                        | -11.3%                          | 0.020                         |
| TYNE & WEAR    | 0.089                        | 0.079                           | 0.079                         |

## **Capital Financing Charges**

- 2.11 The RNF that the District Councils receive in respect of capital financing charges is made up of an allocation for debt repayment and an allocation for interest. The calculation of interest is based on a national interest rate that has been reduced from 5.4% in 2010/11 to 5.1% in 2011/12 and 2012/13. The new rate of 5.1% does not take into account the recent decision of the Treasury to increase prudential borrowing interest rates and should possibly be increased to a higher rate. This interest rate is still higher than the actual interest rate of around 4.2% that the ITA is paying on its historic debt.

## **3 Response to the Revenue Grant Settlement**

- 3.1 A response to the settlement has been prepared by the Deputy Clerk and Treasurer. In the response to the settlement, support was given to the protection of the overall level of the grant transferred into formula grant in 2011/12, and the options chosen to make the transfer (CONCF3 and CONCF8) welcomed.
- 3.2 The establishment of the separate sub block for concessionary travel was also welcomed. However, the significant reduction in the RNF sub block in 2012/13 of -18/7% is a cause for concern and has been raised in the consultation response.
- 3.3 The reduction in the interest rate to 5.1% has been raised, with a request that account should properly be taken of the Treasury action to increase the PWLB interest rates for new borrowing.





## Tyne and Wear Integrated Transport Authority

### Scrutiny Committee

17<sup>th</sup> March, 2011

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**TITLE: FINANCIAL AND NON-FINANCIAL IMPACTS ON LOSS OF FUNDING ON MAJOR SCHEMES**

**REPORT OF: ITA POLICY MANAGER**

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**1. Summary / Purpose of Report**

- 1.1 To update Scrutiny Members on their request for further information regarding assessments on the impacts on the loss of funding for major schemes, in particular the A19.

**2. Recommendation**

- 2.1 The committee is asked to comment on the report.

**3. Background**

- 3.1 At a previous meeting of the ITA Scrutiny Committee, Members had asked whether there had been any assessment undertaken to ascertain the impacts of any loss of funding on major transport schemes, for example any social, environmental and economic impacts.
- 3.2 The Highways Agency is responsible for the management, maintenance and operation of the A1 and A19 Trunk Roads, on behalf of the Department for Transport.
- 3.3 Following the Spending Review, the DfT indicated that work on the A19 junctions at Testos and A19/A1058 Coast Road junctions have been put back to after 2015, proposed schemes at A19 Moor Farm and A19 Seaton Burn have been cancelled.
- 3.4 The New Tyne Crossing has just opened, and when both tunnels are fully operational, the current congestion will be significantly reduced. However there will continue to be congestion problems at other A19 junctions, notably at the Coast Road. The Highways Agency will be developing an interim scheme, which will see the capacity of the junction enhanced.

3.5 Both businesses and politicians recognise the need for and have lobbied actively for larger scale improvements to the A19 corridor to help deliver our economic development and regeneration ambitions.

3.6 Chi Onwurah, MP for Newcastle Central, recently raised this issue in the form of a written Parliamentary Question to the Secretary of State for Transport on

*“what assessment he has made of the effects of the A19 on economic growth and employment in the North East?”*

3.7 The answer to this question has yet to be published, but when it is, we will advise ITA Scrutiny Members on the outcome and implications.

#### **4. Background Papers**

4.1 None

**Contact Officer: Roger Gill**

**0191 211 4805**

**[roger.gill@newcastle.gov.uk](mailto:roger.gill@newcastle.gov.uk)**



## Tyne and Wear Integrated Transport Authority

### Scrutiny Committee

17<sup>th</sup> March, 2011

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**TITLE:** LTP3 DEVELOPMENT  
**REPORT OF:** JOINT TRANSPORT STEERING GROUP

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**1. Summary / purpose of report**

- 1.1 This report summarises the key elements of the Tyne and Wear Local Transport Plan 2011-21. It also discusses the ITA response to Scrutiny Committee issues raised as a result of the consultation.

**2. Recommendations**

- 2.1 ITA Scrutiny Committee Members are asked to comment on the report.

**3. Finalising LTP3**

- 3.1 The Executive Summary is attached as Appendix A
- 3.2 A separate Summary Document is being drafted to accompany the final LTP3. This will be a standalone easy-read non-technical document for distribution to stakeholders and public.

**4. Response to Scrutiny Committee comments, January 2011**

- 4.1 Scrutiny Committee tabled a report to ITA on 27 January 2011 in which they asked ITA to consider ten issues as part of learning lessons for future engagement. These were:
- 4.2
- Only 1,089 individual replies were received; not even 1% of the Tyne and Wear population. The committee considers a sample size should have been set at the beginning of the process to ensure messages drawn out can safely be said to represent local views
  - It was reassuring to note that, despite the small sample size, 95% of all feedback was supportive of proposals outlined. There was also a fair demographic balance in terms of people involved

- There appeared to be a mismatch between the number of ‘hits’ on promotional websites and actual forms returned. Follow-up emails could have been pursued
- Social media channels, suggested by Admiral PR (Facebook and Twitter), appeared to be of little effect with an average of only 8 tweets a week during the consultation period. Traditional forms of communication, such as the letter from the Chair of the ITA, appeared to have been more successful. The ITA should trust its own judgment rather than pay fees to PR agencies
- 37% of all responses had come from the face to face targeted interviews across the five Districts in a two week period. If interview had not been suggested by the committee the LTP Team’s sample size would be significantly smaller. There was also benefit in ensuring a more unbiased sample of face to face interviews. E-consultation was more open to ‘hijacking’ by interested parties (see level of response from Newcastle on the importance of cycling)
- Those undertaking face to face interviews should be congratulated by the ITA as staff undertaking street-based surveys during two of the coldest weeks in the past 100 years
- South Tyneside and Newcastle City Councils had not responded formally to consultations. Arrangements should be established to ensure there was a clear message as to whether all ITA stakeholder Districts needed to reply. The option of responding should be a Councillor decision
- Further opportunities should be explored to fill any gaps in the list of key LTP stakeholders - particular reference was made to a lack of response from the bus industry
- Cluttered advertising in Nexus Travel Shops had meant posters promoting the opportunity to comment had not always been visible. Councillor feedback was also that not all of the local councils had displayed posters in public buildings. A list of agreed notice boards, etc should be drawn up to aid future marketing
- The new Nexus Customer Relations Management System, part of smart ticketing, should be used as a future tool for engaging with public transport users. Opportunities had not been taken to promote LTP3 consultation say as part of Gold Card and bus pass reminders

4.3 The ITA LTP Working Group will be considering their response to these issues at their meeting on 10 March 2011 (after this report has been issued) so with permission of the Chair their response will be circulated as a Supplemental Agenda item prior to the meeting.

