



Leadership Board

Tuesday 5 February 2019 at 2.00 pm

Meeting to be held at: Committee Room, Gateshead Civic Centre, Regent Street, Gateshead, NE8 1HH (venue to be confirmed)

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SUPPLEMENTAL AGENDA

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8. Capital Programme 2019/20 and Treasury Management Policy and Strategy 2019/20	1 - 32

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To All Members

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Leadership Board

Date: 5 February 2019
Subject: Capital Programme 2019/20
Report of: Chief Finance Officer

Executive Summary

The purpose of this report is to set out the North East Combined Authority (NECA) Capital Programme for 2019/20 for consideration. The programme comprises previously approved capital expenditure, including that agreed by the North East Joint Transport Committee (JTC) at its meeting on 22 January.

NECA was appointed the accountable body for the new JTC on 20 November 2018. NECA is the accountable body for the North East Local Enterprise Partnership (North East LEP). This report therefore includes the Local Growth Fund (LGF) and Enterprise Zones capital programme managed by the North East LEP along with a summary of the Transport programme, and the full Transport capital programme report agreed by the JTC on 22 January is attached as Appendix 1.

As NECA is the accountable body for these programmes, which cover the whole of the JTC and North East LEP areas, the full programme is shown in this report for monitoring and information purposes. In the NECA accounts at the year-end only the direct transport activity relating to the NECA area will be reflected in the accounts. The transactions relating to activity in the North East LEP programmes that go through the accounts of NECA will be reported in the NECA accounts given its accountable body role.

Recommendations

The Leadership Board is recommended to:

- a. Unanimously approve the latest position in respect of the 2018/19 capital programme, set out in section 2.1;
- b. Unanimously approve the proposed initial capital programme for 2019/20 which amounts to £142.320m, including over-programming, as set out in section 2.2.

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1. Background Information

- 1.1 This report outlines the capital programme proposals for 2019/20 and the funding sources identified to deliver the programme, which covers a wide range of economic and regeneration initiatives and transport improvements. This represents the latest information about the capital programme and includes the transport capital programme which was approved by the Joint Transport Committee (JTC) on 22 January. The programme will be updated as new information becomes available and will be subject to monitoring reports during the year.

2. Proposals

2.1 2018/19 Capital Programme Update

The latest estimate of the capital outturn position for 2018/19 is £110.936m, which is summarised in Table 1 below. The original approved programme for the year included a significant level of over programming in order to maximise expenditure in year and enable the programme elements to be managed to maintain spend at required levels for government grants to be claimed.

Table 1: Capital Programme 2018/19 Forecast

	Original Approved	Latest Approved	Forecast 2018/19
	£m	£m	£m
LGF (non-Transport) schemes	51.534	28.771	28.771
Enterprise Zone Intervention	43.489	17.342	17.342
Transport Programmes:			
LGF Transport schemes	26.915	25.976	20.926
Metro Asset Renewal Programme	37.982	30.376	28.726
Nexus non-Metro Programme	0.319	0.319	0.322
Tyne Tunnels	3.600	3.600	3.540
Other Transport Grants	11.309	11.309	11.309
Total	175.148	117.693	110.936

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2.2 2019/20 Capital Programme

This report sets out an initial capital programme of £142.320m for 2019/20 (including over programming) which is summarised below in Table 2, along with indicative figures for future years and set out in more detail in the following sections. The programme will be updated as further information becomes available, for example for successful funding bids (such as the Transforming Cities bid), and regular monitoring reports will be presented.

Table 2: Proposed Capital Programme 2019/20

	2019/20	2020/21	2021/22
	£m	£m	£m
LGF Non-Transport Schemes	18.668	5.160	0
Enterprise Zone Intervention	40.255	28.129	23.305
Transport Programmes:			
LGF Transport Schemes	6.230	1.381	0
Nexus Metro Asset Renewal Programme	33.987	22.222	35.675
Nexus Digital Asset Renewal Programme and other Capital Investment	1.486	0.526	1.140
Nexus Fleet Replacement Programme	30.200	46.200	184.200
Tyne Tunnels	0.260	0.100	0.100
Other Transport Grants	11.232	11.232	11.232
Total Programme	142.320	114.950	255.650
Less Over-Programming	(8.208)		
Estimated Expenditure	134.110		

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2.3 Local Growth Fund Capital Programme

2019/20 will represent the fifth year of the Local Growth Fund Programme which covers schemes in Economic Assets, Innovation, Transport and Skills. The Transport elements of the programme were included in the Transport capital programme reported to the Joint Transport Committee (see report at Appendix 1). The non-transport schemes are set out in the table below. Delivery of the LGF rounds 1 to 3 funding is currently set to be complete in 2020/21.

Forecasts for the current and future years are based on the returns available from project sponsors at the time of writing this report. Where updated information is available this will be reported verbally at the meeting if there are significant changes.

Table 3: Local Growth Fund Non-Transport Schemes

SEP Theme	Project Title	2019/20 £m	2020/21 £m
Economic Assets	North East Rural Growth Network	1.097	0
Economic Assets	Swans Plot 6 Demolition	0.439	0
Economic Assets	Swans Business Centre Phase 2 – Stage 2	1.006	0
Economic Assets	Swans Business Centre Phase 3 enabling works – Stage 2	0.728	0
Economic Assets	River Tyne Economic Development	0.500	0
Economic Assets	International Advanced Manufacturing Park	5.842	0.889
Economic Assets	Gateshead Quays	2.978	0
Economic Assets	East Pilgrim Street	2.534	1.449
Economic Assets	Scale Up North East	0.600	0.729
Innovation	Netpark Infrastructure Phase 3	0.052	0
Innovation	National Centre for Healthcare Photonics (Stage 2)	0.609	0.532
Innovation	Incubator Support Programme	1.183	0.404
Cross-cutting	Programme Management	1.100	1.157
Total		18.668	5.160

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2.4 Enterprise Zones Capital Investment

The projected capital investment in Enterprise Zones (EZ) in 2018/19 is currently estimated to be £17.342m, with £40.255m projected for 2019/20. In respect of the round 1 schemes still in progress, to varying degrees there is capital expenditure slippage associated with the Neptune Yard, Port of Tyne, Northumberland Energy Park and A19 sites. In respect of the round 2 schemes capital expenditure slippage of a varying extent is being reported for Newcastle International Airport, Ashwood, IAMPs, Port of Sunderland, Jade and Holborn Riverside Phase 2. The forecasts for the round 2 sites at Follingsby and Holborn Riverside Phase 1 are currently indicating that works are ahead of schedule.

