



## **Transport North East (Tyne and Wear) Sub-Committee**

Tuesday 21st November, 2017 at 10.00 am

Meeting to be held in a Committee Room, Newcastle Civic Centre, NE1 8QH

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# **AGENDA**

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**Page No**

1. **Apologies for Absence**
2. **Declarations of Interest**  
  
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer).  
Please also remember to leave the meeting where any personal interest requires this.
3. **Minutes of the Previous Meeting held on 14 September 2017** **1 - 4**
4. **Monitoring Nexus' Performance and Metro Performance Update 2017/18** **5 - 18**
5. **Metro Performance Update** **19 - 32**
6. **Update on Nexus' Corporate Risks** **33 - 54**
7. **Revision to Metro Fares and Ferry Fares 2018** **55 - 86**
8. **Nexus Annual Activity and Expenditure Analysis** **87 - 124**
9. **Nexus Budget Preparation 2018 - 19 to 2020 - 21** **125 - 138**

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

25 January 2018, 2.00pm at Gateshead Civic Centre

11. **Exclusion of Press and Public**

Under section 100A and Schedule 12A Local Government Act 1972  
because exempt information is likely to be disclosed and the public interest  
test against disclosure is satisfied.

12. **Tyne Tunnel Update**

**139 - 154**

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**To All Members**

## **North East Combined Authority, Transport North East (Tyne and Wear) Sub-Committee**

14 September 2017

(2.00 - 2.50 pm)

Meeting held Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

### **Present:**

Councillor: J Harrison (Chair)

Councillors: J McCarty and M Mordey

### **15 APOLOGIES FOR ABSENCE**

The Monitoring Officer informed the Sub-Committee of membership changes from the Gateshead constituency; Cllr J McElroy has replaced Cllr M Brain.

Apologies were received from Cllr J McElroy (Gateshead), Cllr G Hobson (South Tyneside) and Cllr M Brain (Gateshead)

### **16 DECLARATIONS OF INTEREST**

None

### **17 MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 13 July 2017 were agreed as a correct record and signed by the Chair subject to the following amendment:

Minute 4 refers - Metro Transition Project Completion Update. Amend the last sentence shown as “**35** DBTW staff were transferred.....” to read “**535** DBTW staff were transferred”

### **18 MONITORING NEXUS' PERFORMANCE**

Submitted: Report of the Managing Director (Transport Operations) (previously circulated and a copy attached to the Official Minutes).

Members considered the report in relation to the Monitoring of Nexus' Performance and the report in respect of the Metro Performance Update together.

It was noted that Nexus was on target to deliver the majority of objectives in its Corporate Business Plan for 2017/18.

During discussion the comments made by Members included:

The Sub Committee commended all of those involved in the works for the replacement of the Killingworth Road Bridge. Joint working had ensured effective community engagement, road closures were well sign posted and the road network effectively managed.

The Sub Committee confirmed their continued support for all of those involved in the discussions for the investment in the Metro fleet replacement.

Points noted by the Sub Committee were:

- A successful Great North Run for Metro, who had worked jointly with Northumbria Police, the event organisers and the councils involved; the vast number of passengers were well managed with no reported problems and the longest passenger waiting time was about one hour.
- Two significant incidents had recently disrupted Metro service delivery during the periods being reported on; the overhead line came down at Benton and a major train failure at Walkergate. It was noted that passenger information and bus replacements could have been improved upon and this would form part of the review of the incident, however, maintenance crews worked through the night to restore the service.
- Performance and punctuality had improved overall. There had only been one period when the target had not been met and this was a direct result of a major burst water main.

Members received an update on investment in the fleet and the continued dialogue with Ministers. There were two finance options being considered by the government: grant funding and private finance.

**RESOLVED** – that the Tyne and Wear Sub Committee noted –

- 1) The report and details of Nexus' corporate performance in delivering services and projects over the sixteen weeks to 22 July 2017/18
- 2) Noted the Metro Performance Update.

## 19 **UPDATE ON NEXUS' CORPORATE RISK REGISTER 2017/18**

Submitted: Report of the Managing Director (Transport Operations) (previously circulated and a copy attached to the Official Minutes).



Members considered the report the purpose of which was to provide an update on Nexus' Corporate Risk Register for 2017/18.

It was noted that there had been a change in one risk status which had improved from being assessed as Amber to Green (Bus Strategy delivery arrangements). Members also noted the change in risk status for Replacement of the Metrocar fleet and putting a new contract in place.

A brief discussion took place in relation to the fleet replacement regarding any actions that will need to be taken should investment be refused by central government. Officers advised that government had been made aware of the full impact of the delay or refusal of funding in all parts of the business case. This included the impact at peak journey times, when the anticipated worsening condition of the fleet would lead to timetable reductions at peak hours by around 2022. Consequently the system would not be able to meet demands, leading to additional pressures on the road network and the consequential problems in travel arrangements.

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

## 20 **TYNE AND WEAR BUDGET PROCESS AND TIMETABLE 2018/19**

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

Consideration was given to the report which set out the process and timetable for the preparation, consultation and approval of the 2018/19 budget and indicative medium term financial strategy, including consultation with the Tyne and Wear Sub-Committee.

Officers were currently in discussion with colleagues at Durham County Council and Northumberland County Council to ensure that their processes meet the timetable set out for the North East Combined Authority.

Members noted that Nexus was making good progress with the implementation of savings in both 2017/18 and 2018/1, budget pressures had lessened and Nexus had not had to use reserves to the degree originally anticipated. It was also noted that a Policy Seminar will be held in December enabling members of the Tyne and Wear Sub-Committee to discuss the details of the Tyne and Wear transport budget and levy proposals.

**RESOLVED** – that the report and proposed and proposed timetable were noted.

## 21 **TYNE TUNNELS - UPDATE**

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

Members considered the report which provided an update on issues at the Tyne Tunnel in relation to the operation of the new Tyne Crossing vehicle tunnels and the refurbishment of the Tyne Pedestrian and Cyclist Tunnels.

Members welcomed the progress made in relation to the Pedestrian and Cyclist tunnels. However, with regards to the New Tyne Crossing and the continued decline in traffic movements, officers were urged to closely monitor vehicle numbers. A Member also commented that the planned road works at the Testo roundabout in South Tyneside could further impact on the New Crossing.

**RESOLVED** that the Transport North East (Tyne and Wear) Sub Committee –

- 1) Noted the contents of the report relating to the operation of the New Tyne Crossing vehicle tunnels.
- 2) Noted the contents of the report relating to the refurbishment of the Tyne Pedestrian and cyclist tunnels.

22 **DATE AND TIME OF NEXT MEETING**

Thursday 16 November 2017 at 3.00pm



## Transport North East (Tyne and Wear) Sub-Committee

**Date:** 16 November 2017

**Subject:** Monitoring Nexus' Performance

**Report of:** Managing Director (Transport Operations)

### Executive Summary

The report demonstrates that Nexus is on target to deliver the majority of objectives in its Corporate Business Plan for 2017/18, with Metro performance continuing to improve despite the many challenges NEMOL faces in relation to the ageing fleet of Metrocars, a year-end budget forecast that is also better than originally budgeted for, but weak performance in Metro patronage that is currently forecast to impact on our fare revenue budget.

In addition, a failure to the power supply to the Metro depot on Sunday 29<sup>th</sup> October caused major disruption to the system. Trains were unable to enter service and, although engineers restored power by mid-evening, the solution came too late to avoid major disruption around the region during the course of the day.

### Recommendations

The Transport North East (Tyne and Wear) Sub-Committee is recommended to note the report and the attached appendix giving details of Nexus' corporate performance in delivering services and projects over the twenty-four weeks to 16 September 2017/18.

## Transport North East (Tyne and Wear) Sub-Committee

### 1. Background Information

- 1.1 Although occurring after the period under review in this report, the Sub-Committee are advised that on Sunday 29<sup>th</sup> October a major and sudden fault with the substation which provides high voltage power to the Metro Depot in South Gosforth meant that no trains could leave the depot for the start of service. Despite attempts to shunt Metrocars out of the depot, Nexus was forced to advise passengers to seek other forms of transport. This was a major failure which affected retailers, service providers and sports and cultural events taking place in the region. Nexus has apologised for the incident and will provide a verbal update at the meeting.
- 1.2 This report provides a review of Nexus' performance against its Corporate Business Plan (CBP) targets and objectives over the twenty-four weeks from 1 April to 16 September 2017, with particular emphasis on the eight weeks from 23 July to 16 September (Periods 5 & 6) the first sixteen weeks (Periods 1 to 4) having been covered in an update report to the meeting of the Sub Committee on 14 September.
- 1.3 Nexus' CBP for 2017/18 has three main themes and sixteen workstreams. These are used in the attached appendix to set out the key considerations when describing the progress being made using a Red/Amber/Green (RAG) status analysis.
- 1.4 Of the 16 workstreams:-
  - Thirteen are rated 'Green' in status, four from six in Theme 1 'Deliver public transport today'; five from six in Theme 2 'Prepare for the future', and all four in Theme 3 'Focus on organisational effectiveness'.
  - The 'Amber' workstreams relate to Theme 1 'Deliver public transport today': 'Improve Metro performance' and 'Embed new technology' and Theme 2 'Prepare for the future': 'Obtain a new Fleet and prepare for the new Metro contract'.
- 1.5 Metro's average punctuality for the eight weeks ending 16 September was 90.3%, exceeding the target of 87.2%. Over the equivalent eight weeks last year punctuality averaged 86.7%.
- 1.6 Total Metro ridership for the eight week period was 5.401m, 4.3% below the target of 5.643m. Cumulative ridership for the year as at 16 September stands at 16.726m versus the target of 17.250m (-3.0%).
- 1.7 In regards Metro fare revenue, now that six periods have elapsed, it is becoming apparent that fare revenue is likely to be lower than budget by the end of the financial year. Whilst it is still too early at this stage to forecast with a high degree of confidence a range of possible outcomes show that as at period 6, the fare revenue

## **Transport North East (Tyne and Wear) Sub-Committee**

shortfall for 2017/18 is expected to be between £0.300m and £0.600m below the budget set of £45.098m, with a further £0.100m reduction due to a deterioration in Nexus' share of the Network One (NTL) market. This is equivalent to a 0.9% to 1.6% variation from the base budget.

- 1.8 As a result, the Metro fare revenue forecast has been reduced by £0.400m this period; this will be kept under close review during the remainder of the year.
- 1.9 As at the end of period 6 of 2017/18, a budget surplus of £1.140m is now being forecast.
- 1.10 Appendix 1 provides a fuller review of Nexus' performance against the business plan over the period from 1 April 2017 to 16 September 2017.

### **2. Proposals**

- 2.1 There are no specific proposals for decision arising from this periodic performance monitoring update report.

### **3. Reasons for the Proposals**

- 3.1 There are no proposals for decision arising from this periodic performance monitoring update report.

### **4. Alternative Options Available**

- 4.1 There are no proposals from on which to base alternative options arising from this periodic performance monitoring update report.

### **5. Next Steps and Timetable for Implementation**

- 5.1 A report updating on Nexus' performance will be presented to each scheduled meeting of the Transport North East (Tyne and Wear) Sub-Committee in order to enable the required monitoring considerations and assurance activity to take place in accordance with the NECA's Constitution and the role and functions that are thereby delegated to the Transport North East (Tyne and Wear) Sub-Committee.

### **6. Potential Impact on Objectives**

- 6.1 Monitoring Nexus' performance helps to provide assurance that the NECA's policies and objectives are being implemented efficiently and effectively in accordance with the approved plan.

### **7. Financial and Other Resources Implications**

## **Transport North East (Tyne and Wear) Sub-Committee**

- 7.1 There are no direct financial or resource considerations arising from this periodic performance monitoring update report.

### **8. Legal Implications**

- 8.1 There are no direct legal considerations arising from this periodic performance monitoring update report.

### **9. Key Risks**

- 9.1 There are no direct risk considerations arising directly from this report, though monitoring and reviewing performance information plays an important role in risk management. A separate review of Nexus' corporate risk register is provided to each meeting of the Transport North East (Tyne and Wear) Sub-Committee in parallel with this report.

### **10. Equality and Diversity**

- 10.1 There are no specific equalities and diversity considerations arising from this periodic performance monitoring update report.

### **11. Crime and Disorder**

- 11.1 There are no specific crime and disorder considerations arising from this periodic performance monitoring update report.

### **12. Consultation/Engagement**

- 12.1 There are no specific consultation or engagement considerations arising from this periodic performance monitoring update report.

### **13. Other Impact of the Proposals**

- 13.1 There are no direct proposals arising from this periodic performance monitoring update report, and therefore no consequential impacts.

### **14. Appendices**

- 14.1 Appendix 1 to this report shows the Red/Amber/Green (RAG) analysis pertaining to progress against the three theme/sixteen workstreams contained in Nexus' Corporate Business Plan for 2017/18 to 2019/20, as approved by Transport North East (Tyne and Wear) Sub-Committee meeting on 26 January 2017, and identifies key considerations taken into account by Nexus' Corporate Management Team in arriving at the ratings.

## Transport North East (Tyne and Wear) Sub-Committee

### 15. Background Papers

- 15.1 Nexus' Corporate Business Plan 2017/18 to 2019/20 as considered and approved at the Transport North East (Tyne and Wear) Sub-Committee meeting held on 26 January 2017.

### 16. Contact Officers

- 16.1 Tobyn Hughes,  
Managing Director (Transport Operations)  
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### 17. Sign off

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

### 18. Glossary

The meaning of any abbreviations used is explained in the body of the report.