## **5. Background Papers**

5.1 Guidance on Local Transport Plans, DfT, July 2009. Available from <http://www.dft.gov.uk/pgr/regional/ltp/guidance/localtransportsplans>

## **6. Contact Officer (s)**

6.1 Gary MacDonald, Chair of the Joint Transport Working Group, 0191 277 8971  
 Jessica Anderson, LTP Core Team Leader, 0191 211 6139

## Executive Summary

## Executive Summary

### Introduction

This is the third Local Transport Plan (LTP3) for Tyne and Wear. It comprises a ten-year strategy (2011-2021) covering all forms of transport in Tyne and Wear, underpinned by the first in a series of three-year delivery plans (2011-2014) setting out how the strategy will be put into effect at a local level.

This Plan has been produced by the Tyne and Wear Integrated Transport Authority on behalf of the six LTP Partners - the five local authorities in Tyne and Wear (Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland) plus Nexus, the local Passenger Transport Executive. It has been produced in accordance with the Local Transport Plan Guidance issued by the Department for Transport in 2009 and takes into account national, regional and local policies and plans. It is complementary to the [Transport Strategy for the North Eastern Local Enterprise Partnership \(LEP\)](#), which covers a wider geographic area including those parts of Durham and Northumberland which have close economic and commuter ties to Tyne and Wear.

The draft LTP was subject to a period of public consultation and comments received have been used to finalise the document.

### The Strategy

#### Vision

Our vision for transport in Tyne and Wear is that:

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

The five goals of the transport strategy that we have adopted to meet this vision are:

- To support the economic development, regeneration and competitiveness of Tyne and Wear, improving the efficiency, reliability and integration of transport networks across all modes
- To reduce carbon emissions produced by local transport movements, and to strengthen our networks against the effects of climate change and extreme weather events
- To contribute to healthier and safer communities in Tyne and Wear, with higher levels of physical activity and personal security

- To create a fairer Tyne and Wear, providing everyone with the opportunity to achieve their full potential and access a wide range of employment, training, facilities and services
- To protect, preserve and enhance our natural and built environments, improving quality of life and creating high quality public places

As there is considerable overlap between the latter three goals, and many of our proposed measures would help to address all three of them, these have been summarised under the term "Safe and Sustainable Communities". Therefore the strategy has been focused on ways to address challenges within the following three key areas :

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

### Challenges

**Economic Development and Regeneration** - By many standard economic indicators, Tyne and Wear is less successful than other urban areas of the UK. Transport needs to help address this by supporting the development of new regeneration and housing sites, managing congestion, ensuring high levels of accessibility to key employment sites and making sure our transport network can continue functioning after disruption from natural or man-made events.

**Climate Change** - All local authorities in Tyne and Wear have committed themselves to meeting challenging targets for the reduction of CO<sub>2</sub> emissions and will also be required to play their part in meeting the UK's national Climate Change Act objectives. This will require a significant reduction in transport's share of emissions.

**Safe and Sustainable Communities** - The least prosperous areas of Tyne and Wear are amongst the most deprived in England. <sup>(2)</sup> This situation is influenced by many factors but transport can assist by improving accessibility so that people can reach employment sites and key services more easily, and by promoting healthy, active travel modes such as walking and cycling. The need to improve safety and reduce crime and fear of crime is also an issue for all modes of transport. We recognise the need to protect and enhance the natural environment.

### Strategic Framework

Recognising the importance of our climate change objectives and the fact that, at least in the short-term, there will be considerably less funding available than in recent years, we have adopted a strategic framework based on three broad intervention types (measures), beginning with the lowest-cost measures that make the least impact on the environment;

- (i) managing the demand to travel;
- (ii) managing and further integrating existing networks; and
- (iii) targeting new investment at top priority challenges.

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2 Source: Index of Multiple Deprivation (2007)

The aim is to firstly reduce cost and demand on the system; then to make maximum use of existing networks; and finally to concentrate our limited resources for new investment on key schemes that promote sustainable regeneration, or where current provision is clearly inadequate.

### ***Managing the Demand to Travel***

By close integration between transport and land use planning strategies, we will seek to ensure that development is focused on the most accessible locations that minimise demand to travel and make it easy to use sustainable modes. This will be supplemented by the use of Travel Planning and Smarter Choices resources, whilst Car Clubs provide an additional option that caters for essential car journeys whilst minimising overall car use.

### ***Management and Integration of Existing Networks***

We have listened to what the people of Tyne and Wear want, and therefore, we will continue to promote and invest in our existing transport networks, focusing particularly on active travel modes, such as walking and cycling, as well as public transport. It will also be important to make best use of taxi and private hire services and to ensure the safe and sustainable movement of freight around the region. Using Network Management Plans, Partners will continue to ensure delivery of the Network Management Duty to facilitate the efficient movement of vehicles, pedestrians and cyclists throughout the city region. Excellent integration between all modes is essential as many journeys involve more than one form of transport.

### ***Major Schemes***

Our major scheme programme includes a number of key schemes that are underway, such as the New Tyne Crossing and the region's Urban Traffic Management and Control (UTMC) project. Our investment in electric vehicle infrastructure is also a key commitment that addresses our need for sustainable economic growth. There are also a number of important schemes under development, such as the Sunderland Strategic Transport Corridor and our Bus Corridor Improvement Programme, as well as other schemes that are longer-term aspirations.