The projects are funded by a mix of temporary use of grants/ LEP funds and borrowing, as set out in the Business Rate Growth Initiative pooling agreement and the funding agreements for each site. For new expenditure funded by borrowing, this is carried out by the Authorities in which the enterprise zone schemes are located and income to service the borrowing is provided each year from the Enterprise Zone account, which is managed by the North East LEPS accountable body. The indicative overall EZ programme costs for prior and future years amounts to over £176m in total and is shown in more detail in Appendix 2.

EZ capital allocations are approved by the North East LEP with payments being capital expenditure and financing undertaken by each local authority shown in their accounts. NECA holds the EZ revenue accounts and controls the payments for any temporary LEP grants and revenue payments to support borrowing costs in other authorities.

Table 4: Enterprise Zones Capital Investment

	2019/20	2020/21	2021/22	Future Years
	£m	£m	£m	£m
Round 1 EZ Schemes	21.799	9.945	6.838	2.863
Round 2 EZ Schemes	18.456	18.184	16.458	33.989
Total	40.255	28.129	23.306	36.852

2.5 Transport Capital Programme

The Transport Capital Programme for 2019/20 and indicative amounts for 2020/21 and 2021/22 was approved by the JTC on 22 January 2019. Details of the elements making up the Transport programme are set out in the report to the

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JTC which is attached as Appendix 1.

3. Reasons for the Proposals

- 3.1 The capital programme is presented for unanimous approval of capital expenditure that will be accounted for in NECA's accounts or simply reported for information in the accounts as part of NECA's accountable body role.

4. Alternative Options Available

- 4.1 The recommendation is for the Leadership Board to approve the report, as part of NECA's accountable body's role of managing capital expenditure.

5. Next Steps and Timetable for Implementation

- 5.1 The capital programme will be updated during the year with monitoring reports and reports for approval presented to the Leadership Board or other committees as appropriate. New schemes approved by the North East LEP or new external grants that are approved during the report will be included in those reports.

6. Potential Impact on Objectives

- 6.1 The capital investment set out in the report will have a positive impact on the objectives of the Authority and the North East LEP in each of its thematic areas.

7. Financial and Other Resources Implications

- 7.1 Financial implications are set out in the body of the report. The programme comprises previously approved investment with no new capital approvals required as a result of this report itself.
- 7.2 In the annual accounts for NECA the total of expenditure will be reporting for information in line with NECA's accountable body roles. All transactions that are accounted for in the books of NECA will be recorded in the accounts, However, in terms of the transport assets and liabilities, only those that relate to the NECA's new geography South of The Tyne will be recorded in the Balance Sheet of NECA.
- 7.3 In terms of the North East LEP programme, the whole programme will be reported for information. The accounts of NECA will record the receipt and payment of capital grants such as the Local Growth Fund. The annual report and accounts and will record the EZ capital expenditure for information and will only record the receipts and payments relating to Enterprise Zones that actually go through the accounts of NECA in its role as accountable body for the North East LEP, over the whole geography of the LEP area.

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8. Legal Implications

8.1 It is noted that both the recommended resolutions require unanimous approval in accordance with the NECA Constitution and relevant legislation.

9. Key Risks

9.1 Appropriate risk management arrangements are in place and managed by the teams delivering the capital programme on the Authority's behalf.

10. Equality and Diversity

10.1 There are no equality and diversity implications directly arising from this report.

11. Crime and Disorder

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

12. Consultation/Engagement

12.1 The planned capital expenditure set out in this report comprises previously approved investment. Particular schemes making up the elements of the programme will be subject to local consultation where relevant.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report.

14. Appendices

14.1 Appendix 1 – North East Joint Transport Committee Capital Programme report 22 January 2019

Appendix 2 – Enterprise Zones Investment

15. Background Papers

15.1 NECA Leadership Board 16 January 2018 – Capital Programme Report
<https://northeastca.gov.uk/wp-content/uploads/2018/03/Leadership-Board-16-January-2018-Agenda-Pack.pdf>

16. Contact Officers

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17. Sign off

- 17.1
- Head of Paid Service: ✓
 - Monitoring Officer: ✓
 - Chief Finance Officer: ✓



North East Joint Transport Committee

Date: 22 January 2019
Subject: Transport Capital Programme 2019/20
Report of: Chief Finance Officer, NECA

Executive Summary

The purpose of this report is to update the Transport North East Committee on the forecast capital outturn position for 2018/19 of £64.823m and to present the initial 2019/20 capital programme of £83.395m for approval. The 2019/20 programme is considerably higher than the forecast outturn for 2018/19 due to the inclusion from 2019/20 of the Metro Fleet Replacement programme.

Recommendations

The North East Joint Transport Committee is recommended to:

- i. Note the latest position in respect of the 2018/19 capital programme, set out in section 2.1;
- ii. Approve the proposed initial capital programme for 2019/20 which amounts to £83.395m as set out in section 2.2.

1. Background Information

- 1.1 This report outlines the capital programme proposals for 2019/20 and the funding sources identified to deliver the programme, which covers a wide range of transport improvements. This represents the latest available information about the planned capital programme, which will be updated as new information becomes available, such as the outcome of bids for additional funding and will be subject to monitoring reports during the year.