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Theme 1: Deliver public transport today		
Workstream:	RAG Status	Key Considerations:
<b>Improve Metro performance</b> (RAG Status: Amber)	<b>A</b>	<p>Average service punctuality for the eight weeks ending 16 September was 90.3%, exceeding the target of 87.2%. Over the equivalent eight weeks last year punctuality averaged 86.7%.</p>
		<p>The May 2017 Metro customer satisfaction tracking survey resulted in an overall score of 7.78, higher than the previous score of 7.73 obtained in November 2016 and the score of 7.45 from May 2016. A Metro improvement action plan, including training for Customer Services staff, is in place to provide a planned and co-ordinated attempt to further improve customer satisfaction. The results of the November 2017 survey will be available for the January 2018 performance update.</p>
		<p>Total Metro ridership for the eight weeks was 5.401m, 4.3% below the target of 5.643m. Cumulative ridership in the year to 16 September was 16.726m, 3.0% below the target of 17.250m and 2.7% below the 17.191m reported at this point in the prior year. (NB The position on farebox revenue is dealt with in 'Service review to balancing the budget' under Theme 3).</p>
		<p>Over the eight week period ending 16 September Metro's peak fleet availability was good, with the service requirement for 74 cars being met on 68 (87%) of the 78 weekday morning peaks. Metro Services staff had cleared the maintenance issues affecting the previous eight weeks when peak fleet availability was poor with the 74 car requirement being met on 20 (26%) of the 78 peaks. There were therefore fewer peak service cancellations.</p>
<b>Enhance local and national rail services</b> (RAG status: Green)	<b>G</b>	<p>In the respective Franchise Agreements both Northern and TransPennine Express have to consider the provision of Boxing Day services and have been asked to identify proposals for Rail North consideration by mid-October.</p>

Embed new technology (RAG status: Amber)	A	After the tariff changes associated with the fares review a series of three planned upgrades to the software for the ticketing and gating system will start in January and complete in March.
		The installation of new components to further improve security of card transactions through Ticket Vending Machines will also commence in January 2018.
Deliver the Metro Asset Renewal Plan (RAG status: Green)	G	The Metro Asset Renewal Plan (ARP) expenditure forecast for 2017/18 at 16 September was £31.9m and the actual out-turn for the year is expected to fall within maximum/minimum targets set by the Department for Transport (DfT).
		Renewal of the Killingworth Road Bridge was completed successfully and service resumed on 3 September as planned. Further non-disruptive works are continuing to restore temporary cable diversions and hand over the site to allow progression of highway works, separately commissioned by Newcastle City Council.
		Track renewal work in the summer blockade between Northumberland Park and South Gosforth also completed to programme allowing service to resume on 3 September. Further weekend and 'Control of Line' works will be carried out in October as planned, in order to finalise the works.
		Detailed survey and investigation work for the renewal and refurbishment of track from Gateshead Stadium to South Shields station is taking place. Initial design documentation is expected to be submitted in October. Work on site is planned to commence in mid-2018.
		A significant radio system milestone has been achieved, which should allow installation of equipment in Network Rail's Tyneside Control Centre, covering operation between Pelaw and South Hylton. This will enable full rollout of on-train equipment which follows successful pilot installations. This is currently programmed to complete in 2018/19.
		Refurbishment of five stations on the Airport line (Callerton, Bankfoot, Kingston Park, Fawdon and Wansbeck Road) has started. Refurbishment of Monkseaton, West Monkseaton and Cullercoats station will commence in November. Detailed designs are also being finalised for Shiremoor, Palmersville, Benton and Longbenton station refurbishments. Work is planned to commence at these

		stations in early 2018.
		Commissioning of live multifunctional relays in the power supply is expected to complete in November and will improve the resilience of Metro operations when power supply faults occur.
Deliver non-ARP capital projects (RAG status: Green)	G	The Non Metro capital programme forecast expenditure for 2017/18 at 16 September was £3.174m. This forecast includes £0.884m in respect of the Metro Maintenance and Renewals Skills Centre project in South Shields town centre where £7.0m of LGF funding was recently approved by the Leadership Board.
		Repairs to the Ferry landings are substantially complete ahead of the autumn and winter period, with discussions now taking place with the contractor on the outstanding work.
Deliver and develop public transport services and (RAG status: Green)	G	Changes and simplification of bus fares for Under 19s, recommended by the Fares for Young People task and finish group, were introduced in September 2017 by all three commercial bus operators and Nexus (for secured bus services) to streamline eligibility criteria. A proposal to introduce a single and return fare for Under 19s on Metro will be considered by this Sub-Committee on today's agenda and discussions are also progressing separately with regard to the potential for multi-operator and multi-modal ticketing products for under-19s.
		The Nexus Live Travel Map real time journey planning tool has been enhanced with several new features: A blue 'I am here' dot; a return to current location button, and the ability to capture a postcode search as a URL which can be embedded in a web page. This will be added to Metro station pages on the Nexus website to aid passengers at times of disruption.
		Nexus is making final preparations for the bulk renewal of almost 200,000 English National Concessionary Travel Scheme (ENCTS cards) which expire in March 2018.  A publicity campaign to encourage ENCTS card holders to update change of address is ongoing together with a web based option for renewal. Nexus Travel shops will also provide assistance during the renewal process.
		The Shields Ferry has seen 251,907 boardings in the year to 16 September, 4.9% below the target of 265,040 and 1.9% below the 257,020 boardings recorded at the same

		point last year.  As at 16 September punctuality was 99.7% and reliability only very slightly below at 98.7%, due to 17 sailings being lost on one of the vessels when it was out of service for urgent repairs due to a leak in an oil feed pipe.
		Bus, Ferry and Metro services were delivered successfully on 10 September for the Great North Run, with no major incidents.
		Nexus will now consider any implications for its secured bus services over the Christmas period, following notification from commercial bus service operators of their intended coverage.

Theme 2: Prepare for the future		
Workstream:	RAG Status	Key Considerations:
<b>Obtain a new Fleet and prepare for the new Metro contract</b>  <b>(RAG status: Amber)</b>	<b>A</b>	Discussions with the Department for Transport (DfT) and indications from the Treasury to date confirm that the government now accepts the need for new rolling stock for the Metro system. However the quantum of funding and contract structure is still to be agreed.
		There have been delays in obtaining central government approval of the business case, which now awaits decision at Ministerial level.

<p><b>Secure long term improvements to Metro's infrastructure</b> (RAG status: Green)</p>	<p><b>G</b></p>	<p>The future of Nexus' Essential Renewals programme will be considered by DfT's Rail Investment Board and a decision is anticipated by the end of 2017.</p>
<p><b>Plan for the expansion of Metro and local rail networks</b> (RAG status: Green)</p>	<p><b>G</b></p>	<p>Discussions have taken place with all NECA authorities' transport leads to inform the development of possible Metro extension proposals. In addition, 'Lessons Learnt' meetings have also been held with other Metro operators.</p>
		<p>Discussions with North Tyneside Council regarding the potential for new Metro stations at Murton Gap and Killingworth are ongoing.</p>
		<p>Nexus is working with Gateshead Council to explore the potential for a new station on Network Rail infrastructure to support the proposed entertainment arena, conference and exhibition centre development at Gateshead Quays.</p>

<b>Plan for local bus service improvements</b> <b>(RAG status: Green)</b>	<b>G</b>	Work continues on a new NECA Bus Strategy, with workshops taking place with partners and key stakeholders over recent months.
		Government intends to publish statutory guidance on how to make use of the Bus Services Act 2017 alongside related secondary legislation by the end of the year.
<b>Innovate through technology</b> <b>(RAG status: Green)</b>	<b>G</b>	Transport for the North (TfN) and partner authorities, including Nexus are being asked to agree Heads of Terms for the development of a specification for an Account Based Ticketing (ABT) Back Office which is intended to allow use of bank cards and mobile devices to pay for journeys. The timescale is still fluid owing to delays in accessing TfN financial modelling and legal documentation.
		Nexus is working with the NECA, Surrey University and Sunderland Software City to develop a test bed and series of trials for 5G Technologies across the North East. A Project Team has now been mobilised, whose initial task is to develop a funding application for consideration by the Department for Digital, Culture, Media and Sport, when an appropriate bidding round is identified.
		ITSO (the National Standards body for Smart Ticketing) is seeking to support a Host Card Emulation (your phone becomes your POP Card) trial on Tyne and Wear Metro. A "Proof of Concept" test on Nexus' system was successfully completed in September.
<b>Secure investment in public transport assets</b> <b>(RAG status: Green)</b>	<b>G</b>	Intrusive surveys, to test the fabric of Sunderland station, are underway and will be the subject of report in December. Network Rail (the station owner) aims to be in a position to provide budget estimates on the options for the re-development of the station before the New Year. In addition, the Outline Business Case, which will include an indicative Benefit:Cost Ratio (BCR) for the scheme, is on target for completion in early 2018-19.

Theme 3: Focus on organisational effectiveness		
Workstream:	RAG Status	Key Considerations:
<b>Refine training and succession planning</b> <b>(RAG status: Green)</b>	<b>G</b>	Having established NEMOL arrangements are being made to standardise the approach to succession planning across the Nexus' group.
		Nexus is subject to the Apprenticeship Levy and proposals are being formulated to make appropriate use of the new funding system in 2018/19.
<b>Ensure Nexus is an employer of choice</b> <b>(RAG status: Green)</b>	<b>G</b>	Nexus' Disciplinary, Wellbeing and Recruitment policies are currently under review.
		A new Occupational Health Services provider has begun awarded a three year contract with Nexus which started on 1 September 2017.
<b>Focus on health, safety and the environment</b> <b>(RAG status: Green)</b>	<b>G</b>	Nexus has had a continuous period of 92 days without a RIDDOR (regulations relating to formal notification of accidents and incidents) reportable accident to the end of P6 (16 September).
		The trend for Nexus' Accident Frequency Rate (calculated over 13 periods) continues to be favourable at 0.09.
		During P6 there were two (non-RIDDOR) accidents to contractors' staff working on Nexus' properties or infrastructure, taking the total to 3 in the year to date.
		In the year to 16 September the 'Close Call' reporting system had received 48 submissions, providing valuable learning opportunities.
		One signalling wrong-side failure (WSF) occurred during P6 when a training train failed to occupy a track circuit on the Depot Avoiding Line.
<b>Service review to balancing the budget</b> <b>(RAG status: Green)</b>	<b>G</b>	Now that six periods have elapsed, it is becoming apparent that fare revenue is likely to be lower than budget by the end of the financial year. Whilst it is still too early at this stage to forecast with a high degree of confidence a range of possible outcomes show that as at period 6, the fare revenue shortfall for 2017/18 is expected to be between £0.300m and £0.600m below the budget set of £45.098m, with a further £0.100m reduction due to a deterioration in Nexus' share of the Network One (NTL) market. This is equivalent to a 0.9%

		to 1.6% variation from the base budget.
		As a result, the Metro fare revenue forecast has been reduced by £0.400m this period; this will be kept under close review during the remainder of the year.
		As at the end of period 6 of 2017/18, a budget surplus of £1.140m is now being forecast.





## **Transport North East (Tyne and Wear) Sub-Committee**

**Date:** 16 November 2017

**Subject:** Metro Performance Update

**Report of:** Managing Director (Transport Operations)

### **Executive Summary**

The purpose of this report is to provide an update on Metro performance for the eight weeks from 23 July to 16 September 2017 (Periods 5 and 6 2017/18).

### **Recommendations**

The Transport North East (Tyne and Wear) Sub-Committee is recommended to receive and consider the report and attached appendix giving details of Metro performance.

## **Transport North East (Tyne and Wear) Sub-Committee**

### **1. Background Information**

- 1.1 The Concession Agreement between Nexus and DB Regio Tyne and Wear Limited (DBTW) expired at 01:59 hours on 1 April 2017. Nexus began managing Metro operations “in-house” from 1 April 2017. This followed closer and more direct management of DBTW by Nexus in the final year of the Concession Agreement.
- 1.2 Nexus set up a programme management approach to facilitate the transition from DBTW to Nexus and members have considered updates on the transition at previous meetings of this Sub-Committee. At a policy seminar, held in January 2017, members noted that the transition between operators elsewhere in the UK rail industry has sometimes resulted in a decline in performance.
- 1.3 Based on the experience elsewhere in the UK, members identified the need for this Sub-Committee to closely monitor the performance of Metro operations up to and following the transition. At the meeting of the Sub-Committee on 27 February 2017 members agreed performance measures to be reported to the Sub-Committee, and the format of the performance update.
- 1.4 This report sets out the Metro performance update for the eight weeks from 23 July to 16 September 2017 (Periods 5 and 6 2017/18). Appendix 1 contains detailed commentary against the performance measures.

### **2. Proposals**

- 2.1 The Sub-Committee is invited to consider and comment upon the performance of Metro during the relevant period.

### **3. Reasons for the Proposals**

- 3.1 The Sub-Committee’s comments will inform future actions to improve Metro performance.

### **4. Alternative Options Available**

- 4.1 There are no alternative options as the report is for information only.

### **5. Next Steps and Timetable for Implementation**

- 5.1 The next performance update will be presented at the January 2018 meeting of the Sub-Committee.

### **6. Potential Impact on Objectives**

## **Transport North East (Tyne and Wear) Sub-Committee**

- 6.1 Performance monitoring and review can help ensure the achievement of desired outcomes.

### **7. Financial and Other Resources Implications**

- 7.1 There are no direct financial or resource considerations arising from this report.

### **8. Legal Implications**

- 8.1 There are no direct legal considerations arising from this report.

### **9. Key Risks**

- 9.1 There are no specific risk management considerations arising from this report. Applying performance management can help mitigate and avoid the occurrence of risks.

### **10. Equality and Diversity**

- 10.1 There are no specific equalities and diversity considerations arising from this report.

### **11. Crime and Disorder**

- 11.1 There are no specific crime and disorder considerations arising from this report.

### **12. Consultation/Engagement**

- 12.1 There are no specific consultation/engagement considerations arising from this report.

### **13. Other Impact of the Proposals**

- 13.1 There are no other specific impacts of the proposals.

### **14. Appendices**

- 14.1 Appendix 1 – Metro performance update report

### **15. Background Papers**

- 15.1 None

### **16. Contact Officers**

## **Transport North East (Tyne and Wear) Sub-Committee**

16.1 Tobyn Hughes  
Managing Director (Transport Operations)  
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Tel: 0191 203 3246

### **17. Sign off**

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

### **18. Glossary**

See glossary within Appendix 1

## Transport North East (Tyne and Wear) Sub-Committee

### Appendix 1



## Metro performance update

### Periods 5 & 6 2017/18

(23 July 2017 to 16 September 2017)

Punctuality: 90.3%  
86.7% Last year

Customer  
Satisfaction: 7.8 / 10 May 2017  
7.7 / 10 November 2016  
7.4 / 10 May 2016

## Transport North East (Tyne and Wear) Sub-Committee

### Glossary of terms

**EHWM** - Excess Headway Minutes, the method by which delays experienced by passengers are measured. The total EHWM for any period is subject to an attribution process resulting to an agreed allocation across the Operator, Nexus Rail, Network Rail and Other/disputed depending on the identified causation.