Underpinning the measures are three key priorities: providing high-quality **information** to assist in informed travel choices; improving **safety** on all modes; and ensuring existing infrastructure is kept in good condition by keeping up high standards of **maintenance**.

### ***Information***

We will use a variety of media to inform people about routes, services and fares, both before and during their journey, thus helping them make informed travel choices, for all modes of travel.

### ***Safety***

We intend to work closely with the public, the police and transport operators to improve safety on all modes of transport. In the case of road safety, we will continue to use a targeted range of education, engineering and enforcement measures to maintain our good record in reducing road accidents.



## **Maintenance**

The Metro Reinvigoration project will help to secure the future of the Metro system and renew structures that are reaching the end of their useful life. Highways Asset Management Plans allow authorities to make best use of the budgets available and provide a robust and efficient service to road users and residents, ensuring efficient, appropriately targeted maintenance and improvements of the existing assets.

## **Main Policies**

The main policies in the strategy are listed in Table 1.

**Table 1 Main Policies**

| <b>Category</b>     | <b>Main Policy</b>   |
|---------------------|--|
| Maintenance         | We will keep our transport networks in good condition.   |
| Management          | We will manage our networks to provide for the safe and efficient flow of travel by all modes.   |
| Information         | We will help people make informed travel choices by giving them accurate information.  |
| Walking and Cycling | We will give priority to and invest in walking and cycling.  |
| Public Transport    | We will give priority to and invest in public transport.   |
| Safety and Security | We will enhance personal safety and security for all transport users.  |
| Road Safety         | We will work to improve road safety.   |
| Air Quality         | We will seek to improve air quality.   |
| Links               | We will improve links to our airports, ports, rail and motorway systems.   |
| Low Carbon          | We will support low-carbon transport initiatives.  |
| Access              | We will help people to reach key services, such as healthcare, employment and education, easily and safely by ensuring that access issues are given due consideration for service and land use planning. |
| Investment          | We will pursue all investment opportunities to improve our transport networks.   |

## **Delivery Plan**

The strategy is accompanied by a three-year Delivery Plan. This sets out the indicative allocation of spend for maintenance and integrated transport during the next three years by each Partner, together with a monitoring framework.

The Delivery Plan includes the allocation of resources over the next two financial years and indicative amounts for the third year. These are as follows:

**Table 2 Integrated Transport Block Allocation**

| Partner              | 2011/12 (£000) | 2012/13 (£000) | 2013/14<br>(provisional)<br>(£000) |
|----------------------|----------------|----------------|------------------------------------|
| Gateshead            | 1,664          | 1,775          | 1,775                              |
| Newcastle            | 1,999          | 2,133          | 2,133                              |
| North Tyneside       | 1,285          | 1,371          | 1,371                              |
| South Tyneside       | 1,021          | 1,089          | 1,089                              |
| Sunderland           | 2,008          | 2,141          | 2,141                              |
| Nexus                | 3,640          | 3,883          | 3,883                              |
| <b>Tyne and Wear</b> | <b>11,617</b>  | <b>12,392</b>  | <b>12,392</b>                      |

**Table 3 Highways Capital Maintenance Allocation**

| Partner              | 2011/12 (£000) | 2012/13 (£000) | 2013/14<br>(provisional)<br>(£000) |
|----------------------|----------------|----------------|------------------------------------|
| Gateshead            | 2,239          | 2,326          | 2,269                              |
| Newcastle            | 2,290          | 2,440          | 2,292                              |
| North Tyneside       | 1,847          | 1,753          | 1,801                              |
| South Tyneside       | 1,276          | 1,267          | 1,236                              |
| Sunderland           | 2,804          | 2,919          | 2,877                              |
| Nexus                | 0              | 0              | 0                                  |
| <b>Tyne and Wear</b> | <b>10,456</b>  | <b>10,705</b>  | <b>10,475</b>                      |

We propose to monitor the 12 main policies and set targets for maintenance, levels of walking, cycling and public transport, road safety and air quality to measure our progress and performance. These will build on the current Local Transport Plan targets. In addition we will be tracking contextual indicators such as traffic volumes and fleet mix. We will use this information to inform our future investment and assess our progress towards our vision, goals and objectives.

### **Next Steps**

LTP3 is being prepared at a time when there are a great many uncertainties, especially in respect of available funding. It should not be expected therefore that this is the 'final word' on transport in Tyne and Wear for the next ten years. Regular review of our strategy will be essential and we are proposing an initial refresh of the document after one year by which time the economic environment will be clearer.

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## Tyne and Wear Integrated Transport Authority

### Scrutiny Committee

17<sup>th</sup> March, 2011

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**TITLE:            TRANSPORT UPDATE**

**REPORT OF:    SCRUTINY OFFICER, ITA SCRUTINY COMMITTEE**

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1.       **Purpose of Report**

1.1      To discuss, with officers from the ITA and Nexus, recent developments in transport.

2.       **Recommendations**

2.1      Members are recommended to note the report.

3.       **Summary of Key Issues**

3.1      **A) Rail Update:**

- a) A new East Coast timetable
- b) Changes to rail franchising
- c) Consultation on High Speed Rail strategy
- d) The Intercity Express Project

3.2      **B) Local Transport Settlement 2011/12 - 2012/13:**

- a) Overall settlement
- b) Highway Maintenance funding
- c) Integrated Transport Block funding

**C) Legislative Changes and Local Enterprise Partnership:**

- a) Localism Bill
- b) Local Sustainable Transport Fund
- c) North East Local Enterprise Partnership

## 4. Information

### 4.1 A) Rail Update:

#### a) New East Coast Rail Timetable from 22<sup>nd</sup> May, 2011

- 4.1.1 Major changes are proposed to reduce the complexity of the timetable and provide a degree of capacity to accommodate a small number of additional services. Trains will, as far as possible, leave at the same time each hour and call at the same stations.
- 4.1.2 Changes are largely beneficial to local rail users. Most services to and from London are accelerated. There is a new non-stop service leaving Newcastle at 07:03. The last train north leaves London at 21:15. Most Anglo-Scottish services will operate non-stop south of York, resulting in a slight reduction in trains to Doncaster and Peterborough, however, this is outweighed by faster journeys to the capital.