2. Proposals

2.1 2018/19 Capital Programme Update

- 2.1.1 In January 2018 a base capital programme was approved by the NECA Leadership Board which included £80.125m Transport projects, as set out in the table below. This figure included an element of over-programming. The programme was revised following the outturn for 2017/18 and the latest approved programme now totals £71.480m. Expenditure at this stage in the year totals £34.880m, which is in line with expectations. The projected outturn is estimated to be £64.823m, which takes into account information about potential slippage of programmed expenditure into 2019/20. In January 2019 a bid was submitted to the Department for Transport (DfT) for Tranche 1 of the Transforming Cities Fund, which included schemes due to start in 2018/19. Decisions on allocation of Tranche 1 funding are expected from the DfT in February 2019 and will be reported to the JTC at the next meeting.

2.1.2 Table 1: 2018/19 Capital Programme - Forecast

	Original Approved	Latest Approved	Spend to Nov 2018	Projected Outturn
	£m	£m	£m	£m
Local Growth Fund (Transport)	26.915	25.976	10.740	20.926
Metro Asset Renewal Programme	37.982	30.276	14.400	28.726
Nexus non- Metro	0.319	0.319	0.239	0.322
Tyne Tunnels	3.600	3.600	2.065	3.540
LTP (less ARP local contribution)	11.309	11.309	7.436	11.309
Total	80.125	71.480	34.880	64.823

2.2 2019/20 Capital Programme

2.2.1 This report sets out an initial capital programme of £83.395m (including over-programming) for 2019/20, with an estimated outturn of £75.187m. It also includes indicative figures for 2020/21 and 2021/22, which is summarised below in Table 2 and set out in more detail in the following sections. These figures do not yet include the additional resources that are likely to be secured from bids for additional transport funding, for example the Transforming Cities Fund. These will be included in the capital programme in future reports to the JTC once the outcome of our funding bids have been announced.

Table 2: Summary Transport Capital Programme 2019/20-2021/22

	2019/20	2020/21	2021/22
	£m	£m	£m
Local Growth Fund (Round 1, 2 and 3)	6.230	1.381	0
Nexus Metro Asset Renewal Programme	33.987	22.222	35.675
Nexus Digital Asset Renewal Programme and Other Capital Investment	1.486	0.526	1.140
Nexus Fleet Replacement Programme	30.200	46.200	184.200
Tyne Tunnels	0.260	0.100	0.100
LTP (less Nexus element shown elsewhere in programme)	11.232	11.232	11.232
Total Programme	83.395	81.661	232.347
Less Over-Programming	(8.208)		
Estimated Expenditure	75.187		

2.3 Local Growth Fund Capital Programme

2.3.1 2019/20 will represent the fifth year of the Local Growth Fund (LGF) Programme, which covers Economic Assets, Innovation, Transport and Skills-themed projects. Details of the Transport elements of the programme are listed in Appendix 1. The total LGF grant allocation for 2019/20 is £28.063m, of which an estimated £6.230m will be for Transport projects. This is considerably lower than in recent years as a number of significant Transport projects are now complete or almost complete. Schemes set to deliver in 2019/20 include Horden Rail Station, South Shields Metro Training and Maintenance Skills Centre and Jade Business Park (including Transport improvements to the A19 Seaham/Murton interchange).

2.3.2 The LGF capital programme continues to be managed in accordance with the LEP Assurance Framework, which is subject to annual review by the LEP Board and updated where required to meet latest best practice guidance.

2.4 Nexus Capital Programme

2.4.1 Nexus' capital programme for 2019/20 to 2021/22 includes investment in four main areas:

- i. Metro infrastructure (the Metro Asset Renewal Programme or MARP);
- ii. A new fleet of Metrocars;
- iii. Nexus' digital infrastructure (the Digital Asset Renewal Programme or DARP)
- iv. Other assets e.g. the cross Tyne ferry

Funding for (i) and (ii) is largely provided by the DfT. In respect of the MARP, 2019/20 and 2020/21 represent the final two years of an 11-year investment programme that commenced in April 2010. An application for funding covering the period 2021/22 to 2025/26 is being developed in conjunction with DfT and will be submitted to HM Treasury through the 2019 Spending Review (SR19).

In terms of (iii) and (iv) Nexus will utilise DfT grant funding for the MARP (where digital assets being replaced are required in order to support Metro operations) as well as a combination of other external funding e.g. LTP integrated transport grant and its own internal resources e.g. capital reserves.

In addition, the revenue budget supports developmental work in pursuit of new investment opportunities e.g. the Metro Futures programme.

2.4.2 Tyne and Wear Metro Asset Renewal Programme (MARP)

Nexus is nearing the end of the ninth of its eleven-year renewal programme to upgrade and replace many of the assets across the Tyne and Wear Metro system.

The grant-funding offer from DfT in 2010 was dependent upon Nexus' delivery performance and affordability in the context of Government spending plans. Because of the Government Spending Review in Autumn 2015, the DfT confirmed a firm commitment through to 2020/21 amounting to £317m, for which

the profile between years was subsequently agreed in a letter to the Managing Director dated 2 October 2017. This is shown in the table below:

Table 3: DfT grant funding profile 2010-2021

	DfT Metro Rail Grant (£m)	Local Contribution (£m)	Total (£m)
2010/11 to 2012/13	104	11	115
2013/14 to 2015/16	93	10	103
2016/17 to 2018/19	79	9	88
2019/20 to 2020/21	41	5	46
Total	317	35	352

2.4.3 The latest forecast also indicates that by the end of March 2019, an estimated £306m of the eleven-year funding allocation will have been expended leaving £46m available from a combination of Metro Rail Grant (£41m) and local funding (£5m).

2.4.4 This report, covering the three-year programme 2019/20 to 2021/22 represents years 10 and 11 of the current eleven-year programme plus the first year of an ongoing Renewals Programme for which an application for funding covering the period 2021/22 to 2025/26 is being developed for consideration through SR19. The investment need through to 2026 amounts to £190m and it is vital that DfT commit to continuing to support this ongoing essential renewals programme, which will be in addition to the £337m of capital grant also being provided for new Metrocars across the period 2019/20 to 2023/24.