**LRA** - Low Rail Adhesion - Leaves falling on tracks are compressed and become a slippery substance that is difficult to remove and creates greasy track conditions known as Low Rail Adhesion.

**MAA** – moving annual average - the average for the past 13 periods (i.e. 12 months) including the 4-week period being reported on.

**Metrocar kilometres per 4+ Excess Headway Minute fault** – is calculated as the total number of fleet failures affecting the Metro service by four minutes or more divided by the total fleet kilometres in the period being reviewed.

**Metro Customer Satisfaction Score** – the result of a tracking survey that is carried out in May and November each year.

**Network Rail** – the statutory infrastructure provider maintaining the railway and providing the power and signalling for the tracks and stations between Pelaw and South Hylton via Sunderland.

**Nexus Rail** – the division of Nexus responsible for providing and maintaining the Metro infrastructure including the track and stations owned by Nexus.

**Patronage** – the number of passenger boardings for a service, mode or area over a specified period normally arrived at by survey, the use of ticket machine data or some combination of both. Often used interchangeably with Ridership.

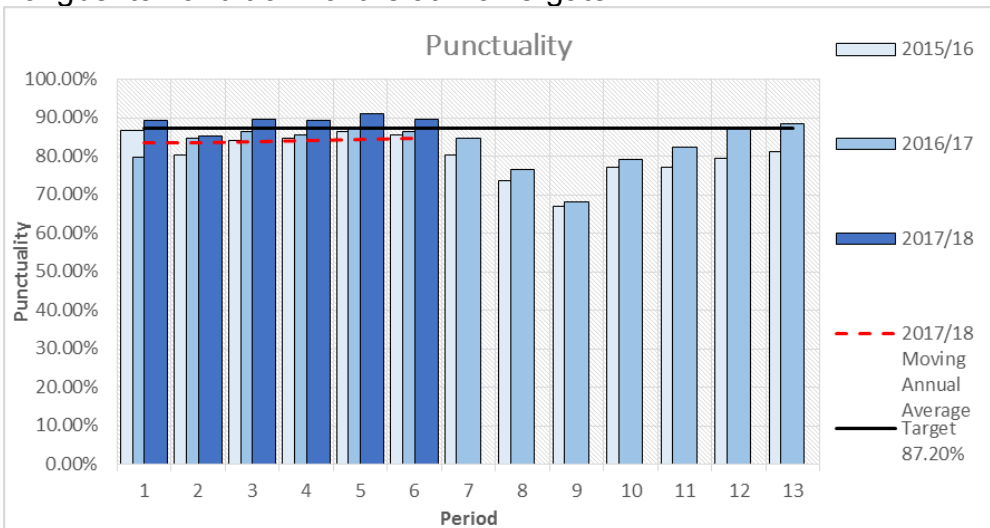
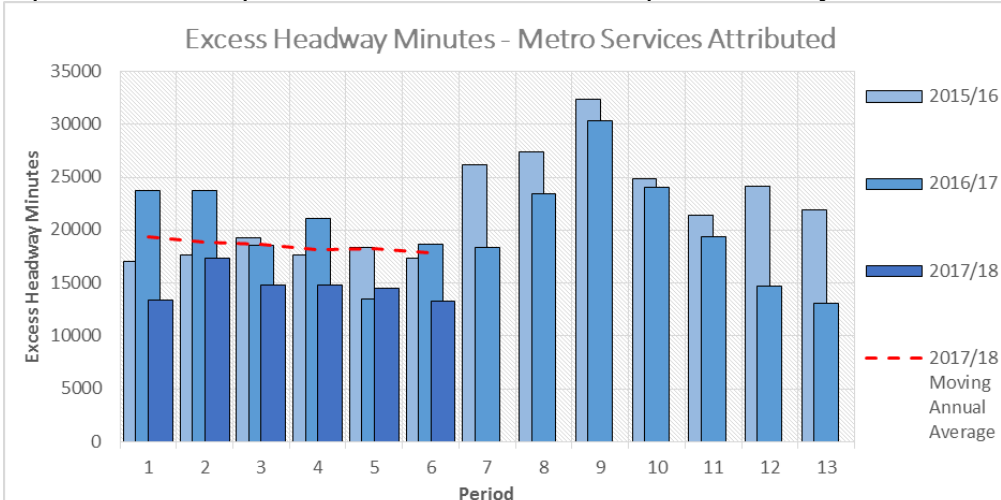
**Period** – 4-week periods (there are 13 in each financial year) used for financial, accounting and performance measurement purposes.

**Punctuality** – measurement of train punctuality as set out in the Metro Passenger Charter; measures the percentage of trains arriving within three minutes later or within 29 seconds earlier than scheduled.

**RIDDOR** – Reporting of Injuries, Diseases and Dangerous Occurrences Regulations – legislation which puts duties on employers, the self-employed and people in control of work premises to report certain serious workplace accidents, operational diseases and specified dangerous occurrences (near misses) to the Health and Safety Executive

**SQR** – Service Quality Regime - the means by which quality standards on stations and trains is measured

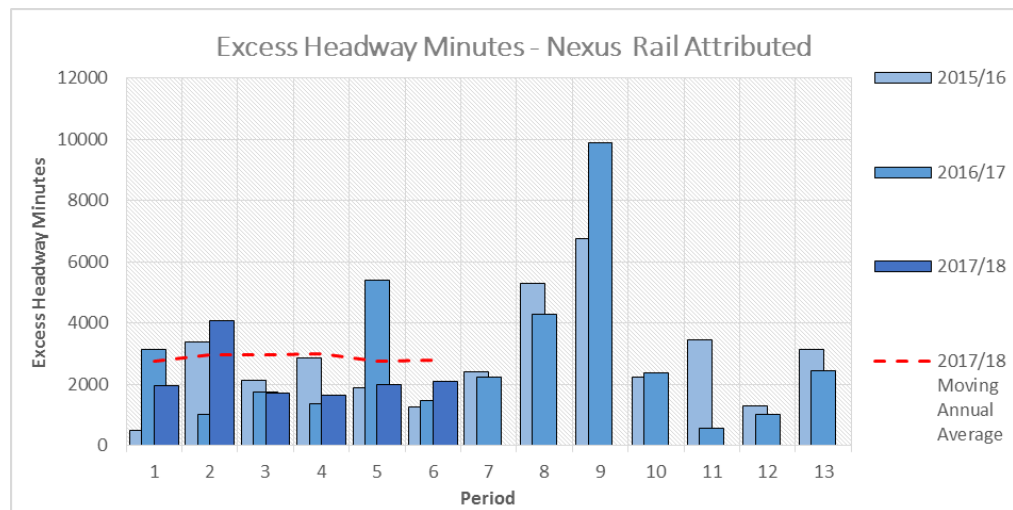
## Transport North East (Tyne and Wear) Sub-Committee

Operational performance	
Indicator:	Performance and Key Considerations:
Punctuality	<p>During the two periods leading up to 16 September a punctuality figure of 90.3% was achieved by Metro compared to 86.7% over the same eight weeks last year. Both Periods 5 and 6 exceeded the 87.2% target, at 90.9% and 89.6% respectively, continuing the trend of all periods being above target other than Period 2 which was affected by an external flooding event. Period 6 included the Great North Run which was delivered successfully, but also significant disruption on the evening of 12 September due to an overhead line failure at Longbenton and train failure at Walkergate.</p>  <p><b>Punctuality</b></p> <p>Legend: 2015/16 (light blue), 2016/17 (medium blue), 2017/18 (dark blue), 2017/18 Moving Annual Average (dashed red line), Average Target 87.20% (solid black line).</p>
Excess Headway Minutes (Metro Services)	<p>Just over 14,000 Excess Headway Minutes per four-week period was allocated to the Operator over the eight weeks under review, an improvement of approximately 800 Excess Headway Minutes per four-week period when compared with the previous two periods. This also represents an improvement on the same two periods last year.</p>  <p><b>Excess Headway Minutes - Metro Services Attributed</b></p> <p>Legend: 2015/16 (light blue), 2016/17 (medium blue), 2017/18 (dark blue), 2017/18 Moving Annual Average (dashed red line).</p>

## Transport North East (Tyne and Wear) Sub-Committee

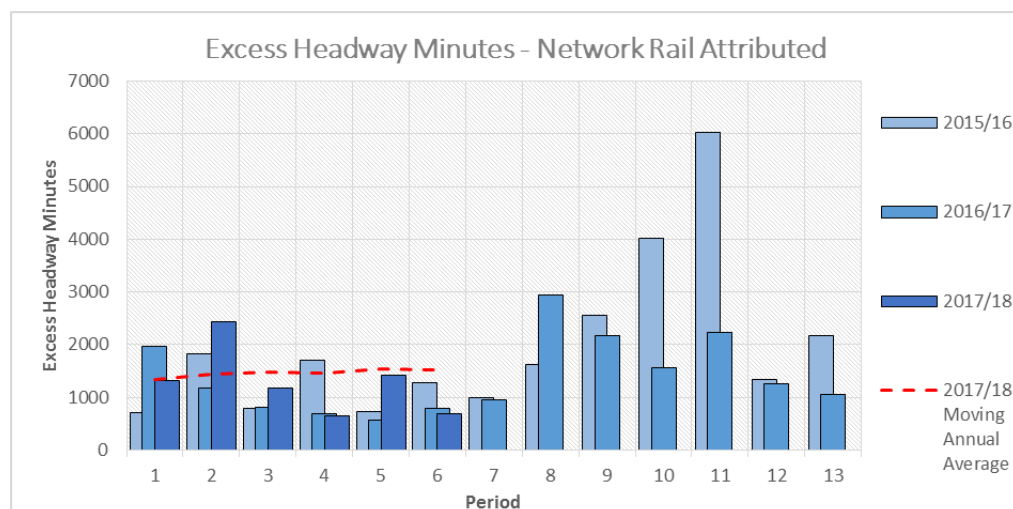
### Excess Headway Minutes (Nexus Rail)

An average of just over 2,000 Excess Headway Minutes per four-week period was allocated to Nexus Rail; this is a worsening of just over 300 Excess Headway Minutes per four-week period compared with the previous two periods. It is an improvement compared with the same periods in the previous year, which had an unusually high level of Excess Headway Minutes in Period 5 due to one major disruption.



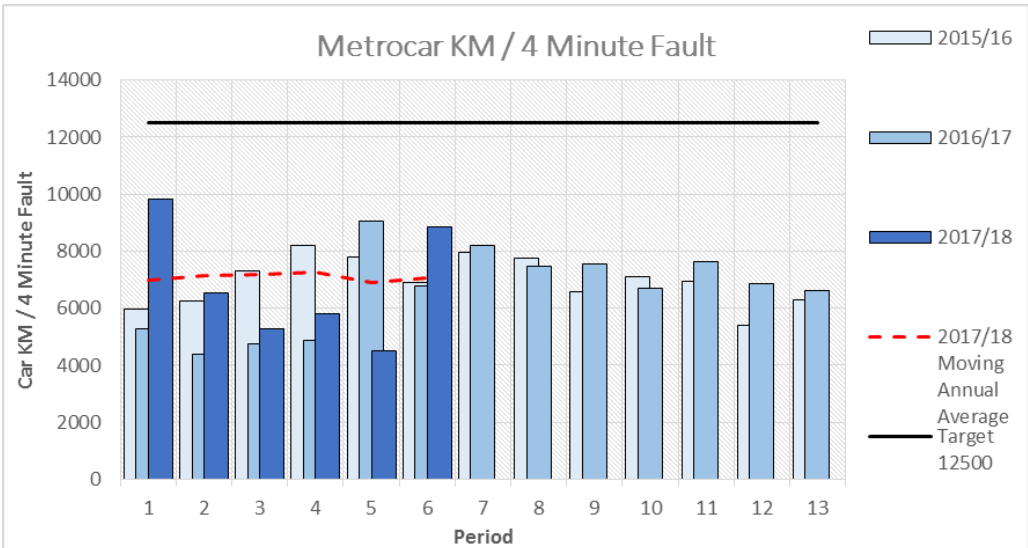
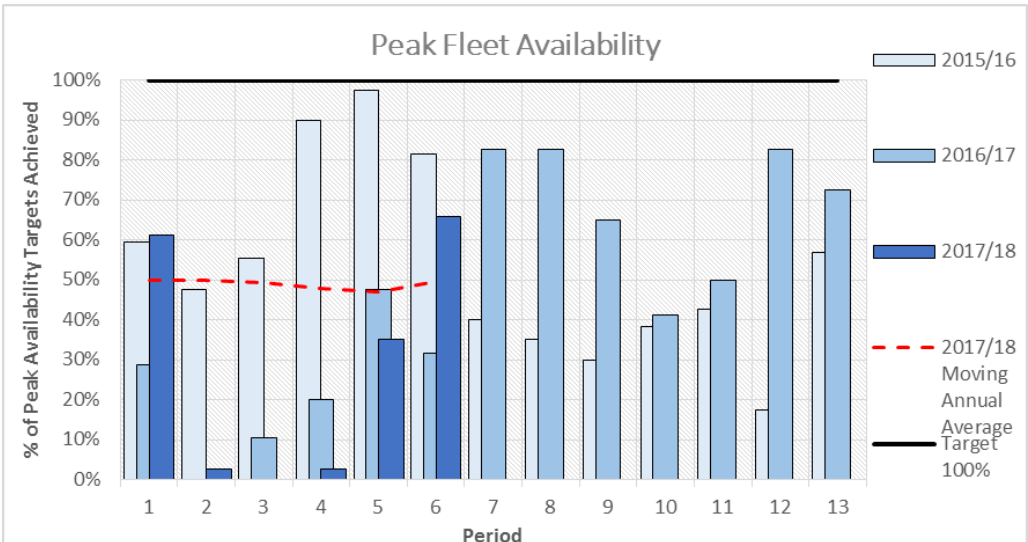
### Excess Headway Minutes (Network Rail)

An average of just over 1,000 Excess Headway Minutes per four-week period were allocated to Network Rail, this is a worsening of around 100 Excess Headway Minutes per four-week period when compared with the previous three periods and a worsening of 350 Excess Headway Minutes per four-week period when compared with the same time last year.