#### 4.2 b) Changes to Rail Franchising

- 4.2.1 The Department for Transport (DfT) has announced major changes of practice. Two guiding principles are: longer franchises and greater commercial freedom in a less prescriptive specification. Lengthening franchises aims to see bidders specify a higher level of investment. Previous franchise terms, of six to eight years, were considered too short to lever-in private sector investment.
- 4.2.2 Less emphasis on 'outputs' and more on 'outcomes' is proposed. DfT states demanding targets for service quality and overcrowding will be set but operators will be given greater flexibility as to how these can be achieved. Core levels of service remain defined. Franchises will typically last 15 - 22½ years subject to possible termination for poor performance or default. The level of risk taken by franchisees will vary according to commercial viability. A profit share arrangement will be in place to ensure franchisees share proceeds of unexpectedly high profits with the taxpayer.
- 4.2.3 A minimum level of services is prescribed with additional journeys at the operator's risk. The level of peak services on some franchises will be influenced by a crowding metric. This will require operators maintain 'acceptable' levels of overcrowding. In terms of quality, passenger satisfaction scores and 'mystery shopping' will be the main techniques together with contractually binding targets.
- 4.2.4 In terms of devolution of rail, DfT's stance is encouraging. It notes the success of Merseyrail and London overground and suggests this model is capable of wider application. The future relationships between ITAs and operators will be considered on a case-by-case basis. However, the McNulty value for money review does discuss the possibility of introducing a contractually binding unit cost target. This could negatively impact on the total number of regional and national rail services.
- 4.2.5 New proposals for rail franchises appear to offer a number of potential threats and opportunities locally. The prospect of longer franchises will potentially lead to better facilities and services. Conversely, a looser service specification could result in deterioration with franchisees focusing on contractual obligations and the most profitable routes. There is also a risk overcrowding will be managed by pricing rather than increased capacity unless all fare products remain regulated.

- 4.2.6 Two franchises in the region will be renewed over the next few years and provide an early test of new franchising arrangements. Services run by East Coast (taken into state hands) are expected to revert to a franchised operation by the end of 2011. Northern Rail will be re-let from September 2013. In addition, a decision regarding the extension of the Transpennine franchise to 2017, will be taken based on performance.
- 4.2.7 ITA and Nexus officers continue to participate, where possible, in the renewal process. It does, however, remain DfT's intention to remove the automatic right of PTEs to co-signatory rights in the Northern franchise. PTEs across the franchise are pressing for continued rights as they believe this enhances the level of local influence.
- 4.3 c) High Speed Rail Consultation
- 4.3.1 On 28<sup>th</sup> February, 2011 the Secretary of State announced consultation on a strategy for a national high speed rail (HSR) network. Consultation looks at:
- The proposed route between London - West Midlands but, of equal significance
  - Why a network will deliver strong economic and sustainability advantages
- 4.3.2 Consultation suggests the network will promote '*valuable strategic change in the economic geography of Britain, supporting sustainable long-term growth and reducing regional disparities*'. It claims areas will be brought closer to the large market of London and the South East, citing how Lyon has benefited from faster links to Paris.
- 4.3.3 The Y network shape is reiterated, with services terminating in the Leeds and Manchester. HSR is expected to reach these destinations 'around 2032-33'. Costs are estimated as £32 billion, with a cost benefit ratio of 2.6. Estimated journey time between London and Newcastle, under the Y network, remain at 2 hours 37 minutes.
- 4.3.4 Whilst design, post the Birmingham leg, is progressing, Government expects to work with the Scottish Parliament and others on options. This suggests an extension to the North East and Scotland remains under consideration, but will be many years away.
- 4.3.5 HSR consultation remains open to 29<sup>th</sup> July and the Clerk to the ITA will co-ordinate a local response. This will highlight the need for a continued national commitment to a connection to the network at the earliest opportunity. In the meantime, investment should continue in the existing ECML to ensure it remains fit for purpose. Incidentally, as part of Network Rail's 'Control Period 4 Delivery Plan 2009-14', gauge clearance on the ECML has been given the go ahead. This will result in improved rail freight access paths to the Port of Tyne.
- 4.4 d) Intercity Express Project
- 4.4.1 On 1<sup>st</sup> March the Secretary of State announced the go-ahead for the Intercity Express Project to produce the next generation of long-distance high speed trains. Subject to due process, the Agility Consortium will produce a fleet of mixed all-electric and hybrid diesel/electric trains at a new facility in Newton Aycliffe. These will be used on the East Coast Main Line (ECML) and London - South Wales/West of England routes. More than 11,000 extra peak hour seats will be available once the new sets are in service. The existing fleet on the ECML will be retained. The Intercity announcement represents welcome news for the regional economy and for ECML as increased capacity will be provided and older diesel High Speed Trains maybe replaced.

## 4.5 **B) Local Transport Settlement 2011/12 - 2012/13**

### 4.5.1 a) Overall Settlement

Ministers announced the Local Transport Capital Block settlement for 2011/12 to 2012/13 and indicative allocations for 2013/14 to 2014/15 on 13<sup>th</sup> December 2010.

### 4.5.2 As part of the Comprehensive Spending Review, DfT announced a simplification of local transport funding, moving from 26 separate grant streams to four:

- i. A local sustainable transport fund (capital and resource)
- ii. major schemes (capital)
- iii. block funding for highways maintenance (capital); and
- iv. block funding for small transport improvement schemes (capital)

### 4.6 b) Highways Maintenance

#### 4.6.1 With limited resources, DfT believes it is essential highways maintenance is prioritised. Funding for local districts is identified in Table 1 below. This is based on a new formula. The overall cut in funding (on 2010/11) is 20.7%, but this varies by Council with some authorities seeing an increase.