2.4.5 Delivery of the MARP in 2019/20 and 2020/21 is likely to be more challenging than in previous years because of:

- The uncertainty surrounding the level of available resource in 2021/22, which as previously highlighted, is contingent on a successful bid through the SR19;
- Emerging cost pressures, particularly concerning the old fleet of Metrocars, due to be replaced in stages from 2021;
- The need to ensure continuity between the current programme, which ends on 31 March 2021, and the new programme, which, notwithstanding the uncertainty surrounding our SR19 bid, is intended to commence on 1 April 2021. This will require the seamless delivery of some projects across this timeframe e.g. track and overhead line replacement, as well as planning (and designing) other projects during the last two years of the current programme in order that there is sufficient 'in the pipeline' to deliver during the initial periods of the next programme; and

- The need to retain an element of over-programming which in the event that this leads to expenditure in excess of available resource within 2019/20 and 2020/21, unless there is a mechanism by which Nexus can draw down on any funding made available for 2021/22 secured through SR19, Nexus will need to underwrite such expenditure.

- 2.4.6 This is very important because over-programming is a mechanism Nexus has employed to good effect in the past, allowing flexibility to plan and design, review and better sequence project delivery in such a complex programme. It is therefore recommended that Nexus' MARP in 2019/20 and 2020/21 retains an element of over-programming. This means that should expenditure be incurred that is over and above the £46m set out in the table in paragraph 7, it will need to be underwritten by Nexus, unless its application for additional funding through SR19 is successful and there is provision for virement between from financial year 2021/22 into 2020/21. The amount of over-programming across the two years 2019/20 and 2020/21 is set at £8.2m or 18.0%.
- 2.4.7 Further, to the extent that activities carried out in 2019/20 and 2020/21 concern preparatory work associated with delivery in 2021/22 and beyond, it should be recognised that this is expenditure Nexus is effectively committing 'at risk' until its application for funding from SR19 is confirmed. This amounts to an estimated £3m across the two years.
- 2.4.8 These key principles have been discussed with DfT in the Joint Programme Board, which is the vehicle DfT use to amongst other things, monitor Nexus' delivery of the MARP. The feedback from DfT is that they were content with the approach being adopted. If possible, a further degree of funding flexibility between years will be sought as part of these discussions.
- 2.4.9 The proposed programme for 2019/20 to 2021/22 is detailed at Appendix 1. This includes a number of significant projects which are worthy of particular mention and these are detailed below.
- i. Civils
Work will focus on structural works to Crossgate Viaduct in South Tyneside, together with completion of Burnside Road and Beach Road bridges in North Tyneside. Bridge structural assessments and designs will continue to be progressed for prioritisation and delivery of works in later years.
 - ii. Permanent Way
This comprises major track renewal works between Gateshead Stadium and Felling, and Felling to Pelaw, together with re-railing works in tunnels between the QEII bridge and Gateshead Stadium.
 - iii. Overhead Line Equipment (OLE)
Works to replace the overhead line will continue with works in 2019/20 concentrating on the completion of OLE stretching between Chillingham

Road and Tynemouth and South Gosforth to Jesmond.

iv. Stations

The new transport interchange in South Shields town centre will be completed in 2019/20. This is being delivered in conjunction with South Tyneside Council and Muse Developments. Design work will also be progressed for a number of interchange and central stations (including Monument in Newcastle) for prioritisation and delivery in future years and work to a number of halt stations will complete during 2019/20, including West Monkseaton, Cullercoats, Monkseaton, Shiremoor, Palmersville, Benton, and Longbenton, all in North Tyneside.

Nexus is also working with Sunderland City Council in order to secure additional funding to progress the redevelopment of the above ground part of Sunderland Station, having already made £3.5m available to the project. The project will focus on redeveloping this Network Rail station with the concourse area being improved through better access, retail and passenger information.

v. Communications

During 2019/20, work will continue in improving the CCTV network of cameras to the Metro system together with the associated computerised storage system that supports the Metro system.

vi. Signalling

Signalling works in 2019/20 include works to replace a portion of the existing 'Reed' Track circuits, Location Case Rewiring, and installation of Replacement Point Motors.

vii. Nexus Learning Centre

Construction of Nexus' Learning Centre in South Shields will be completed, with over 70% of the funding coming from the Local Growth Fund. The Centre will deliver an expanding portfolio of training and development activities across a range of specialisms.

viii. Capital Maintenance

A report from SNC Lavalin as part of the Metro Futures programme concluded that if a new fleet was not brought into service by 2021, the existing fleet would require significant investment and even then, performance would be unlikely to improve. The 2019/20 programme therefore provides £3.4m for fleet investment, a level perceived to be commensurate with maintaining the performance of the outgoing fleet.

The remaining capital maintenance budget includes road vehicle replacement, rail grinding, off track enhancements and plain line renewal.

2.4.10 The proposed programme for 2021/22 remains unfunded at this juncture.

However, the investment programme that has been developed as part of the SR19 application includes the following significant projects for delivery in 2021/22:-

- i. Civils
Further works to various bridges are scheduled for 2021/22.
- ii. Permanent Way
The programme includes track upgrading from Gateshead Stadium to South Shields.
- iii. Overhead Line
Works will continue to replace the overhead line at Tynemouth to Northumberland Park, followed by Northumberland Park to South Gosforth, Chillingham Road to St. James and the commencement of Pelaw to South Shields.
- iv. Stations
The current programme includes works to Whitley Bay station in 2021/22.
- v. Signalling
System wide signalling works will continue within this period. Works include track circuits replacements, cable degradation works, relay replacement, rewiring of location cases and replacement of treadle switches.
- vi. Capital Maintenance
The programme includes fleet investment to maintain the performance of the outgoing fleet until the new fleet is operational.

2.4.11 Metrocar Replacement Programme

In October 2017, the Chancellor announced £336.8m of grant funding for the replacement of Nexus' fleet of Metrocars. This is to be augmented with a £25.0m local contribution, being part funded from Nexus' reserves (£15.0m) with the other £10.0m being funded by £3.3m of savings generated by Nexus in each of the years 2017/18, 2018/19 and 2019/20 which is being held by the NECA on Nexus' behalf.