## Transport North East (Tyne and Wear) Sub-Committee

Fleet performance																																																									
Indicator:	Performance and Key Considerations:																																																								
Metrocar kilometres per 4+ Excess Headway Minute fault	<p>Performance was an average of 6,671km per fault in the eight weeks to 16 September. This is an improvement on the previous eight weeks which saw the average at 5,553km per fault, but poorer than the same eight weeks last year.</p> <div><p>Metrocar KM / 4 Minute Fault</p><table><caption>Metrocar KM / 4 Minute Fault (Approximate Data)</caption><thead><tr><th>Period</th><th>2015/16</th><th>2016/17</th><th>2017/18</th></tr></thead><tbody><tr><td>1</td><td>6,000</td><td>5,500</td><td>9,800</td></tr><tr><td>2</td><td>6,200</td><td>4,500</td><td>6,500</td></tr><tr><td>3</td><td>7,200</td><td>4,800</td><td>5,200</td></tr><tr><td>4</td><td>8,200</td><td>5,000</td><td>5,800</td></tr><tr><td>5</td><td>7,800</td><td>9,000</td><td>4,500</td></tr><tr><td>6</td><td>6,800</td><td>8,800</td><td>8,800</td></tr><tr><td>7</td><td>8,000</td><td>8,200</td><td>0</td></tr><tr><td>8</td><td>7,800</td><td>7,500</td><td>0</td></tr><tr><td>9</td><td>7,500</td><td>7,500</td><td>0</td></tr><tr><td>10</td><td>7,000</td><td>6,800</td><td>0</td></tr><tr><td>11</td><td>7,000</td><td>7,500</td><td>0</td></tr><tr><td>12</td><td>5,500</td><td>6,800</td><td>0</td></tr><tr><td>13</td><td>6,200</td><td>6,500</td><td>0</td></tr></tbody></table></div>	Period	2015/16	2016/17	2017/18	1	6,000	5,500	9,800	2	6,200	4,500	6,500	3	7,200	4,800	5,200	4	8,200	5,000	5,800	5	7,800	9,000	4,500	6	6,800	8,800	8,800	7	8,000	8,200	0	8	7,800	7,500	0	9	7,500	7,500	0	10	7,000	6,800	0	11	7,000	7,500	0	12	5,500	6,800	0	13	6,200	6,500	0
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Peak fleet availability	<p>Peak fleet availability in the eight weeks ending 16 September saw the full service delivery requirement being met on 63% (49/78) of the weekday morning and evening peaks. Availability improved compared with the previous eight weeks, following work to carry out significant repairs to Metrocars.</p> <div><p>Peak Fleet Availability</p><table><caption>Peak Fleet Availability (Approximate Data)</caption><thead><tr><th>Period</th><th>2015/16</th><th>2016/17</th><th>2017/18</th></tr></thead><tbody><tr><td>1</td><td>60%</td><td>28%</td><td>62%</td></tr><tr><td>2</td><td>48%</td><td>0%</td><td>2%</td></tr><tr><td>3</td><td>55%</td><td>10%</td><td>0%</td></tr><tr><td>4</td><td>90%</td><td>20%</td><td>2%</td></tr><tr><td>5</td><td>98%</td><td>48%</td><td>35%</td></tr><tr><td>6</td><td>82%</td><td>32%</td><td>65%</td></tr><tr><td>7</td><td>40%</td><td>83%</td><td>0%</td></tr><tr><td>8</td><td>35%</td><td>83%</td><td>0%</td></tr><tr><td>9</td><td>30%</td><td>65%</td><td>0%</td></tr><tr><td>10</td><td>38%</td><td>42%</td><td>0%</td></tr><tr><td>11</td><td>43%</td><td>50%</td><td>0%</td></tr><tr><td>12</td><td>18%</td><td>83%</td><td>0%</td></tr><tr><td>13</td><td>58%</td><td>72%</td><td>0%</td></tr></tbody></table></div>	Period	2015/16	2016/17	2017/18	1	60%	28%	62%	2	48%	0%	2%	3	55%	10%	0%	4	90%	20%	2%	5	98%	48%	35%	6	82%	32%	65%	7	40%	83%	0%	8	35%	83%	0%	9	30%	65%	0%	10	38%	42%	0%	11	43%	50%	0%	12	18%	83%	0%	13	58%	72%	0%
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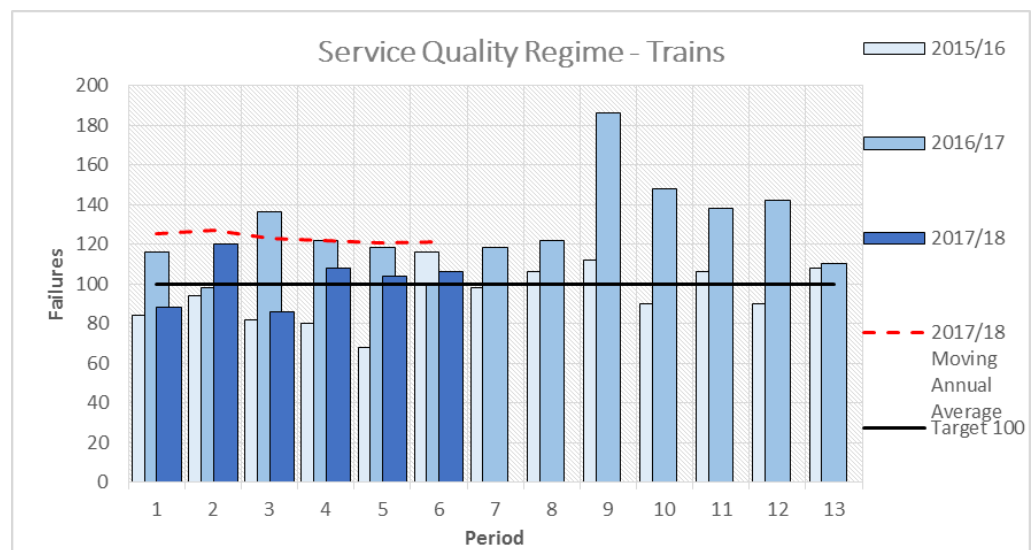
## Transport North East (Tyne and Wear) Sub-Committee

Customer experience																																																									
Indicator:	Performance and Key Considerations:																																																								
Customer Satisfaction Survey	<p>The May 2017 Metro Customer Satisfaction Survey (CSS) score rose to 7.8, an improvement on both the November 2016 score of 7.7 and the May 2016 score of 7.4. The score remains short of the 8.3 target. A Metro Improvement Plan is in place to increase customer satisfaction.</p> <div><p>Customer Satisfaction Survey - Overall Satisfaction</p><table border="1"><thead><tr><th>Fiscal Year</th><th>May</th><th>Nov</th></tr></thead><tbody><tr><td>2010/11</td><td>7.9</td><td></td></tr><tr><td>2011/12</td><td></td><td>8.0</td></tr><tr><td>2012/13</td><td>8.0</td><td></td></tr><tr><td>2013/14</td><td></td><td>8.0</td></tr><tr><td>2014/15</td><td>8.0</td><td></td></tr><tr><td>2015/16</td><td></td><td>7.6</td></tr><tr><td>2016/17</td><td>7.4</td><td></td></tr><tr><td>2017/18</td><td></td><td>7.7</td></tr><tr><td>2018/19</td><td>7.8</td><td></td></tr></tbody></table></div>	Fiscal Year	May	Nov	2010/11	7.9		2011/12		8.0	2012/13	8.0		2013/14		8.0	2014/15	8.0		2015/16		7.6	2016/17	7.4		2017/18		7.7	2018/19	7.8																											
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Service Quality Regime – Stations	<p>An average of 63 fails were recorded per 4-week period, in the eight weeks to 16 September. This is worse than the previous eight weeks which saw an average of 58 fails per 4-week period and remains above the target of 55. However, it is better than the level seen in the same eight weeks last year. Graffiti levels continue to be the main driver of fails, with resources being directed to identify and then remove graffiti as quickly as possible.</p> <div><p>Service Quality Regime - Stations</p><table border="1"><thead><tr><th>Period</th><th>2015/16</th><th>2016/17</th><th>2017/18</th></tr></thead><tbody><tr><td>1</td><td>65</td><td>48</td><td>55</td></tr><tr><td>2</td><td>60</td><td>45</td><td>65</td></tr><tr><td>3</td><td>60</td><td>55</td><td>55</td></tr><tr><td>4</td><td>82</td><td>52</td><td>62</td></tr><tr><td>5</td><td>72</td><td>60</td><td>68</td></tr><tr><td>6</td><td>75</td><td>58</td><td>58</td></tr><tr><td>7</td><td>75</td><td>55</td><td>55</td></tr><tr><td>8</td><td>58</td><td>45</td><td>55</td></tr><tr><td>9</td><td>65</td><td>50</td><td>55</td></tr><tr><td>10</td><td>68</td><td>55</td><td>55</td></tr><tr><td>11</td><td>72</td><td>55</td><td>55</td></tr><tr><td>12</td><td>65</td><td>65</td><td>55</td></tr><tr><td>13</td><td>55</td><td>55</td><td>55</td></tr></tbody></table></div>	Period	2015/16	2016/17	2017/18	1	65	48	55	2	60	45	65	3	60	55	55	4	82	52	62	5	72	60	68	6	75	58	58	7	75	55	55	8	58	45	55	9	65	50	55	10	68	55	55	11	72	55	55	12	65	65	55	13	55	55	55
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## Transport North East (Tyne and Wear) Sub-Committee

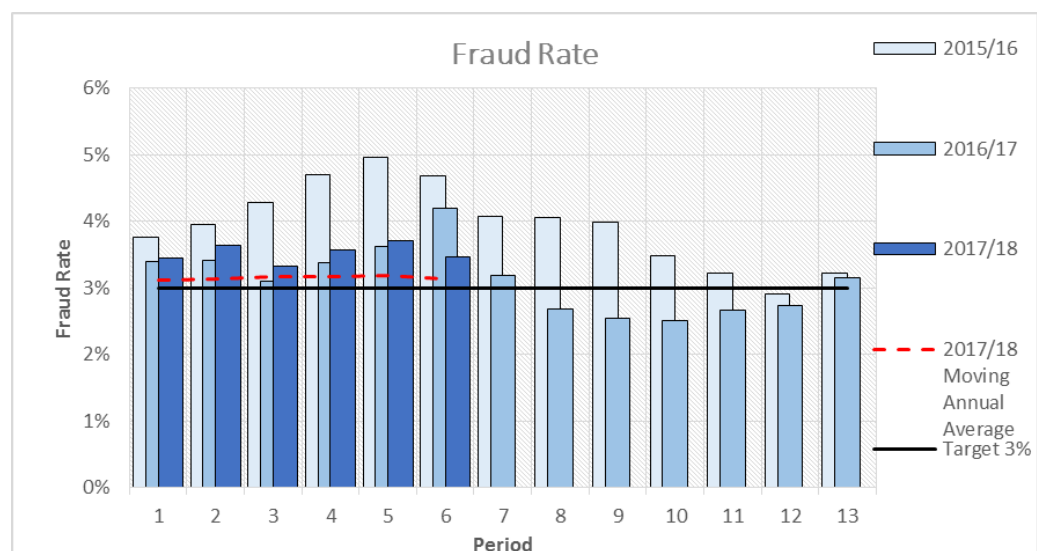
### Service Quality Regime – Metrocars

An average of 105 fails per 4-week period were recorded in the eight weeks to 16 September. This is worse than the 97 fails per 4-week period recorded in the previous twelve weeks, but an improvement compared with the same eight weeks last year. Unlike Stations, there is no dominant indicator making up the failures so the focus remains on ensuring issues are identified and addressed quickly.



### Fraud rate

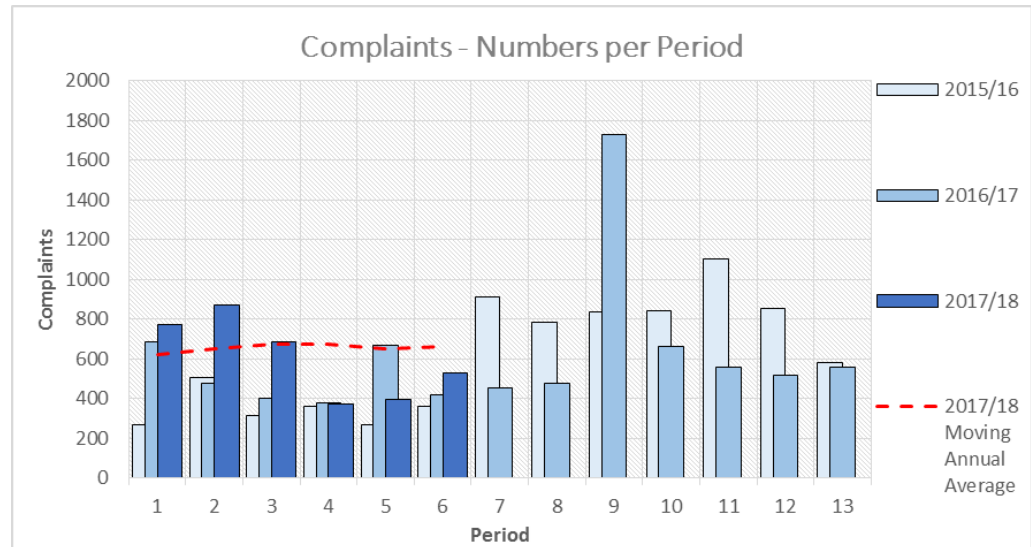
The fraud rate was an average of 3.58% over the eight weeks to 16 September. This is higher than the previous eight weeks which had an average of 3.45% which had also had an average level of 3.4%, but better than the same eight weeks last year, which had a fraud rate of 3.90%. A focussed set of actions have been put in place to reduce the fraud rate further.