**Table 1 Highways Capital Maintenance Allocation for 2011/12 and 2012/13**

| <b>Council</b>       | <b>£ ('000)<br/>2010/11</b> | <b>£ ('000) 2011/12<br/>% change from 2010/11)</b> | <b>£ ('000)<br/>2012/13</b> |
|----------------------|-----------------------------|--|-----------------------------|
| Gateshead            | 2,169                       | 2,239<br>(increase of 3.2%)                        | 2,326                       |
| Newcastle            | 2,754                       | 2,290<br>(decrease of 16.8%)                       | 2,440                       |
| North Tyneside       | 1,836                       | 1,847<br>(increase of 0.6%)                        | 1,753                       |
| South Tyneside       | 1,700                       | 1,276<br>(decrease of 24.9%)                       | 1,267                       |
| Sunderland           | 4,729                       | 2,804<br>(decrease of 40.7%)                       | 2,919                       |
| Nexus                | 0                           | 0<br>(no change)                                   | 0                           |
| <b>Tyne and Wear</b> | <b>13,188</b>               | <b>10,456<br/>(decrease of 20.7%)</b>              | <b>10,705</b>               |

#### 4.6.2 Provisional Tyne and Wear figures for 2013/14 and 2014/15 are £1,047k and £9,988k.

### 4.7 c) Integrated Transport Block

#### 4.7.1 Integrated Transport Block funding is crucial to help improve road safety and reduce congestion. In addition, measures tackle climate change, improve air quality and health. Allocations are calculated by a needs-based formula.

#### 4.7.2 Tyne and Wear allocations for 2011/12 and 2012/13 are shown in Table 3. The date for 2010/11 is shown for comparison. The cut in funding from 2010/11 to 2011/12 is 24.5% (on top of the 25% cut already announced in June 2010). Provisional figures for 2013/14 and 2014/15 are also shown.



**Table 3 Integrated Transport Block Allocation**

| Year                  | £ (000) |
|-----------------------|---------|
| 2010/11               | 15,383  |
| 2011/12               | 11,617  |
| 2012/13               | 12,392  |
| 2013/14 (provisional) | 12,392  |
| 2014/15 (provisional) | 17,426  |

4.7.3 Based on a percentage split, funding is allocated as follows:

**Table 4 Allocation to Districts**

| Council              | % 2006-11     |
|----------------------|---------------|
| Gateshead            | 14.3          |
| Newcastle            | 17.2          |
| North Tyneside       | 11.1          |
| South Tyneside       | 8.8           |
| Sunderland           | 17.3          |
| Nexus                | 31.3          |
| <b>Tyne and Wear</b> | <b>100.00</b> |

#### 4.8 **C) Legislative and LEP:**

##### 4.8.1 a) Localism Bill

Although the Bill doesn't directly impact ITAs/PTEs, councils gain a General Power of Competence, which is not extended to ITAs. Indirect consequences of the Bill will become clearer as the Bill passes through Parliament.

##### 4.9 b) Local Sustainable Transport Fund

4.9.1 This £560m fund (to 2015) is intended to support sustainable transport measures strengthening the local economy and reducing carbon emissions and is a mix of revenue and capital. ITAs will submit bids in metropolitan areas. Proposals should offer good value for money and be sustainable after funding ends. They should also include a local contribution, be deliverable and have political support. The local ITA bid is being prepared in liaison with stakeholders such as the health sector and cycling and walking organisations and draws on evidence from the 2009 Sustainable Travel City submission shortlisted for funding by DfT before that stream was withdrawn.

##### 4.10 c) Local Enterprise Partnership Submission

4.10.1 The North East LEP covers Durham, Northumberland and Tyne and Wear. The LEP was developed in collaboration with businesses, the voluntary and public sectors. It sets a vision to deliver smart, enterprising leadership to rebalance the economy and create Europe's premier location for low carbon, sustainable, knowledge-based private sector-led growth. To achieve its vision, the LEP will focus on four strategic economic priorities: a) supporting enterprise and private sector business growth, b) building on key economic strengths, c) improving skills and performance and d) strengthening transport, connectivity and infrastructure.

- 4.10.2 Government is to launch a £4m fund to boost capacity. This will not fund LEP's day-to-day administrative but provide small amounts of money to help LEP chairs pay for analytical work to assess the economic circumstances of the local area.

5. **Risks and Opportunities**

- 5.1 There is an opportunity to understand key issues impacting the local, regional and national transport infrastructure.

- 5.2 There is also an opportunity to inform future reports to this committee.

6. **Background Papers**

High Speed Rail: Investing in Britain's Future. DfT February 2011.

<http://highspeedrail.dft.gov.uk/sites/highspeedrail.dft.gov.uk/giles/hsr-consultation.pdf>

<http://www.dft.gov.uk/localtransportfunding>

<http://services.parliament.uk/bills/2010-11/localism.html>

**Contact Officer: Paul Staines 0191 277 7524 [paul.staines@newcastle.gov.uk](mailto:paul.staines@newcastle.gov.uk)**



# Tyne and Wear Integrated Transport Authority

## Scrutiny Committee

17<sup>th</sup> March, 2011

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**TITLE: CENTRE FOR PUBLIC SCRUTINY CONFERENCE, 2011**

**REPORT OF: SCRUTINY OFFICER, ITA SCRUTINY COMMITTEE**

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### 1. Summary / Purpose of Report

1.1 To consider if the committee wishes to send a representative(s) to the 2011 Centre for Public Scrutiny (CfPS) Conference.

### 2. Recommendation

2.1 The views of the committee are sought.

### 3. Background

3.1 The CfPS exists to produce guidance, create networks and share expertise through seminars, consultancy, training and events. Each year a conference is held. The conference explores the latest national developments in public scrutiny, accountability and transparency. In the past, the Chair (or representative) of this committee has attended. The Scrutiny Officer also attends (though not in 2010).