The funding profile is set out below:

Table 4: Metrocar Replacement Funding Profile

	19/20	20/21	21/22	22/23	23/24	Total
	£m	£m	£m	£m	£m	£m
DfT Capital Grant	21.6	29.8	184.2	39.9	61.3	336.8
Local Contribution	8.6	16.4	0.0	0.0	0.0	25.0
	30.2	46.2	184.2	39.9	61.3	361.8

- 2.4.12 The programme is labelled as indicative at this stage for two reasons. Firstly, the rate of expenditure across the next five years will be determined by the progress

with the procurement exercise and when the various contracts are awarded. Secondly, the profile of government grant is fixed for 2019/20 and 2020/21, with the profile thereafter to be firmed up and agreed with DfT once the procurement phase is complete (expected to be in the third quarter of 2019/20).

2.4.13 Nexus Digital Asset Renewal Programme (DARP)

Nexus' digital asset base includes its entire ICT network infrastructure, together with the various customer facing and business applications necessary to run Metro and the other services Nexus provides.

Nexus digital assets require updating or replacing due to business change (transformational) or asset lifecycle and will also be subject to a risk analysis, often linked to the criticality of the asset relative to vendor support.

Therefore, in order to have a planned (proactive) approach to reviewing its digital assets, Nexus has developed a 10 year programme (the Digital Asset Renewal Programme, or DARP) to establish an ongoing renewal plan for its full range of digital assets and infrastructure that are already beyond, or will reach the end of their expected life within this timescale. These have been grouped into three categories, namely:

- Business/Back office applications;
- Customer Facing applications and assets; and
- The Network Infrastructure that provides the platform for business and customer facing applications/assets to reside.

2.4.14 The DARP for 2019/20 to 2021/22 is estimated to cost £2.5m to deliver as detailed in appendix 2 and summarised in the table below:

Table 5: Digital Asset Renewal Programme (DARP) 2019/20-2021/22

Capital Scheme	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Business Applications	0.470	0.020	0.350	0.840
Network IT				
Infrastructure/Hardware	0.412	0.104	0.300	0.816
Customer Facing Applications	0.036	0.030	0.200	0.266
Programme Management	0.200	0.200	0.200	0.600
Total DARP	1.118	0.354	1.050	2.522

2.4.15 During 2019/20 key projects include:

- Renewal of the Finance system to consolidate multiple systems and processes across Nexus and NEMOL;
- Investment in online applications to improve customer experience; and
- Investment in hardware including new servers to support business intelligence systems.

In the following two years, the focus will be on a replacement HR system and a new document management system. Further investment in hardware, particularly back-up and disaster recovery solutions are planned, together with investment in customer facing technologies, for example ensuring real time information on bus continues.

2.4.16 **The Cross Tyne Ferries**

Extensive surveys have shown that the hulls on both ferries are in good condition. However, the mechanical components and propulsion units are in need of critical overhaul to ensure continuity of service. There is also a requirement to refurbish seating, lighting and heating for customer comfort and safety. It is proposed that all proposed works are carried out over the three years 2019/20 to 2020/21 at a total estimated cost of £0.476m.

The Ferry landings are also in need of continued investment following works over the past three years to stabilise their structural integrity, costing an estimated £0.680m by the end of 2018/19. Further works to upgrade cladding, windows and external lighting is required together with refurbishment of fuel tanks at an estimated cost of £0.154m in 2019/20.

2.5 **Local Transport Plan Integrated Transport Block**

2.5.1 Local Transport Plan (LTP) Integrated Transport Block funding is made available by the Department of Transport (DfT) to the whole JTC area. This block is allocated between the JTC constituent authorities on an agreed basis with an allocation to Nexus (which is mainly used to provide the match funding needed for the Metro ARP capital programme). The LTP block allocation is also used to partly fund the Regional Transport Team, which supports the delivery of the capital programme.

2.5.2 From 2017/18, an four year annual budget of £0.376m to support the ongoing work of the Tyne and Wear Urban Traffic Management and Control (UTMC) Centre, was recommended by the Heads of Transport Group, to be allocated from the LTP Integrated Transport Block in proportion to the population within Tyne and Wear, as set out in the table below. NECA will arrange appropriate funding swaps within its overall budget for the capital grant to be converted into a revenue budget.

2.5.3 **Table 6: LTP Integrated Transport Block Allocation 2019/20**

	Allocation	Contribution to UTMC	Contribution to Regional Transport Team	Net Allocation
	£m	£m	£m	£m
Durham	2.789	-	(0.0625)	2.727
Gateshead	1.328	(0.067)	(0.0625)	1.199
Newcastle	1.650	(0.098)	(0.0625)	1.489
North Tyneside	1.088	(0.068)	(0.0625)	0.958
Northumberland	1.695	-	(0.0625)	1.633
South Tyneside	0.843	(0.050)	(0.0625)	0.730
Sunderland	1.606	(0.093)	(0.0625)	1.450
MARP Local Contribution / Public Transport Schemes	2.950	-	(0.0625)	2.887
Total	13.949	(0.376)	(0.500)	13.073

2.6 Tyne Tunnels Capital Programme

2.6.1 The majority of the Tyne Tunnels capital programme in recent years has been the refurbishment of the Tyne Pedestrian and Cycle Tunnels. The Tunnels have been closed to the public for some years, with project budget and timescale increases resulting from additional costs relating to the original main contractor entering administration in February 2015, and the discovery of asbestos containing material which had not been dealt with by the main contractor causing increased costs from the subsequent delay to the project.

2.6.2 In December, the Tyne and Wear Sub-Committee received a detailed report on the history of the project, the need for the increased scope of works and increased delivery programme, the budget implications, funding options and the revised project completion timetable. The project is estimated to be completed and the tunnels reopened to the public in early 2019. Some residual capital expenditure is anticipated in 2019/20.

2.6.3 A small budget provision is also included for costs of residual issues on the New

Tyne Crossing project, primarily relating to legal and other professional fees relating to legal and land issues which must be resolved to complete NECA's obligations under the construction phase of the project agreement.