## Transport North East (Tyne and Wear) Sub-Committee

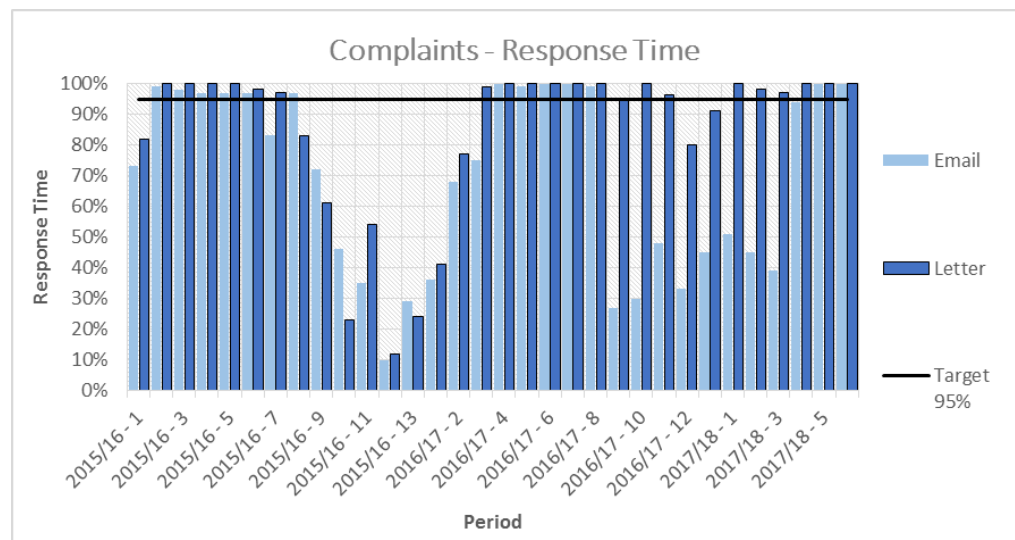
### Complaints numbers

Complaints numbers reduced over the eight weeks to 16 September, with an average of 461 per 4-week period. The overall reduction in the number of complaints reflects the improved service performance.

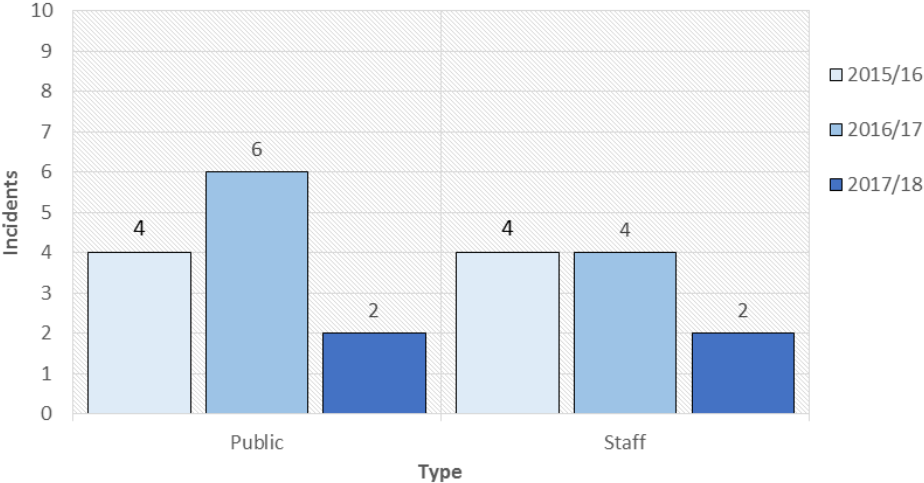


### Complaints response time

Response times are now performing better than target, with 100% of correspondence responded to within 5 working days for emails and 10 working days for letters.

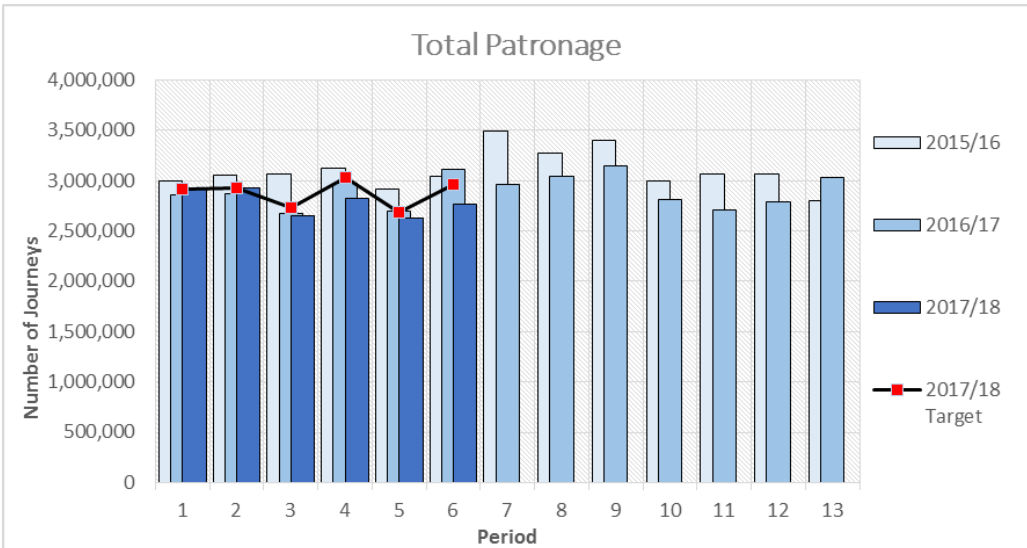


## Transport North East (Tyne and Wear) Sub-Committee

Safety													
Indicator:	Performance and Key Considerations:												
Number of accidents	<p>There have been two staff RIDDOR reportable accidents in 2017/18 to date and two public RIDDOR reportable accidents.</p> <div><p>RIDDOR Reportable Incidents</p><table><thead><tr><th>Type</th><th>2015/16</th><th>2016/17</th><th>2017/18</th></tr></thead><tbody><tr><td>Public</td><td>4</td><td>6</td><td>2</td></tr><tr><td>Staff</td><td>4</td><td>4</td><td>2</td></tr></tbody></table></div>	Type	2015/16	2016/17	2017/18	Public	4	6	2	Staff	4	4	2
Type	2015/16	2016/17	2017/18										
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Farebox																																																																																											
Indicator:	Performance and Key Considerations:																																																																																										
Total Farebox revenue	Now that six periods have elapsed, it is becoming apparent that fare revenue is likely to be lower than budget by the end of the financial year. Whilst it is still too early at this stage to forecast with a high degree of confidence a range of possible outcomes show that as at period 6, the fare revenue shortfall for 2017/18 is expected to be between £0.3m and £0.6m below the budget set of £45.098m, with a further £0.1m reduction due to a deterioration in Nexus’ share of the Network One (NTL) market. This is equivalent to a 0.9% to 1.6% variation from the base budget.  Total Revenue	Period	2015/16	2016/17	2017/18	2017/18 Budget		--------	------------	------------	------------	----------------		1	£3,200,000	£3,400,000	£3,500,000	£3,500,000		2	£3,100,000	£3,300,000	£3,400,000	£3,400,000		3	£3,200,000	£3,400,000	£3,500,000	£3,500,000		4	£3,100,000	£3,300,000	£3,400,000	£3,400,000		5	£3,200,000	£3,400,000	£3,500,000	£3,500,000		6	£3,300,000	£3,500,000	£3,600,000	£3,600,000		7	£4,300,000	£4,100,000	-	-		8	£4,100,000	£4,000,000	-	-		9	£3,800,000	£3,700,000	-	-		10	£3,400,000	£3,300,000	-	-		11	£3,700,000	£3,600,000	-	-		12	£3,600,000	£3,500,000	-	-		13	£4,200,000	£3,100,000	-	-	

## Transport North East (Tyne and Wear) Sub-Committee

Patronage																																																																							
Indicator:	Performance and Key Considerations:																																																																						
Total Patronage	<p>Total patronage for the year as at Period 6 stands at 16.73m v target of 17.25m (-3.0%). This position is reflective of the farebox revenue. The Periodic performance versus the previous two years and versus target is shown below.</p> <div><p>Total Patronage</p><table><caption>Estimated Total Patronage Data (Number of Journeys)</caption><thead><tr><th>Period</th><th>2015/16</th><th>2016/17</th><th>2017/18</th><th>2017/18 Target</th></tr></thead><tbody><tr><td>1</td><td>3,000,000</td><td>2,900,000</td><td>2,900,000</td><td>2,900,000</td></tr><tr><td>2</td><td>3,050,000</td><td>2,950,000</td><td>2,950,000</td><td>2,950,000</td></tr><tr><td>3</td><td>3,050,000</td><td>2,700,000</td><td>2,650,000</td><td>2,750,000</td></tr><tr><td>4</td><td>3,100,000</td><td>2,850,000</td><td>2,800,000</td><td>3,050,000</td></tr><tr><td>5</td><td>2,950,000</td><td>2,650,000</td><td>2,600,000</td><td>2,700,000</td></tr><tr><td>6</td><td>3,100,000</td><td>2,750,000</td><td>2,700,000</td><td>2,950,000</td></tr><tr><td>7</td><td>3,500,000</td><td>2,950,000</td><td>-</td><td>-</td></tr><tr><td>8</td><td>3,250,000</td><td>3,050,000</td><td>-</td><td>-</td></tr><tr><td>9</td><td>3,400,000</td><td>3,150,000</td><td>-</td><td>-</td></tr><tr><td>10</td><td>3,000,000</td><td>2,800,000</td><td>-</td><td>-</td></tr><tr><td>11</td><td>3,050,000</td><td>2,700,000</td><td>-</td><td>-</td></tr><tr><td>12</td><td>3,050,000</td><td>2,800,000</td><td>-</td><td>-</td></tr><tr><td>13</td><td>2,800,000</td><td>3,050,000</td><td>-</td><td>-</td></tr></tbody></table></div>	Period	2015/16	2016/17	2017/18	2017/18 Target	1	3,000,000	2,900,000	2,900,000	2,900,000	2	3,050,000	2,950,000	2,950,000	2,950,000	3	3,050,000	2,700,000	2,650,000	2,750,000	4	3,100,000	2,850,000	2,800,000	3,050,000	5	2,950,000	2,650,000	2,600,000	2,700,000	6	3,100,000	2,750,000	2,700,000	2,950,000	7	3,500,000	2,950,000	-	-	8	3,250,000	3,050,000	-	-	9	3,400,000	3,150,000	-	-	10	3,000,000	2,800,000	-	-	11	3,050,000	2,700,000	-	-	12	3,050,000	2,800,000	-	-	13	2,800,000	3,050,000	-	-
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2	3,050,000	2,950,000	2,950,000	2,950,000																																																																			
3	3,050,000	2,700,000	2,650,000	2,750,000																																																																			
4	3,100,000	2,850,000	2,800,000	3,050,000																																																																			
5	2,950,000	2,650,000	2,600,000	2,700,000																																																																			
6	3,100,000	2,750,000	2,700,000	2,950,000																																																																			
7	3,500,000	2,950,000	-	-																																																																			
8	3,250,000	3,050,000	-	-																																																																			
9	3,400,000	3,150,000	-	-																																																																			
10	3,000,000	2,800,000	-	-																																																																			
11	3,050,000	2,700,000	-	-																																																																			
12	3,050,000	2,800,000	-	-																																																																			
13	2,800,000	3,050,000	-	-																																																																			



## Transport North East (Tyne and Wear) Sub-Committee

**Date:** 16 November 2017

**Subject:** Update on Nexus' Corporate Risk Register 2017/18

**Report of:** Managing Director (Transport Operations)

### Executive Summary

The report shows that Nexus continues to apply adequate and appropriate controls to its Corporate Risks as a result of which the status of the risks has remained stable since the previous report in September and therefore remain contained within the risk appetite of the organisation.

### Recommendations

The Transport North East (Tyne and Wear) Sub-Committee is recommended to note the report and the attached appendix providing an update on Nexus' Corporate Risk Register (CRR).



## Transport North East (Tyne and Wear) Sub-Committee

### 1. Background Information

- 1.1 This report provides an update on Nexus' Corporate Risk Register (CRR) for 2017/18, containing fifteen risks, as submitted to the Transport North East (Tyne and Wear) Sub-Committee meeting on 20 April 2017 with subsequent updates to meetings on 13 July and 14 September 2017.
- 1.2 In preparing the update report each risk is reviewed, in liaison with the risk owner/actionee, to assess whether there has been any change to the risk score and ensure that the risk control processes remain adequate and appropriate. If there is an alteration to the status of a risk the reasons for the change are explained in this update report.
- 1.3 The following table identifies each of the fifteen risks in turn, the links to workstreams in Nexus' Corporate Business Plan (CBP) for 2017/18 to 2019/20, the current Red/Amber/Green (RAG) status and the direction of travel (comparing the current RAG status with the previous one). A detailed explanation of the nature of each risk, together with controls and milestones, is set out in Appendix 1 to the report. A copy of the scoring matrix that has been applied is also appended for information.

Risk area/CBP workstream link(s):	RAG Status/ Score	Direction of travel
<b>Metro performance deterioration</b> Improve Metro performance	<b>Amber</b> 8	↔ (static)
<b>Catastrophic event on Metro</b> Metro performance/Focus on Health and Safety	<b>Amber</b> 8	↔ (static)
<b>Rail North working arrangements</b> Enhance local and national rail services	<b>Green</b> 6	↔ (static)
<b>Payment and customer information systems</b> Embed new technology/Innovate through technology	<b>Green</b> 6	↔ (static)
<b>Metro Asset Renewal Programme fails to deliver intended outcomes/Deliver the Asset Renewal Programme</b>	<b>Green</b> 6	↔ (static)
<b>Non-ARP capital projects fail to deliver intended outcomes/Deliver the non-ARP capital projects</b>	<b>Green</b> 6	↔ (static)
<b>Provision of public transport services and facilities</b>	<b>Amber</b> 9	↔



## Transport North East (Tyne and Wear) Sub-Committee

<b>does not meet customer expectations.</b> Deliver and develop public transport services and facilities		(static)
<b>Replacement of the Metrocar fleet and putting a new contract in place</b> Obtain a new fleet and prepare for the new Metro contract	Amber 8	↔ (static)
<b>Long-term funding for Metro</b> Secure long term improvements to Metro infrastructure	Amber 9	↔ (static)
<b>Work to expand the Metro and local rail network does not progress.</b> /Plan for expansion of Metro and local rail networks	Amber 9	↔ (static)
<b>Bus Strategy delivery arrangements</b> Plan for local bus service improvements.	Green 6	↔ (static)
<b>Business cases for external funding</b> Secure investment in local public transport assets	Amber 9	↔ (static)
<b>Future retention of key skills and abilities</b> Refine training and succession planning & Ensure Nexus is an employer of choice	Green 6	↔ (static)
<b>Nexus' service review fails to deliver the necessary savings</b> /Service review to balancing the budget	Green 6	↔ (static)
<b>The Devolution agenda on transport matters is progressed without having due regard to Nexus' funding, functions and powers</b> /Focus on organisational effectiveness	Amber 8	↔ (static)

As can be seen from the table above there has been no change in risk status from the update to the meeting of the Sub-Committee in September.