3.2 CfPS's annual conference 2011 offers an opportunity to:

- Hear directly from Government about their vision for accountability in public services
- Explore how public empowerment is becoming central to scrutiny and accountability
- Explore how scrutiny can tackle today's issues
- Learn about innovative techniques and best practice
- Meet and share ideas and experiences with colleagues facing the same challenges
- Discover what is on the horizon from the CfPS.

Running alongside the conference are two other well established events; 'Scrutiny Exchange Live' and the Good Scrutiny Awards.

3.3 The committee has a budget to support its work. Conference attendance has been accommodated within resources available, including registration, travel and accommodation if necessary.

#### **4. 2011 Conference - 2<sup>nd</sup> June, London**

- 4.1 This year's conference theme is 'accountability, transparency and commissioning - delivering for people and places'.
- 4.2 Increasingly, the way services are commissioned will define how public services are delivered. A number of councils are exploring 'enabling status - contracting out the delivery of the bulk of their services. Across the public sector, a push towards shared services will see organisations coming together to commission services jointly. The Big Society has the potential to profoundly change the way public services are delivered. In the new landscape, how will effective scrutiny and accountability be provided ?
- 4.3 The 2011 conference has moved from two days to a one day event in recognition of the financial climate. It aims to discuss, in detail,:
- The impact of 'transparency' on the way the public and their representatives hold services to account
  - 'Community-based Budgets'
  - How jointly commissioned and funded services can be scrutinised
  - Governance and accountability where civil society organisations, such as charities, mutuals and social enterprises, play more of a role in running services
  - How GP consortia, Health and Well-being Boards and NHS Commissioning Board will impact on accountability of healthcare, social care and health improvement
  - The development of Local HealthWatch and the contribution it can make to accountable health and social care
  - Measurement of the value of services not just their cost
  - Skills that non-executive Councillors will need in the new landscape
- 4.4 As the committee will see, there are a number of general areas of interest to ITA Scrutiny but also a focus on health and social care which - outside the terms of reference of the committee. The outline programme provides for registration by 09:45am, with a conference finish at 17:15; a long day with travel from the North East but 'do-able' without the need for an overnight stay if the committee's representative(s) wish.
- 4.5 The cost of the event is £249 per person (plus VAT), plus standard class rail fare and accommodation if deemed necessary.

#### **5. Opportunities/Risks**

- 5.1 Attendance by representatives of this committee provides an opportunity to understand key issues within scrutiny development and a changing national landscape.

#### **6. Background Papers**

- 6.1 None

**Contact Officer: Paul Staines**

**0191 277 7524**

**paul.staines@newcastle.gov.uk**



## Tyne and Wear Integrated Transport Authority Scrutiny Committee 17<sup>th</sup> March, 2011

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**TITLE: SUMMARY OF DECISIONS:  
INTEGRATED TRANSPORT AUTHORITY 27<sup>TH</sup> JANUARY, 2011**

**REPORT OF: SCRUTINY OFFICER, ITA SCRUTINY COMMITTEE**

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**1. Summary / Purpose of Report**

1.1 To provide a short digest of business transacted by the ITA on 27<sup>th</sup> January, 2011.

**2. Recommendation**

2.1 The Committee is asked if it wishes to add any issues arising to its own work programme.

**3. ITA DISCUSSION:**

**3.1 Minutes 25<sup>th</sup> November: Matters Arising**

Clarification was given as to the number of passengers impacted by Arriva North's decision to withdraw, on commercial grounds, a service to Dinnington, Newcastle.

A progress report was requested, to the January, 2011 meeting, on Priority Lanes.

The Director General, Nexus reported on services over the Christmas and New Year period. One operator had run, successfully, bus services on Boxing Day.

**3.2 Financial Strategy 2011/12 - 2013/14**

The Deputy Clerk and Treasurer set out budget and levy requirements 2011/2012 and indicative requirements 2012/2013 and 2013/2014. The Director of Finance and Resources, Nexus outlined implications for the PTE. In response to a member's question, it was confirmed reserves could not be sustained to the same degree in the current climate. The ITA considered two options for the district levy; one involving transfer of historic debt. Conversations were ongoing about this.

*A levy of £71,130,056 was agreed for 2011/2012 contingent on Districts making equivalent the value of debt held by the ITA for which Districts were received grant from the Government. If confirmation was not received, the levy would be set at a higher level*

of £73,792,416. The levy would be apportioned between Districts in accordance with Regulations using 2009 mid-year population estimates. A Revenue Grant to Nexus of £70,323,25, for 2011/12, was approved.

### 3.3 General Transport Update

The Clerk updated on implications for the ITA from the Localism Bill, Local Sustainable Transport Fund and North East Local Enterprise Partnership. The ITA discussed, particularly, how to work with the LEP to lever funding for transport and other schemes.

*The ITA noted the update.*

### 3.4 LTP3 Progress

A report from the LTP Joint Steering Group was considered, including next steps January - March 2011. Comment from this committee, on consultation feedback, was tabled. The closing date for consultation had been extended to 31<sup>st</sup> January 2011. Top priorities emerging were: 1) public transport, 2) maintenance, 3) accessibility, 4) safety and security, 5) information and 6) investment. The strategy document would be re-drafted to reduce its size and make it more reader-friendly. It would also be adapted in line with new guidance, funding and performance reporting. It was envisaged the final LTP3 would be submitted to the ITA for approval in March 2011.

*The ITA noted progress/next steps and was asked to pass on any comment about this committee's observations. The LTP Steering Group would draft a response to you.*

### 3.5 Local Transport Settlement

A Joint Steering Group report set out information on the recently announced Local Transport Funding for Tyne and Wear, distribution of the Highway Maintenance Block 2011/12 and changes to the Integrated Transport Block. The ITA noted challenges in promoting modal shift towards sustainable choices in the light of reduced funding.