2.7 Transforming Cities Fund

2.7.1 During October, the North East area was announced as one of ten shortlisted areas to progress to the next stage of bidding for the government's £840m Transforming Cities Fund. The Budget 2018 announced additional money for the Fund, increasing the amount of the fund that we can bid into by £440m to £1.280m. An additional two areas would be allowed to bid for this fund, increasing the number of bidding areas to 12. The North East area will be working with DfT to develop plans which, if successful, will be used to tackle congestion and improve transport connections across the region.

2.7.2 A Tranche 1 Application (for schemes which will spend or start during 2018/19) was submitted in January, with decisions expected from the DfT in February 2019. This is the subject of a separate report on the agenda. A larger TCF bid for schemes over a 4-5 year period will be submitted during summer 2019. Once any award made is clear, this will be included in the capital programme through a subsequent report to the JTC.

2.8 Funding the Capital Programme

2.8.1 The proposed funding for the 2019/20 Transport capital programme is set out in the table below, with the vast majority being funded from capital grants.

Table 7: Funding profile of the 2019/20 Capital Programme

Funding Source	2019/20 Total (£m)
Grants from Central Government	64.918
Reserves	10.269
Overprogramming	8.208
Total	83.395

2.9 Treasury Management Information - Borrowing

2.9.1 Currently all external borrowing held by NECA relates to historic Tyne and Wear Transport activities, and the financing of the borrowing debt is met from the Tyne and Wear levy and the Tyne Tunnels budgets and is included within the revenue budget proposals for 2019/20 contained in a report elsewhere on this agenda. While the JTC has an advisory role in connection with the borrowing limits relating to transport, the Treasury Management arrangements are managed by NECA as the accountable body for the JTC and are approved by the two Combined Authorities. A proportion of the outstanding balance of the loans and investments (based on the share of Tyne and Wear population in each Combined Authority area) will be shown in the balance sheets of the two

Combined Authorities as part of their year-end accounts. A summary of the actual loans outstanding at the date of the preparation of this report is shown in the table below.

Table 8: Borrowing portfolio at 31 December 2018

	NECA	NTCA	Total
	£m	£m	£m
Level of external loans at April 2018	93.401	74.266	167.667
New loans taken out in first 9 months of year	0.000	0.000	0.000
Loans repaid in first 9 months of year	-0.186	-0.147	-0.333
Level of external loans as at 31 December 2018	93.215	74.119	167.334
Net increase / (decrease) in external loans	-0.186	-0.147	-0.333
Forecast level of external loans at 31 March 2019	93.029	73.971	167.000

- 2.9.2 Actual external borrowing is currently below the capital financing requirement, with the difference having been met in recent years by internal cash balances. No new borrowing is proposed in 2019/20, with the costs of the Transport Capital Programme being met from grant funding and reserves. The projected borrowing portfolio at the end of the 2019/20 financial year is shown below, along with the projected capital financing requirement.

Table 9: Estimated Borrowing and CFR at 31 March 2020

	2019/20 estimate		
	NECA	NTCA	Total
	£m	£m	£m
CFR at end of year	106.045	84.320	190.364
Actual External Borrowing	93.029	73.971	167.000

3. Reasons for the Proposals

- 3.1 The proposals are presented in this report to enable the Joint Transport Committee to agree its capital programme for 2019/20.

4. Alternative Options Available

- 4.1 Option 1: JTC may accept the recommendations set out in this report.
Option 2: JTC may not accept the recommendations set out in this report.

Option 1 is the recommended option.

5. Next Steps and Timetable for Implementation

5.1 Progress against the Transport Capital Programme will be reported regularly throughout the year and monitored carefully by officers at the various delivery bodies.

6. Potential Impact on Objectives

6.1 The capital programme and proposed financing set out above will enable the Joint Transport Committee to make a positive impact on its Transport objectives.

7. Financial and Other Resources Implications

7.1 The financial and other resource implications of the proposals are set out in the body of the report.

8. Legal Implications

8.1 The Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 specifies that the setting of the capital programme in relation to transport is a function exercisable only by the Joint Transport Committee. Unanimous approval is required.

9. Key Risks

9.1 Appropriate risk management arrangements are put in place in each capital programme area by the delivery agencies responsible. Reserves are maintained to help manage financial risk to the authority.

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

12.1 Projects being delivered by constituent authorities or in constituent authority areas are subject to local consultation and planning approvals.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report.

14. Appendices

14.1 Appendix 1 – Local Growth Fund Capital Programme – Transport Schemes 2018/19 to 2020/21

Appendix 2 – Metro Capital Programme 2019/20 to 2021/22

Appendix 3 – Nexus Digital Asset Renewal Programme and Other Capital Investment 2019/20 to 2021/22

15. Background Papers

15.1 NECA Leadership Board Capital Programme report

<https://northeastca.gov.uk/wp-content/uploads/2018/03/Leadership-Board-16-January-2018-Agenda-Pack.pdf>

16. Contact Officers

16.1 Paul Woods, Chief Finance Officer NECA, paul.woods@northeastca.gov.uk, 07746936840

Eleanor Goodman, Principal Accountant NECA, eleanor.goodman@northeastca.gov.uk, 0191 277 7518

17. Sign off

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

Appendix 1 – Local Growth Fund Transport Schemes 2018/19-2020/21

Project Title	Status	2018/19 Original	2018/19 Spend to Date (Q2)	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
		£m	£m	£m	£m	£m
Northern Access Corridor – Phase 2&3 (Stage 2)	Approved	1.026	0.075	1.016	0.000	0.000
Local Sustainable Transport Fund	Approved	0.000	0.000	0.717	0.000	0.000
A1056-A189 Weetslade roundabout improvements and A1-A19 Link	Approved	0.000	0.006	0.128	0.000	0.000
Scotswood Bridgehead (Stage 1)	Approved	0.000	0.000	(0.045)	0.000	0.000
South Shields Transport Interchange Stage 2	Approved	5.192	6.000	6.000	0.000	0.000
A1058 Coast Road	Approved	0.000	0.582	0.582	0.000	0.000
Horden Rail Station	Approved	0.659	0.303	0.846	2.075	0.000
A185/A194/A19 (The Arches) – Stage 2	Approved	5.051	1.796	4.816	0.000	0.000
South Shields Metro Training and Maintenance Skills Centre	Approved	6.000	0.729	3.307	2.446	0.000
Blyth Cowpen Road	Complete	0.000	(0.003)	0.001	0.000	0.000
A19 North Bank Tyne (Swans) Stage 2	Approved	2.157	1.224	3.421	0.000	0.000
Jade Business Park (inc A19/A19 Seaham Murton interchange)	Approved	4.100	0.028	0.138	1.709	1.381
Total		26.915	10.740	20.926	6.230	1.381