1.4

## 2. Proposals

2.1 The report is for information only: there are no specific proposals arising from this periodic update report on Nexus' Corporate Risk Register (CRR).

## 3. Reasons for the Proposals

3.1 The report is for information only: there are no proposals arising from this periodic update report on Nexus' CRR.

## **Transport North East (Tyne and Wear) Sub-Committee**

### **4. Alternative Options Available**

- 4.1 The report is for information only: there are no proposals on which to base alternative options arising from this periodic update report on Nexus' CRR.

### **5. Next Steps and Timetable for Implementation**

- 5.1 A report updating on Nexus' CRR will be presented to each scheduled meeting of the Transport North East (Tyne and Wear) Sub-Committee in order to enable the required monitoring considerations and assurance activity to take place in accordance with the NECA's Constitution and the role and functions that are thereby delegated to the Transport North East (Tyne and Wear) Sub-Committee. The update will contain details of any risks where a change in the status has been identified as a result of the review process.

### **6. Potential Impact on Objectives**

- 6.1 Monitoring Nexus' CRR therefore helps to provide assurance that the NECA's policies and objectives are being implemented efficiently and effectively in accordance with the approved plan and that those corporate risks which, if they occurred, could negate achievement of the plan are explicitly recognised and appropriately managed.

### **7. Financial and Other Resources Implications**

- 7.1 There are no direct financial or resource considerations arising from this periodic update report on Nexus' corporate risk register.

### **8. Legal Implications**

- 8.1 There are no direct legal considerations arising from this periodic update on Nexus' corporate risk register.

### **9. Key Risks**

- 9.1 There are no direct risk considerations arising directly from this report, though monitoring and reviewing corporate risk plays an important role in risk management and mitigation. A separate review of Nexus' performance against its business plan is provided to each meeting of the Transport North East (Tyne and Wear) Sub-Committee in parallel with this report.

### **10. Equality and Diversity**

## **Transport North East (Tyne and Wear) Sub-Committee**

- 10.1 There are no specific equalities and diversity considerations arising from this periodic update on Nexus' corporate risks.

### **11. Crime and Disorder**

- 11.1 There are no specific crime and disorder considerations arising from this periodic update on Nexus' corporate risk register.

### **12. Consultation/Engagement**

- 12.1 There are no specific consultation or engagement considerations arising from this periodic update on Nexus' corporate risk register.

### **13. Other Impact of the Proposals**

- 13.1 There are no direct proposals arising from this periodic update on Nexus' CRR, and therefore no consequential impacts other than applying risk management processes and procedures tends to help avoid or lessen the likelihood of the risk or hazard arising.

### **14. Appendices**

- 14.1 Appendix 1 to this report provides a detailed explanation of the nature of each of the risk in Nexus' CRR, together with controls and milestones. A copy of the scoring matrix that has been applied is also appended for information.

### **15. Background Papers**

- 15.1 Nexus' Corporate Business Plan 2017/18 to 2019/20 as considered and approved at the Transport North East (Tyne and Wear) Sub-Committee meeting held on 26 January 2017.
- 15.2 Nexus' Corporate Risk Register as reported to the Transport North East (Tyne and Wear) Sub-Committee on 20 April 2017 with subsequent updates to meetings on 13 July and 14 September.

### **16. Contact Officers**

- 16.1 Tobyn Hughes,  
Managing Director (Transport Operations)  
Email: [tobyn.hughes@nexus.org.uk](mailto:tobyn.hughes@nexus.org.uk)  
Tel: 0191 203 3236

### **17. Sign off**

## Transport North East (Tyne and Wear) Sub-Committee

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

### 18. Glossary

**Corporate Risk** - relates to those factors that might have a significant effect on the achievement of workstreams in Nexus' Corporate Business Plan and therefore the successful delivery of the NECA's policies and priorities.

**Risk** - A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action.

**Risk appetite** - The level of risk that an organisation is prepared to accept in pursuit of its objectives, and before action is deemed necessary to reduce the risk.

**Risk Controls or control processes** - are those pre-emptive actions which are specifically identified to be taken to lower the impact of the risk or reduce the likelihood of the risk materialising, or both of these.

**Risk Matrix** - a graphical representation of the Risk Severity and the extent to which the Controls mitigate it.

**Risk Owner** - has overall responsibility for the management and reporting of the risk.

**Risk Actionee** – has delegated responsibility from the Risk Owner to take action and manage the risk through application of the appropriate risk controls and processes.

**Risk Impact** - indicates the potential seriousness should the risk materialise.

**Risk Likelihood** - indicates the chance of a risk materialising in the time period under consideration.

**Risk Score** - the product of the Impact score multiplied by the Likelihood score.

## Nexus' Corporate Risk Register:

CBP Theme: <b>Deliver public transport today</b>		
CBP Workstream: <b>Improve Metro performance</b>		
Risk Owner: <b>Director of Rail and Infrastructure</b> Risk Area: <b>Performance deterioration</b>	<b>RAG Status (Amber)</b>	<b>Direction of Travel</b>
	8 (2x4) <sup>1</sup>	↔ (static)
<b>Risk: That the transition from Metro being operated by DBTW to operation by Nexus' wholly owned subsidiary, North East Metro Operations Ltd. (NEMOL), results in a decline in performance.</b>		
Impact/Consequence(s):  If Metro's operational performance were to decline for an extended period following the transition on 1 April 2017 this could have an adverse impact on Nexus' reputation with regard to service delivery and possible consequences for future funding arrangements that are being negotiated with external stakeholders.		
Control(s):  <ul style="list-style-type: none"> <li>• Close monitoring of key business results.</li> <li>• Extending greater support from Nexus to NEMOL.</li> <li>• Establishing a set of quality assurance processes.</li> <li>• Development of long term plans for all NEMOL activities.</li> </ul>		
Next Steps/Key Milestones:  <ul style="list-style-type: none"> <li>• Embedding the routine performance management and business reporting cycle.</li> </ul>		


CBP Theme: <b>Deliver public transport today</b>		
CBP Workstream: <b>Metro performance/Focus on Health &amp; Safety</b>		
Risk Owner: <b>Director of Rail and Infrastructure</b> Risk Area: <b>Catastrophic event</b>	<b>RAG Status (Amber)</b>	<b>Direction of Travel</b>
	8 (2x4)	↔ (static)
<b>Risk: In running any operational railway there is an inherent risk that a catastrophic event may occur.</b>		
Impact/Consequence(s): <p>The impact and consequences should a catastrophic event occur on the Metro system could potentially be very significant, including the possibility for multiple loss of life, lengthy loss of service, protracted legal issues to resolve, fines to pay, impact on insurance, other cost increases and likely loss of business.</p>		
Control(s): <ul style="list-style-type: none"> <li>• A well-developed safety management system (SMS) which is independently accredited by the Office of Rail and Road (ORR) as a prerequisite to granting legal authority to operate a railway.</li> <li>• Robust arrangements for the selection and management of contractors working on Metro infrastructure.</li> <li>• Maintaining a comprehensive suite of engineering standards in all relevant railway disciplines based on industry best practice</li> <li>• The identification of the top 3 potentially catastrophic events we aim to avoid and strive to control: collision, derailment, and fire.</li> <li>• Continuously monitoring &amp; controlling the precursors of these events resulting in the ability to exploit lessons learnt from them (e.g. by reducing the risk of broken rails we can reduce the likelihood of derailments; reducing the amount of flammable material around the system reduces the likelihood of fire; applying strict signalling protocols reduces the likelihood of collision).</li> <li>• Regular reporting to Nexus' Corporate Management Team, on a 4 weekly basis, on each of these top 3 events, with a short summary of any identified precursors.</li> <li>• Undertaking a very significant volume of safety assurance activity in-house as part of everyday practice in the management of safety (e.g., audit, inspection, monitoring and checking).</li> <li>• Participating in joint emergency preparedness exercises with the blue-light services and other interested parties.</li> <li>• Continuation of the Safety Cultural Work started in 2015.</li> </ul>		
Next Steps/Key Milestones: <ul style="list-style-type: none"> <li>• Periodic reporting to Nexus' Corporate Management Team meetings.</li> </ul>		

CBP Theme: <b>Deliver public transport today</b>		
CBP Workstream: <b>Enhance local and national rail services</b>		
Risk Owner: <b>Rail &amp; Infrastructure Director</b> Risk Area: <b>Rail North working arrangements</b>	<b>RAG Status (Green)</b>	<b>Direction of Travel</b>
	6 (2x3)	↔ (static)
<b>Risk: Rail North working arrangements may fail to deliver the NECA's ambitions for improvements in rail services.</b>		
Impact/Consequence(s): The NECA is seeking to achieve transformational improvements in rail services for the area. Failure to secure these improvements could leave the NECA area isolated in terms of rail connectivity and thereby limit delivery of the Strategic Economic Plan.		
Control(s): <ul style="list-style-type: none"> <li>• Active participation in Rail North.</li> <li>• Ensuring that the NECA Lead Member for Transport is fully briefed.</li> <li>• Formation of the North East Rail Management Unit (NERMU).</li> <li>• Appointment of NERMU Manager.</li> <li>• Close working relationships developed with Rail North Partnership Directors.</li> <li>• Close working relationships developed with senior managers of newly appointed local rail franchise operators.</li> <li>• Close working relationships developed with senior managers of existing rail franchises that serve the North East.</li> <li>• Transport for the North – of which Rail North is a part – becoming a statutory sub-national body in 2017.</li> </ul>		
Next Steps/Key Milestones: <ul style="list-style-type: none"> <li>• Continue with the newly developed framework for engaging and managing the new North East Rail Franchises.</li> </ul>		

CBP Theme: <b>Deliver public transport today/Plan for tomorrow</b>		
CBP Workstream: <b>Embed new technology/ Innovate through technology</b>		
Risk Owner: <b>Corporate Manager Business Change and Technology</b>  Risk Area: <b>Payment and customer information systems</b>	<b>RAG Status (Green)</b>	<b>Direction of Travel</b>
	6 (3x2)	↔ (static)
<b>Risk: Payment and customer information systems do not meet the rate of change in customer expectations.</b>		
Impact/Consequence(s):  Customer facing technologies being implemented by Nexus could be overtaken by technological developments and customer experience elsewhere leading to the offer being perceived as inadequate or outdated and unable to deliver the intended benefits for customers and stakeholders.		
Control(s): <ul style="list-style-type: none"> <li>Emerging technology roadmap covering a 10 year timeframe.</li> <li>Embedding technology roadmap within NECA's Transport Plan for the North East.</li> <li>Updating and refreshing the technology roadmap and related plans on a six-monthly basis.</li> <li>Setting timescales and milestones and working to a plan.</li> <li>Aligning with Transport for the North developments.</li> <li>Engaging with ITSO, Innovate UK and the Catapult organisation to accelerate technology delivery timescales.</li> </ul>		
Next Steps/Key Milestones: <ul style="list-style-type: none"> <li>Providing input to the Transport Plan for the North East.</li> <li>Providing input to the plans being developed through Transport for the North.</li> </ul>		



CBP Theme: <b>Deliver public transport today</b>		
CBP Workstream: <b>Deliver the Metro Asset Renewal Programme</b>		
Risk Owner: <b>Director of Finance and Resources</b> Risk Area: <b>Metro Asset Renewal Plan</b>	<b>RAG Status (Green)</b>	<b>Direction of Travel</b>
	6 (2x3)	↔ (static)
<b>Risk: DfT has confirmed £120m for the final years of the Metro Asset Renewal Plan (ARP), through to 2020/21. Securing funding for the remainder of the ARP Phase 2 and keeping within budget remains a key concern.</b>		
Impact/Consequence(s): Increased pressure on the funding for and affordability of ARP Phase 2 could mean a further scaling back of the work programme through to 2020/21 and compromise delivery of key elements.		
Control(s): <ul style="list-style-type: none"> <li>• Bids are being made for additional funding e.g. through the Single Local Growth Fund (SLGF) in relation to the station investment programme.</li> <li>• Effective programme management, project delivery and budget control processes.</li> <li>• Value engineering, technology choice, option analysis, specification and scope.</li> <li>• Active stakeholder engagement to obtain involvement and co-operation of third/interested parties e.g. NEMOL, highway authorities, utility companies etc.</li> <li>• Providing sufficient programme/project management resource.</li> <li>• Close and proficient management of all contracts relating to ARP works.</li> <li>• Re-phasing of capital grant funding 2017/18 to 2020/21 agreed by DfT.</li> </ul>		
Next Steps/Key Milestones: Periodic Affordability Review meetings: <ul style="list-style-type: none"> <li>• October 2017</li> <li>• January 2018</li> <li>• April 2018</li> </ul>		

CBP Theme: <b>Deliver public transport today</b>		
CBP Workstream: <b>Deliver non-Metro capital projects</b>		
Risk Owner: <b>Director of Finance and Resources</b>	RAG Status (Green)	Direction of Travel
Risk Actionee: <b>Corporate Manager Business Change and Technology</b>	6 (2x3)	 (static)
Risk Area: <b>Non-ARP capital projects</b>		
<b>Risk: Non-ARP capital programme fails to deliver intended outcomes.</b>		
Impact/Consequence(s):  There is a risk that projects are not delivered to time, cost and quality requirements.		
Control(s): <ul style="list-style-type: none"><li>• Effective programme management, project delivery and budget control processes.</li><li>• Value engineering, technology choice, option analysis, specification and scope.</li><li>• Active stakeholder engagement to obtain involvement and co-operation of third/interested parties e.g. NEMOL, highway authorities, utility companies etc.</li><li>• Providing sufficient programme/project management resource.</li><li>• Close and proficient management of all contracts relating to non-ARP works.</li></ul>		
Next Steps/Key Milestones: <ul style="list-style-type: none"><li>• Periodic Affordability Review meetings:<ul style="list-style-type: none"><li>○ October 2017</li><li>○ January 2018</li><li>○ April 2018</li></ul></li></ul>		