*The ITA agreed funding set out in the report (see elsewhere on the agenda.)*

### 3.6 Nexus (Non-Metro), New Tyne Crossing and Local Transport Plan Capital Programme 2011/12 - 2013/14

The Deputy Clerk and Treasurer and Director of Finance and Resources, Nexus introduced proposals for the 2011/12 Capital Programme and indicative schemes for 2012/13 and 2013/14. Clarification was provided on the detail of some proposals and completion of works underway. Business efficiencies were explained.

*The ITA agreed proposals set out in the report.*

### 3.7 Gold Card Proposals

The Director General, Nexus sought approval for changes to the Gold Card, including an increase in price and extension to the Tyne Ferry. The ITA was happy to endorse the proposals. It also discussed the focus of the Card, possibility of extended hours, impact on bus patronage and need for operational change. The Chair explained the history of

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the concession and reminded colleagues the Card represented value for money. This was particularly relevant to summer months when peak times did not apply.

*The ITA agreed revisions to Gold Card from 1<sup>st</sup> February, 2011 and endorsed use of the Card on the Tyne Ferry.*

### **3.8 Revisions to Ferry Fares 2011/12**

The Director General, Nexus set out recommendations for change in fares. The importance of the Ferry was fully recognised and a suggestion from a member to extend hours of operation, for the benefit of commuters, could be investigated. Proposals sought to reduce reliance on operating subsidy by increasing income. There would be no increase for the child's fare. Other increases ranged from 13.64% - 22.22%.

*The ITA agreed increases set out in the report.*

### **3.9 Summary of Nexus Response to LTP3 Consultations in Tyne and Wear, Durham and Northumberland**

The Director General Nexus shared responses. These were generally supportive. Feedback had concentrated on: joint working, smart ticketing, rail and bus strategy.

*The ITA noted the report.*

### **3.10 Rail Update**

The Clerk to the ITA and Director General, Nexus set out a report updating on the 2016 East Coast Mainline Capacity Review, reform of rail franchising and the national value for money review chaired by Sir Roy McNulty (see elsewhere on the agenda). The ITA hoped that, moving forward, Tyne and Wear would benefit from newer rolling stock. The strong case for high speed rail to the North East continued to be made.

*The ITA noted the report.*

### **3.11 New Tyne Crossing - Construction Progress Report**

The Project Director set out progress since November, 2010. The opening date for the new tunnel had been revised to 4<sup>th</sup> February, 2011. The ITA congratulated all those involved for delivering such a complicated project with a minimum of disruption.

*The report was noted.*

### **3.12 Confidential Reports**

The ITA discussed, in the absence of the press and public, reports on: subsidised bus services in Newcastle and North Tyneside and the North East Smart Ticketing Initiative.

**Contact Officer: Paul Staines**

**0191 277 7524**

**paul.staines@newcastle.gov.uk**

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## Tyne and Wear Integrated Transport Authority

### Scrutiny Committee

17<sup>th</sup> March, 2011

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**TITLE: ANNUAL REPORT AND WORK PROGRAMME**

**REPORT OF: SCRUTINY OFFICER, ITA SCRUTINY COMMITTEE**

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**1. Summary / Purpose of Report**

1.1 To consider scrutiny outcomes 2010/11 and suggest any 'must do' reports for 2011/12.

**2. Recommendation**

2.1 The committee is asked to:

1. Agree an annual report to the ITA, and
2. Consider if it wishes to carry forward any issues into 2011/12.

**3. Annual Report**

3.1 The Scrutiny Committee was established in 2003. Members are appointed annually by the five Tyne & Wear Districts. Each District appoints two Councillors. To ensure independent advice - and visible separation between scrutiny and those being scrutinised - Councillors are not members of the ITA. The Scrutiny Committee appoints its own Chair and Vice Chair and agrees its own work programme. The role of the Scrutiny Committee can best be described as giving advice and holding to account.

3.2 Six meetings were held in 2010/11 at venues across Tyne and Wear. There was also a walking tour of the new Tyne Tunnel and representatives attended conferences on rail and on scrutiny practice. The committee moved from meetings themed around national policy goals to more timely scrutiny of issues in the ITA's own forward plan. Regular review enabled the committee to take account of the balance of the work programme, new and emerging issues, changing scrutiny priorities and discussion at meetings.

3.3 Attendance, an issue in 2009/10, is less of a problem as the ITA agreed Councils can now appoint substitutes. Unfortunately, one member has been unable to attend any of the committee's meeting since being appointed in 2009. Another Council appointed one of its Cabinet members to the committee. Both may be issues the committee would ask officers to address in seeking appointments for 2011/12.

3.4 Attached, **in draft** (Appendix A), is a summary of the work of the committee. Councillors are asked if they are happy it contains key issues from 2010/11. Once agreed, the report will be submitted to the ITA and included in documents like the ITA's Annual Governance Statement.

3.5 The Centre for Public Scrutiny's four principles of good scrutiny have been used to write the report as they are the key national benchmark. The principles are, to:

...provide critical friend challenge to executive policy and decision-makers

...enable the voice and concerns of the public and its communities to be heard

...carry out scrutiny by 'independent minded governors' who lead and own the scrutiny process

...drive improvement in public services

3.6 In the introduction to the principles the former Chief Executive of the Audit Commission reminds us that ...'good scrutiny is at the heart of good accountability in modern public services and government. Experience shows that our public representatives have become increasingly skilled at holding public bodies to account over recent years'.

#### **4. Work Programme**

4.1 The committee is asked to consider if there are any 'must do' issues that need to be carried forward into 2011/12 ?

4.2 Items already identified for scrutiny that are not part of this agenda, are:

- The outcome of national consultations on Mobility scooters when published by the Department for Transport
- Tyne Pedestrian Tunnel Update - progress
- Port of Tyne contribution to local transport infrastructure
- Outcomes of the first year of work of the ITA Equality and Diversity Working Group
- ITA and Nexus Action Plans arising from Nottingham Declaration on CO<sup>2</sup> reduction
- Understanding how the ITA and Nexus access Council Ward and Area Committees
- How the ITA will engage with the North East Local Enterprise Partnership

#### **5. Opportunities/Risks**

5.1 The committee can assist delivery of local priorities by holding to account those responsible. Councillors can also hear, independently, local views and undertake original research. Clear work programming aids those presenting reports and provides the public with an opportunity to become involved.