Appendix 2 – Metro Capital Programme 2019/20 to 2021/22

Capital Scheme	2019/20 (Year 10) £m	2020/21 (Year 11) £m	2021/22 (DfT Bid) £m	Total £m
Civils				
Bridges - Benton (1114 1115B) (subway demolition)	-	-	0.275	0.275
Bridges GHD-SSS (Scope)	0.034	-	-	0.034
Crossgate Viaduct	0.565	0.003	-	0.568
Sunderland and Leamside Bridges	0.040	-	0.500	0.540
1142 Burnside Road Underbridge, 1148 Beach Road Underbridge	0.350	-	-	0.350
1156 Tanners Bank Underbridge (feasibility study)	-	-	0.200	0.200
Cullercoats Footbridge	-	-	0.400	0.400
Structural Assessments - overbridges	-	-	0.050	0.050
Multi Storey Car Parks refurbishment	-	-	1.000	1.000
Surface Car Parks Refurbishment	-	-	0.200	0.200
System wide retaining walls (North Shields)	0.090	-	-	0.090
Asbestos revisited works- Central area tunnels	-	0.500	-	0.500
Total Civils	1.079	0.503	2.625	4.207
Permanent Way				
Package D (Gateshead Stadium to Felling - Renewals)	4.120	-	-	4.120
Package D (Heworth to Felling - Renewals completion)	-	6.754	-	6.754
Package E (Gateshead Stadium to South Shields - Refurbishment)	-	-	5.900	5.900
Package F Regent Centre to Airport	0.818	-	-	0.818
Re-railing Central Tunnels	1.503	-	-	1.503
Switches & Crossings - Christon Road 1020A/B pts	-	-	1.500	1.500
Switches & Crossings - Pelaw Chords 7016/17 pts	-	-	0.500	0.500
Switches & Crossings - Prudhoe Street 6007A/B pts	-	-	0.500	0.500
Switches & Crossings - Chillingham Road 3014A/B pts	-	-	0.050	0.050
Switches & Crossings - Monkseaton 2036A/B pts,2034A,2032A/B pts	-	-	0.300	0.300
Points Heater Controls Replacement	-	-	0.075	0.075
Total Permanent Way	6.441	6.754	8.825	22.020
Overhead Line				
OLE - System Development	3.651	3.472	3.679	10.802

Capital Scheme	2019/20 (Year 10)	2020/21 (Year 11)	2021/22 (DfT Bid)	Total
	£m	£m	£m	£m
Total Overhead Line	3.651	3.472	3.679	10.802
Stations				
Interchange station package SSS	1.903	0.036	-	1.939
Halt Station Package WMN, CUL, MSN	0.170	-	-	0.170
City Station- Manors	0.198	-	-	0.198
Interchange Station - GHD	0.347	-	-	0.347
St James	0.249	-	-	0.249
Monument	0.442	-	-	0.442
Jesmond	0.136	-	-	0.136
Airport	-	0.054	-	0.054
Halt Station Package (Shiremoor, Palmersville, Benton and Longbenton)	0.255	-	-	0.255
Whitley Bay	-	-	0.200	0.200
Byker	-	0.050	-	0.050
Platform Interchange Compliance	1.975	-	-	1.975
Total Stations	5.675	0.140	0.200	6.015
Communications				
Radio	0.166	0.026	-	0.192
CCTV / PA Access	0.481	-	-	0.481
Total Communications	0.647	0.026	-	0.673
Signalling				
Signalling - RTMS	0.345	0.016	-	0.361
Relay replacements	-	0.300	0.100	0.400
Relay Rooms cooling and lighting at SGF	-	-	0.030	0.030
Reed track circuits	1.283	0.047	0.250	1.580
Reed track impedance bonds (replace oil filled)	-	-	0.090	0.090
Subsidiary signals	-	-	0.050	0.050
Location case rewire	0.444	0.284	0.300	1.028
Level crossing upgrade	0.165	-	0.010	0.175
Cable degradation	-	0.300	1.000	1.300
Toughing	-	-	0.100	0.100
Cable replacement	0.200	0.200	0.500	0.900
Treadle replacement	-	-	0.040	0.040
Trainstop Replacement (Trackside)	-	-	0.080	0.080
LED Signal Replacement	-	-	1.500	1.500
Signalling- Replacement point motors (critical locations)	0.460	-	-	0.460
Total Signalling	2.897	1.147	4.050	8.094
Plant				
Diesel Shunters Battery Locos (likely to be RRVs)	-	1.500	-	1.500