CBP Theme: <b>Deliver public transport today</b>		
CBP Workstream: <b>Deliver and develop public transport services and facilities</b>		
Risk Owner: <b>Customer Services Director</b> Risk Area: <b>Social exclusion</b>	<b>RAG Status (Amber)</b>	<b>Direction of Travel</b>
	9 (3x3)	↔ (static)
<b>Risk: That the need to review Nexus' services to meet required budget reductions could result in increased social exclusion.</b>		
Impact/Consequence(s):  Increased social exclusion could manifest itself in particularly older and vulnerable people being less able to access essential local services and healthcare facilities leading to increased health problems and reduced social cohesion.		
Control(s):  <ul style="list-style-type: none"> <li>• Prioritisation of key services as part of the review process</li> <li>• Engagement and consultation to help identify practical mitigations</li> <li>• Signposting of alternative service provision</li> </ul>		
Key Milestones/Next Steps:  <ul style="list-style-type: none"> <li>• Depending on the outcome of the Nexus service review and budget setting processes through to 2019/20: <ul style="list-style-type: none"> <li>○ Preparation of an engagement plan</li> <li>○ Preparation of consultation documentation</li> <li>○ Preparation of a communications plan</li> <li>○ Forward planning of meetings with ward councillors</li> <li>○ Forward planning of meetings with user representative groups</li> </ul> </li> </ul>		

CBP Theme: <b>Prepare for the Future</b>		
CBP Workstream: <b>Obtain a new fleet and prepare for the new Metro contract</b>		
Risk Owner: <b>Director of Finance and Resources</b> Risk Area: <b>Arrangements for obtaining a new fleet and forming a new contract not delivered to time.</b>	<b>RAG Status (Amber)</b>	<b>Direction of Travel</b>
	8 (2x4)	↔ (static)
<b>Risk: That the final business cases for new Metro rolling stock and essential renewals are not delivered on time for DfT's decision making processes.</b>		
Impact/Consequence(s):  The proposed replacement of the current fleet and the investment in essential renewals are key elements in the Metrofutures programme. Non-delivery of the business cases to the required DfT deadlines could compromise achievement of the programme.		
Control(s):  <ul style="list-style-type: none"> <li>• Metro Business Development team established with external support commissioned.</li> <li>• Outline business cases submitted to DfT.</li> <li>• Economic consultants have determined the BCR at 3.55:1 for the new fleet.</li> <li>• Positive outcomes in relation to external validations from the Office of Government Commerce in December 2016 and the Gleeds Review in March 2017.</li> <li>• On-going dialogue through DfT's Board Investment and Commercial Committee (BICC).</li> <li>• BICC slot in September 2017.</li> <li>• Stakeholder engagement and communications plan dissemination.</li> </ul>		
Key Milestones/Next Steps:  <ul style="list-style-type: none"> <li>• Ministerial decision awaited.</li> <li>• Contract strategy to be agreed following Ministerial decision.</li> </ul>		

CBP Theme: <b>Prepare for the future</b>		
CBP Workstream: <b>Secure long term improvements to Metro's infrastructure</b>		
Risk Owner: <b>Director of Finance and Resources</b> Risk Area: <b>Long term funding for Metro</b>	<b>RAG Status (Amber)</b>	<b>Direction of Travel</b>
	9 (3x3)	↔ (static)
<b>Risk: There is no long-term funding agreement in place to sustain Metro's current operations, replace life expired capital assets and allow future expansion.</b>		
Impact/Consequence(s): Any reduction in Metro external funding will lead to a diminution in service and failing infrastructure.		
Control(s): <ul style="list-style-type: none"> <li>• Effective liaison with DfT including 4-weekly progress reporting on the current Asset Renewal Plan and quarterly reviews.</li> <li>• Procurement strategy &amp; contractual arrangements that minimise risk and deliver VFM.</li> <li>• Value engineering, technology choice, option analysis, specification and scope.</li> <li>• Engaging NECA members in prioritisation processes.</li> <li>• Active stakeholder engagement/increasing public awareness.</li> <li>• Engaging with national government, local councillors &amp; MPs and building public support.</li> <li>• Ensuring that the long term plan Metro forms an integral part of the NECA's Transport Plan for the North East.</li> <li>• Linking Metro to the long term development aspirations of the NECA, local Councils and the North East LEP's Strategic Economic Plan.</li> <li>• Engaging with national government.</li> <li>• Engaging with local councillors and MPs.</li> <li>• Leading in development of the business case.</li> <li>• Identifying and investigating potential funding streams.</li> <li>• BICC slot in September 2017.</li> </ul>		
Key Milestones/Next Steps: <ul style="list-style-type: none"> <li>• DfT/Nexus Programme Board in November 2017 to consider future grant funding for both essential renewals and operational subsidy</li> <li>• Development of a business case for extensions will commence once approval of the funding application for the new fleet is approved by BICC.</li> </ul>		

CBP Theme: <b>Prepare for the future</b>		
CBP Workstream: <b>Plan for the expansion of Metro and local rail networks</b>		
Risk Owner: <b>Transport Strategy Director</b> Risk Actionee: <b>Head of Network Extensions</b> Risk Area: <b>Metro and local rail strategy</b>	<b>RAG Status (Amber)</b>	<b>Direction of Travel</b>
	9 (3x3)	↔ (static)
<b>Risk: Expansion of the metro and local rail network does not progress.</b>		
Impact/Consequence(s):  Should the project be unable to identify suitable options for expansion of the Metro and local rail systems this could have adverse implications for the local economy and the environment. The growth in housing and employment that is anticipated for the area may not materialise or would be more reliant on the car for accessing work, leisure and shopping activities leading to an increase in traffic congestion with the air quality implications involved. Overall, this may limit the potential for economic growth and prosperity across the NECA area.		
Control(s): <ul style="list-style-type: none"> <li>• Delivery of a new Metro fleet.</li> <li>• Embed expansion of the Metro and local rail network within the SEP and the NECA's Transport Plan for the North East.</li> <li>• Establish strong contacts and working relationships with relevant stakeholders.</li> <li>• Develop an appropriate communications strategy to ensure key decision makers are kept informed.</li> <li>• Undertake an extensive market consultation to improve the understanding of the appetite for such schemes in the wider market.</li> <li>• Establish effective programme management disciplines to identify and manage cost and risk.</li> <li>• Identify and utilise suitable frameworks to develop and progress the project including Nexus Stage Gate project control process and the development of an Outline Business Case.</li> <li>• Identify and adopt best practice in the delivery of extensions, establishing a peer review framework.</li> </ul>		
Key Milestones/Next Steps  By 31 March 2018: <ul style="list-style-type: none"> <li>• Establish a programme management structure and process.</li> <li>• Establish a stakeholder map.</li> <li>• Completion or progression of an initial programme of works to inform the business case development including a market consultation, identification of best practice and a study to establish the economic value of the Metro and Local Network to the region.</li> </ul>		

CBP Theme: <b>Prepare for the future</b>		
CBP Workstream: <b>Plan for local bus service improvements</b>		
Risk Owner: <b>Transport Strategy Director</b> Risk Actionee: <b>Corporate Manager Bus Services</b> Risk Area: <b>Bus strategy delivery arrangements</b>	RAG Status (Green)  6 (2x3)	Direction of Travel  ↔ Static
<b>Risk: That new legislation does not provide the necessary means to deliver the Bus Strategy.</b>		
Impact/Consequence(s):  The 2017 Bus Services Act (the Act) received Royal Assent in May 2017. It provides new means for the NECA to deliver its bus strategies, through improved access to bus information, new forms of bus partnerships and bus franchising (the latter is subject to Secretary of State approval for a non-mayoral combined authority such as NECA).  The detailed requirements to implement these options are being set out in Statutory Guidance, scheduled for publication by the end of the year. Nexus has been consulted on the draft guidance and it is anticipated that means to deliver the bus strategy will be provided.		
Control(s): <ul style="list-style-type: none"><li>• Ensure local stakeholders are aware of the Act's provisions and their implications.</li><li>• Engage with DfT.</li><li>• Undertake research and information gathering projects in order to ensure that decision makers are fully informed about the benefits the Act can deliver.</li></ul>		
Next Steps/Key Milestones: <ul style="list-style-type: none"><li>• Joint working between the NECA's three delivery agencies (Nexus, Northumberland County Council and Durham County Council) to prepare a new Bus Strategy, in parallel with the emerging Transport Plan for the North East, and then investigate options to deliver that strategy.</li><li>• Update and review proposals for delivering the bus strategy once the Statutory Guidance has been published in October 2017.</li><li>• Prepare a business case for implementation of the preferred bus strategy delivery option once this has been identified.</li><li>• Re-examination of the corporate risk once the secondary legislation and statutory guidance pertaining to use of the terms of the Act is available i.e. for the next risk update in January 2018.</li><li>• Review the risk in the light of Nexus' Corporate Plan for 2018/19 to 2020/21 once confirmed by TWSC at its meeting on 25 January 2018.</li></ul>		

CBP Theme: <b>Prepare for the future</b>		
CBP Workstream: <b>Secure investment in local public transport assets</b>		
Risk Owner: <b>Transport Strategy Director</b> Risk Actionee: <b>Head of Corporate Planning</b> Risk Area: <b>Securing external funding</b>	<b>RAG Status (Amber)</b>	<b>Direction of Travel</b>
	9 (3x3)	↔ (static)
<b>Risk: External funding opportunities are not identified or Nexus is not in a position to exploit opportunities</b>		
<p>Impact/Consequence(s):</p> <p>Nexus is unable to attract the greatest potential of external grant funding to enable the delivery of our aspirations for public transport.</p> <p>Nexus is unable to make the step change in quality which reduces our ability to grow patronage and revenue.</p> <p>Nexus is less able to meet the aspirations of its partners, customers and stakeholders for public transport services</p> <p>Nexus is less able to help meet the objectives of the Combined Authority</p>		
<p>Control(s):</p> <ul style="list-style-type: none"> <li>Dedicated resources in Corporate Planning section scanning for funding opportunities and able to develop business cases.</li> <li>Projects suitable for external funding have programmes which include relevant tasks and milestones associated with the funding call.</li> <li>Budgets are established so that Nexus is committed to ensuring resources are in place to develop speculative projects, to maximise readiness for funding calls.</li> <li>Liaison is undertaken with stakeholders, including DfT, LEP and Universities to help identify funding opportunities.</li> <li>A pipeline of potential schemes has been identified.</li> </ul>		
<p>Next Steps/Key Milestones:</p> <ul style="list-style-type: none"> <li>Establish resources, including staff and budgets to develop 'pipeline' schemes that are shovel ready (to Outline Business Case / Stagegate 3).</li> <li>Develop possible shovel ready (to Outline Business Case / Stagegate 3) schemes and establish a Nexus' pipeline.</li> <li>Develop pipeline business cases for all potential funding opportunities.</li> </ul>		



CBP Themes: **Focus on organisational effectiveness.**

CBP Workstream: **Refine training and succession planning/Ensure Nexus is an employer of choice**

Risk Owner: <b>Director of Rail and Infrastructure</b>	<b>RAG Status (Green)</b>	<b>Direction of Travel</b>
Risk Actionee: <b>Group Head of Human Resources</b>		
Risk Area: <b>Future retention of key skills and abilities.</b>	<b>6 (2x3)</b>	<b>↔ (static)</b>

**Risk: Nexus may be unable to recruit and retain key personnel because of public sector pay restraint and competition from more buoyant employers.**

Impact/Consequence(s):

This could adversely impact on Nexus' ability to deliver key projects on behalf of the NECA. Placing reliance on third party resources (e.g. external consultants) to provide the required skills and expertise could result in increased costs and/or delays.

Control(s):

- Keeping the "person spec" for key posts under review to optimise the potential size of the application base.
- Monitoring key activities within Nexus recruitment process to ensure optimal outputs are achieved.
- Continuing to develop the internal graduate base from which to draw.
- Exploring the use of the Apprentice Levy to recruit new apprentices and re-skill existing staff to develop into other areas of the business.
- Having succession plans for key business areas.
- Developing training and succession planning to ensure we are fit to meet changing business requirements.

Next Steps/Key Milestones:

- Review future organisational requirements in key parts of Nexus.
- Resource planning with managers to recruit new and re-train existing staff to deliver future organisational requirements.
- Fully utilising the Apprenticeship Levy once the organisational requirements have been determined.
- Launching another phase of the front line leadership development programme.