5.2 The committee will be aware there are limited resources available. Accordingly, Councillors will need to prioritise.

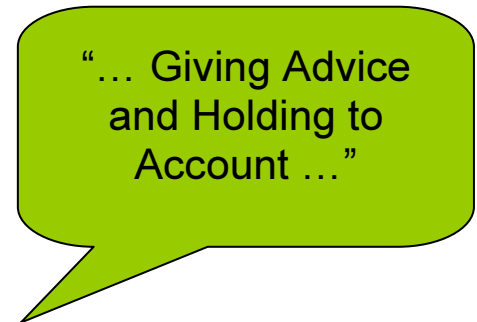
#### **6. Background Papers**

6.1 Agenda and minutes 3<sup>rd</sup> June, 2010, 15<sup>th</sup> July, 2010, 16<sup>th</sup> September, 2010, 18<sup>th</sup> November, 2010, 20<sup>th</sup> January, 2011. Agenda for this meeting

**Contact Officer: Paul Staines 0191 277 7524 paul.staines@newcastle.gov.uk**

## ITA SCRUTINY COMMITTEE

The Scrutiny Committee was established in 2003. Members are appointed annually by the five Tyne & Wear Districts. Each District appoints two Councillors. To ensure independent advice and visible separation between scrutiny and those being scrutinised Councillors are not members of the ITA. The Scrutiny Committee appoints its own Chair and Vice Chair and agrees its own work programme. The role of the Scrutiny Committee can best be encapsulated as giving advice and holding to account.



**Chair**  
Cllr Graeme Miller



**Vice-Chair**  
Cllr David Tate



Cllr Malcolm Graham



Councillor Tom Graham



Councillor Bob Watters



Councillor Richard Porthouse



Councillor David Charlton



Councillor Julia McAuley



Councillor Lawrence Hunter



Councillor Mike Lynch

Six meetings of the committee were held in 2010/11 at venues across Tyne & Wear; reflecting the shared interest of the five Districts involved. There was also a walking tour of the new Tyne Tunnel and representatives attended a national rail conference.

**Need more information ?** Paul Staines 0191 277 7524 paul.staines@newcastle.gov.uk  
www.twita.gov.uk

## Scrutiny Outcomes 2010/11

The Scrutiny Committee has, this year, been keen to maximise its contribution to transport policy debate. The committee has moved away from meetings themed around national policy goals to scrutiny of local issues in the ITA's forward plan. Regular review has enabled the committee to take account of new and emerging issues, changing scrutiny priorities from Councillors and the public and discussion at meetings. The committee hopes this way of working has delivered a sharper focus to its work.

The Scrutiny Committee has reviewed the effectiveness of its new way of working by reference to the four principles of good scrutiny from the Centre for Public Scrutiny. The CfPS exists to produce guidance, create networks and share expertise. It acts as a 'trade body' for local and national scrutineers. The four principles are:

| Principle  | Evidence   |
|--|--|
| <p>To provide critical friend challenge to executive policy-makers and decision-makers</p> | <ul style="list-style-type: none"> <li>• In recognition of the need for more timely comment, the committee adopted a new way of working with agenda items based on the ITA's forward plan providing, wherever possible, pre-decision scrutiny</li> <li>• The committee questioned the effectiveness of Super Routes and whether they were being used by bus companies</li> <li>• The committee has been keen to understand how the Highways Agency and others assess the non-financial risks of not proceeding with major capital schemes such as A19 junctions</li> <li>• The committee has written reports to the ITA on the need for clarity in the part being played by the ITA to bring high speed rail to the North East and on feedback to LTP3 consultations</li> <li>• The committee studied, in some detail, the reasons for low occupancy rates for the Northumberland Park Metro Park and Ride car park</li> </ul> |
| <p>To enable the voice and concerns of the public and its communities to be heard</p>      | <ul style="list-style-type: none"> <li>• The committee highlighted, at the mid point, the need for additional (face to face) consultation with residents on draft LTP3 priorities. A welcome increase in responses was noted</li> <li>• The committee considered how equalities were integrated into the developing LTP3. Public transport is key to promoting social inclusion</li> <li>• The committee considered whether mobility scooters could be provided with a safe return to the Metro network</li> <li>• The committee reviewed and commented on the forward plan of the Nexus Consultation Panel</li> <li>• As representatives of local communities, committee members sought assurances about the frequency and reliability of a number of local bus services</li> </ul>   |

|  |  |
|--|--|
| <p>To carry out scrutiny by 'independent minded governors' who lead and own the scrutiny process</p> | <ul style="list-style-type: none"> <li>• The committee amended the start time of its meetings to ensure arrangements were convenient to all its members</li> <li>• The committee received two detailed briefings from the Deputy Clerk and Treasurer on the ITA's budget context</li> <li>• The committee used its own budget to attend a national conference discussing latest developments in the rail industry</li> <li>• The committee walked the new Tyne Tunnel commenting about the size of the project that had been delivered with the minimum of disruption</li> </ul>   |
| <p>To drive improvement in public services</p>   | <ul style="list-style-type: none"> <li>• A broad range of developing policy areas have been considered including: <ul style="list-style-type: none"> <li>○ NESTI - the North East Smart Ticketing Initiative where it was hoped there could be a shared system with rail</li> <li>○ Three Nexus Strategies (Park and Ride, Ferry Services and Safety and Security)</li> <li>○ LTP3</li> </ul> </li> <li>• The committee Chair and Vice-Chair were invited to comment as part of the review of the ITA's Risk Register</li> <li>• Committee members have been keen to understand opportunities available from water buses on the Tyne and a new service at Monkwearmouth, Sunderland</li> </ul> |

Given the need for budget savings from 2011/12, the ITA has agreed the Scrutiny Committee will meet only four times a year. Its £6,000 annual budget is also reduced by 50%.

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