Capital Scheme	2019/20 (Year 10) £m	2020/21 (Year 11) £m	2021/22 (DfT Bid) £m	Total £m
Total Plant	-	1.500	-	1.500
Mechanical and Electrical				
Escalator - Haymarket 2 1/2 Life Refurbishment	-	-	0.125	0.125
Escalator - Sunderland 1 1/2 Life Refurbishment	-	-	0.125	0.125
Lift - Central (No.1) 1/2 Life Refurbishment	-	-	0.050	0.050
Lift Monument (No.1) 1/2 Life Refurbishment	-	-	0.050	0.050
Lift Monument (No.3) Replacement	-	-	0.180	0.180
Lift Gateshead (No.1) 1/2 Life Refurbishment	-	-	0.050	0.050
Lift Chichester (No.1-2) 1/2 Life Refurbishment	-	-	0.100	0.100
Escalator handrail & lift re-roping	-	-	0.075	0.075
DC Feeder Cable	0.100	-	-	0.100
Linear Heat Detection replacement	-	-	0.400	0.400
Lighting inverters	-	-	0.500	0.500
Interposing relay UPS	-	-	0.250	0.250
Fire extinguishers	-	-	0.039	0.039
Station lighting and small power	-	-	0.050	0.050
Total Mechanical and Electrical	0.100	-	1.994	2.094
Power				
Network Stray Currents	0.200	-	-	0.200
Traction power mimic replacement	-	-	1.000	1.000
Total Power	0.200	-	1.000	1.200
Capital Maintenance				
Rail Grinding	0.206	-	0.100	0.306
Vehicle Replacement Programme	0.136	0.140	0.140	0.416
Infrastructure Vehicle Maintenance (RRV's, wagons etc.)	-	-	0.175	0.175
Off track enhancements	0.200	0.200	0.200	0.600
Lifts Refurbishment/Major Items	0.040	0.040	-	0.080
Track Capital Maintenance	0.375	0.375	0.400	1.150
OHL Capital Maintenance	0.069	0.100	-	0.169
Fleet Investment	3.410	3.410	3.223	10.043
Stations Refurb - Esc Imps/Major Items	0.040	0.040	-	0.080
Total Capital Maintenance	4.476	4.305	4.238	13.019
Miscellaneous				
Replace/refresh Drawing Management System	-	-	0.065	0.065
Asset Knowledge	-	0.050	-	0.050
Possession Management including Bus Replacement	-	-	1.100	1.100

Capital Scheme	2019/20 (Year 10) £m	2020/21 (Year 11) £m	2021/22 (DfT Bid) £m	Total £m
Dayworks	-	-	0.050	0.050
Control Centre improvements	-	-	0.250	0.250
Total Miscellaneous	-	0.050	1.465	1.515
Programme Management				
Programme Management	1.384	1.700	2.530	5.614
Total Programme Management	1.384	1.700	2.530	5.614
Inflation Risk Allowance	-	-	1.030	1.030
Risk Allowance	2.975	2.625	4.039	9.639
Total Including Risk Allowances	29.525	22.222	35.675	87.422
Nexus Learning Centre				
Nexus Learning Centre	4.462	-	-	4.462
Total Nexus Learning Centre	4.462	-	-	4.462
Total ARP Programme	33.987	22.222	35.675	91.884

Funding	£m	£m	£m	£m
DfT Grant	21.000	20.000	32.108	73.108
10% Nexus Contribution	2.333	2.222	3.567	8.122
LGF Grant (Nexus Learning Centre)	2.446	-	-	2.446
Over programming	8.208	-	-	8.208
Total ARP Funding	33.987	22.222	35.675	91.884

**Appendix 3 – Nexus Digital Asset Renewal Programme and Other Capital Investment
2019/20 to 2021/22**

Capital Scheme	2019/20 £m	2020/21 £m	2021/22 £m	Total
Business Applications				
Digital Mapping Software	-	-	0.025	0.025
Bus Contracts System	0.130	-	-	0.130
Business Intelligence System	0.030	0.020	-	0.050
Document Management System	-	-	0.150	0.150
Estates Management System	0.020	-	-	0.020
Finance System	0.270	-	-	0.270
HR/Payroll System	-	-	0.100	0.100
Key Security System	0.020	-	-	0.020
Technical Drawing Solution	-	-	0.050	0.050
Time Recording System	-	-	0.025	0.025
	0.470	0.020	0.350	0.840
Network IT Infrastructure/Hardware				
Backup & Recovery Solution	-	-	0.300	0.300
Digital Connectivity	0.150	-	-	0.150
IP Telephony	0.080	-	-	0.080
Microsoft Licencing	0.048	0.019	-	0.067
Server Infrastructure	0.134	0.085	-	0.219
	0.412	0.104	0.300	0.816
Customer Facing Applications				
Bus Information Systems	0.011	0.010	0.125	0.146
Cycle Lockers	-	0.020	-	0.020
Website Enhancement	0.025	-	0.075	0.100
	0.036	0.030	0.200	0.266
Programme Management	0.200	0.200	0.200	0.600
Total DARP	1.118	0.354	1.050	2.522
Ferry				
Ferry Vessels	0.214	0.172	0.090	0.476
Ferry Property Repairs	0.154	-	-	0.154
	0.368	0.172	0.090	0.630
Total	1.486	0.526	1.140	3.152

Funding	£m	£m	£m	£m
LTP Grant	0.077	0.077	0.077	0.231
Reserves	1.409	0.449	1.063	2.921
Total Funding	1.486	0.526	1.140	3.152

APPENDIX 2 – Enterprise Zones Investment

Area/Site								
Durham	Jade Business Park	0.000	0.175	3.200	1.065			4.440
Gateshead	Follingsby Park	0.009	11.934	0.000	0.057			12.000
Newcastle upon Tyne	Newcastle International Airport	0.011	0.000				15.588	15.599
Newcastle upon Tyne	Newcastle International Airport - phase 1	0.000	0.029	1.299				1.328
North Tyneside	North Bank of the Tyne extension	0.000		0.000				0.000
South Tyneside	Holborn Riverside Phase 1 - revised	0.170	1.021	5.248	2.960			9.400
South Tyneside	Holborn Riverside Phase 2	0.000	0.465	2.000	7.935			10.400
Northumberland	Ramparts Business Park	0.000					1.620	1.620
Northumberland	Fairmoor, Morpeth	0.000					2.080	2.080
Northumberland	Ashwood Business Park - revised	0.000	0.100	1.519	0.652	0.305		2.576
Sunderland	IAMP	0.000	0.000	0.000	2.901	16.153	14.701	33.754
Sunderland	Port of Sunderland	0.000	0.368	5.190	2.615			8.172
	TOTALS	0.190	14.092	18.456	18.184	16.458	33.989	101.369
		30.815	17.342	40.255	28.129	23.306	36.852	176.698

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