CBP Theme: <b>Focus on organisational effectiveness</b>		
CBP Workstream: <b>Balancing the budget</b>		
Risk Owner: <b>Director of Finance and Resources</b> Risk Area: <b>Nexus' budget</b>	<b>RAG Status (Green)</b>	<b>Direction of Travel</b>
	6 (2x3) Green	↔ (static)
<b>Risk: Nexus fails to deliver a balanced budget.</b>		
Impact/Consequence(s): There is a risk that Nexus' corporate plan might not align with the planned reduction in funding available from the levy, together with the requirement to eliminate reliance on use of reserves by 2019/20.		
Control(s): <ul style="list-style-type: none"> <li>• TWSC endorsement of budget strategy to inform NECA leaders.</li> <li>• Budget managers remitted to prepare service plans.</li> <li>• Consultation with public and key stakeholders was undertaken over June and July 2016.</li> <li>• Base budget review carried out.</li> <li>• Balance sheet review undertaken.</li> <li>• Budget proposals and savings targets agreed.</li> <li>• NECA Leadership Board approved budget proposal, the transport levy for Tyne and Wear and grant to Nexus at its meeting on 17 January 2017.</li> <li>• Nexus' strategic budget position and corporate planning priorities discussed with LA Treasurers and TWSC during late summer 2017.</li> </ul>		
Next Steps/Key Milestones: <ul style="list-style-type: none"> <li>• Detailed budget proposals will be developed and consulted upon in accordance with the NECA constitution through to the approval of the 2018/19 transport levy at the Leadership Board meeting in January 2018.</li> </ul>		

CBP Theme: <b>Focus on organisational effectiveness</b>		
CBP Workstream: <b>Service review to balancing the budget</b>		
Risk Owner: <b>Managing Director Transport Operations</b>  Risk Area: <b>Progressing the devolution agenda</b>	<b>RAG Status (Amber)</b>	<b>Direction of Travel</b>
	8 (2x4)	↔ (static)
<b>Risk: The devolution agenda on transport matters is progressed without due regard to Nexus' funding, functions and powers.</b>		
<p>Impact/Consequence(s):</p> <p>There is a risk that the devolution agenda is progressed without due regard to Nexus' funding, functions and powers potentially leading to sub-optimal decisions with regard to making future provision for public transport arrangements in the NECA area.</p> <p>If devolution or structural change to the NECA area goes ahead without due regard for Nexus duties and powers as the Passenger Transport Executive for Tyne and Wear there is the potential for increased complexity and cost.</p> <p>There will also be uncertainty in the development of area wide transport policies and any associated action to deliver them.</p>		
<p>Control(s):</p> <ul style="list-style-type: none"> <li>Engagement with NECA statutory officers to identify legal and financial considerations.</li> <li>Work with the Chief Executives' Group to identify issues and mitigations.</li> <li>Liaison with District officers to identify working approaches in the event of the current statutory arrangements being redefined.</li> </ul>		
<p>Next Steps/Key Milestones:</p> <ul style="list-style-type: none"> <li>To be determined.</li> </ul>		

# Strategic Risk Analysis Toolkit

Action plans must be developed for Red and Amber risks

Determine the risk priority					
Impact					
		Insignificant	Minor	Significant	Critical
Likelihood	High	4	8	12	16
	Medium	3	6	9	12
	Low	2	4	6	8
	Negligible	1	2	3	4

Assess the likelihood of the risk occurring	
High	Risk will almost certainly occur or is occurring at present
Medium	Risk is likely to occur in most circumstances
Low	Risk may occur
Negligible	Risk is unlikely to occur

## Assess the impact should the risk occur

Assess the impact should the risk occur								
	Council Priority		Service Delivery		Financial		Reputational	
Critical/Showstopper	<ul style="list-style-type: none"><li>• More than 4 priority outcomes affected</li><li>• Move than one significant service objective adversely affected</li><li>• Death of one or more persons</li><li>• Major environmental impact</li></ul>		<ul style="list-style-type: none"><li>• Critical service failure/disruption to frontline services</li><li>• Statutory duty/deadlines not met</li><li>• Serious decline/impact on portfolio or performance indicators (PI)</li><li>• Unplanned major re-prioritisation of resources and/or services</li><li>• Failure of major programme/project</li></ul>		<ul style="list-style-type: none"><li>• Over £2m financial hit on gross budget</li><li>• Significant adverse impact on revenue stream (&gt;£1.5m)</li><li>• Loss of major funding opportunity(&gt;£10m)</li><li>• Prosecution</li><li>• Qualification of accounts</li><li>• Significant risk of fraud or illegal act (pre/post contract)</li></ul>		<ul style="list-style-type: none"><li>• Adverse national media attention</li><li>• Loss of/negative inspection rating</li><li>• External criticism (press)</li><li>• Relationship with supplier severely damaged</li><li>• Significant loss of community confidence</li><li>• Significant decline in resident satisfaction</li></ul>	
Significant	<ul style="list-style-type: none"><li>• 2-4 priority outcomes adversely affected</li><li>• One significant service objective adversely affected</li><li>• Multiple serious injuries</li><li>• Significant environmental impact</li></ul>		<ul style="list-style-type: none"><li>• Significant partial loss of frontline services</li><li>• Recoverable impact on portfolio, PI's , inspection targets</li><li>• Failure of non major project or significant delay</li><li>• Some re-prioritisation of services required</li></ul>		<ul style="list-style-type: none"><li>• £1m-£2m financial hit</li><li>• Notable adverse impact on ongoing revenue stream (£0.5m-£1.5m)</li><li>• Loss of notable funding opportunity</li><li>• Fines/Penalties</li><li>• High fraud risk</li></ul>		<ul style="list-style-type: none"><li>• Adverse regional and/or local media attention</li><li>• Poor inspection outcome</li><li>• Continuing unresolved complaints</li><li>• Notable decline in resident satisfaction</li><li>• Deteriorating supplier relationships</li></ul>	
Minor	<ul style="list-style-type: none"><li>• Less than 2 priority outcomes adversely affected</li><li>• Isolated serious injury/ill health</li><li>• Minor environmental impact</li></ul>		<ul style="list-style-type: none"><li>• Isolated or limited service reduction</li><li>• Poor improvement in measured PI and remedial action required from inspection reports</li></ul>		<ul style="list-style-type: none"><li>• £100k-£1m financial hit</li><li>• Minor adverse impact on ongoing revenue stream</li><li>• Internal virement</li><li>• Low risk of fraud</li></ul>		<ul style="list-style-type: none"><li>• Adverse local reaction</li><li>• Isolated decline in resident satisfaction</li><li>• Failure to reach agreement with individual suppliers</li><li>• Sporadic complaints</li></ul>	
Insignificant	<ul style="list-style-type: none"><li>• Minor affect on priorities/service objectives</li><li>• Isolated minor injury/ill health</li><li>• No environmental impact</li></ul>		<ul style="list-style-type: none"><li>• Minor/isolated service disruption</li></ul>		<ul style="list-style-type: none"><li>• Below £100k financial hit</li></ul>			
Risk Categories								
Financial/Economic		Environmental	Legal	Customers	Partnership	Technological	Performance	People



## Transport North East (Tyne and Wear) Sub-Committee

**Date:** 16 November 2017

**Subject:** Revision to Metro and Ferry Fares 2018

**Report of:** Managing Director (Transport Operations)

### Executive Summary

This report proposes new affordable fares for young people plus a freeze in the price of Metro single and Daysaver fares bought with Pop smart cards, as part of a package that minimises the impact of price rises whilst generating additional revenue to offset increases in Metro's operating costs.

These proposals seek to maintain the good value Metro offers passengers and encourage patronage growth through a recommended package including:

- New flexible and more affordable fares for young people under the age of 19, with the introduction of new £1 single and £2 capped daily Metro fares that can be bought with a Pop Pay As You Go (PAYG) card;
- A freeze in the price of the Metro child single ticket;
- Retaining a 60% discount on Metro season tickets for under 19s, compared to the equivalent adult Metrosaver;
- Retaining a similar 30% discount on Metro student season tickets;
- Freezing the price of single and Daysaver fares bought with Pop Pay As You Go for the second year;
- Retaining the Corporate MetroSaver scheme, offering discounts for tickets purchased through an employer and easy monthly payments for customers;
- Noting an intention to freeze the price of Metro Gold Card at £12 per year, while confirming all-day travel during July and August as a permanent feature.

Standard adult day single and day tickets would rise by the minimum amount of 10p, as would child Daysaver and Transfares (although the Nexus concessionary fare for Under 16s in possession of a Pop card offers an excellent, value for money alternative). Adult customers using POP PAYG will benefit from a greater discount of 30p on single journeys and 40p per day compared to the standard fare.

Metrosaver season tickets and other products will increase in line with RPI or by 10p, whichever is the lowest. This report also recommends changes to Shields Ferry fares in line with the proposals for Metro.

## **Transport North East (Tyne and Wear) Sub-Committee**

### **Recommendations**

The TWSC is recommended to:

- i. approve the proposed Metro and Ferry fares as set out in the main body of this report to be effective from 2nd January 2018;
- ii. approve the introduction of under 19 PAYG fares on Metro and Ferry (£1 single and £2 capped all-day travel), to be introduced from 2<sup>nd</sup> January 2018; and
- iii. endorse Nexus' intention to freeze the price of the annual Gold Card at £12, as part of Nexus' annual budget proposals.

## **Transport North East (Tyne and Wear) Sub-Committee**

### **1. Background Information**

- 1.1 The Tyne and Wear Metro and Shields Ferry operate using a range of ticket types and in recent years have innovated to bring better value products for passengers including Pay As You Go (PAYG) and additional zonal options. The policy objectives that drive the pricing proposal for 2018 are:
- Maximise patronage;
  - Maximise revenue;
  - Increase fares in line with RPI (or as close as possible to RPI);
  - Encourage the move to smart ticketing, in particular PAYG by improving the price differential between PAYG and the equivalent paper ticket;
  - Continue the principle of moving towards a more transparent pricing model.
- 1.2 The TWSC has also asked Nexus to bring forward proposals for better value fares for passengers under the age of 19, reflecting the age at which people now leave mandatory education or training.
- 1.3 The scope of the fares review for January 2018 covers the commercial product range which encompasses the following ticket types:-
- Adult commercial tickets (Single/DaySaver/Transfare/MetroSaver);
  - Pay As You Go;
  - Child (under 16) commercial tickets (Single/DaySaver/Transfare);
  - Discounted tickets for young people under the age of 19 and students;
  - Discounted season tickets allowing cheaper travel for employees of registered companies who purchase season tickets in bulk;
  - Other miscellaneous tickets, for example tickets that add Metro travel to a rail journey or enable the transportation of a whole class of school children.
- 1.4 Whilst any increase in fares is undesirable from a passenger's perspective, it should be borne in mind that the Metro's operations are publicly subsidised. Therefore fare revenue needs to grow in order to help offset increases in Metro's cost base.
- 1.5 The proposed Metro fare changes contained in this report are set against a backdrop of declining patronage and revenue performance which is currently below the overall base budget set for 2017/18.
- 1.6 In 2015 the TWSC agreed the first step in the process to a more structured pricing model for Metro, where the ratios between various ticket types are set in relation to one another. This is intended to make the Metro product range more transparent and easier to understand. The fare ratios are set out in appendix A and this

## **Transport North East (Tyne and Wear) Sub-Committee**

proposal seeks to continue with that objective to the extent possible whilst balancing against the other objectives.

- 1.7 In addition, since launching PAYG in 2015 Nexus has sought to make this product attractive for those customers currently purchasing Single and DaySaver products, in line with the strategy of moving customers away from paper tickets to smart and making it easier for passengers to access the best value ticket for them. To achieve this, a differential between the price of PAYG and the equivalent paper product was established when PAYG was first introduced. This proposal also continues with this objective.

### **2. Proposals (Metro)**

- 2.1 It is proposed to retain the following features of Nexus and Ferry fares:

- 60% discount on season tickets for 16-18 year olds versus the equivalent adult fare;
- 30% discount for students versus the equivalent adult fare;
- Discounted annual tickets when purchased through an employer; and
- Price of the annual Gold Card maintained at £12 (note that this is to be approved separately as part of Nexus' annual budget proposals)

- 2.2 A number of further improvements are proposed consisting of:-

- Introduction of under 19 PAYG fares (£1 single and £2 capped all-day travel on Metro);
- Increased PAYG discounts for adults;
  - 30p discount versus the Single ticket price
  - 40p discount versus the DaySaver price
- Child Single ticket price frozen for the fifth consecutive year;
- All day Metro travel for Gold Card holders during July and August adopted as a permanent feature of the scheme.

- 2.3 The constraint of only increasing fares in multiples of ten pence is applicable to all tickets sold at Metro Ticket Vending Machines (TVMs) and on the Ferry. This ensures sufficient levels of change are available across the network and that prices are easier to communicate and understand. It should be noted that increasing fares in multiples of ten pence could result in percentage increases above the level of inflation for individual ticket types considered in isolation. Despite this, overall proposals across products and incorporating anticipated changes in customer behaviour, remain on average below the level of inflation (RPI July 2017).

- 2.4 This proposal recommends an increase of Metro fares from 2<sup>nd</sup> January 2018 by a weighted average of 3.4% before the impact of introducing a new flat fare for



## Transport North East (Tyne and Wear) Sub-Committee

people under 19 is taken into account; this figure is below the level of the Retail Price Index of 3.6% as at July 2017 (the figure against which fare changes in the UK rail industry are benchmarked). Once the predicted take-up of the new under 19 fare is taken into account the weighted average falls to 1.5%; this is because while these passengers form a small proportion of the overall market they will experience a substantial reduction in the cost of travel, while most passengers will experience a rise of between 2% and 6%. The increase to fares is necessary to help contribute to the financial targets required by the Nexus Medium Term Financial Strategy and ensures an increase in fare revenue of £0.800m against the 2017/18 forecast whilst balancing the associated impact on patronage.

### *Fares for young people aged under 19 and students*

- 2.5 Travel for young people under the age of 19 will be made much more affordable by the introduction of new £1 single and £2 capped daily fares, facilitated via the use of PAYG. The fares, as shown in appendix C, will be offered to all passengers aged 18 and under irrespective of whether they are in full time education or not. A new 'Pop' PAYG smartcard will be launched shortly, which will allow card-holders to access the new discounted fares when travelling on the Metro and Ferry.
- 2.6 The price of the Child Commercial Single ticket (for children aged under 16 who do not have an 'Under 16 Pop Card') will be frozen at 80p. The price of the Child DaySaver and Child Transfare tickets will increase by 10p. This is the first price increase on these ticket types in the past five years. The proposed prices are shown in appendix B. An alternative for under 16s in possession of an Under-16 Pop card is the Nexus child concessionary fare; at 60p for a single journey and £1.10 for a Child All-day Ticket (CAT) which can be used on all bus and local rail services, the Shields Ferry and Metro, this represents excellent value for money (these fares are not considered within this report but were reported to the Sub-Committee in July 2017, minute 12 refers).
- 2.7 The price of the existing 1 Week and 4-week season tickets offered to 16 to 18 year olds will also increase in line with inflation and will retain the minimum of a 60% discount versus the equivalent adult fare.
- 2.8 A minimum of a 30% discount versus the equivalent adult fare will continue to be offered to students to encourage further uptake of the Student ticket range. All prices will rise in line with inflation as shown in appendix C.

### *Adult Single and day tickets*

- 2.9 The price of Adult Single, DaySaver, Transfare and Add Zone tickets will be

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increased by £0.10 as outlined in appendix B. However, passengers can opt to switch to Pay As You Go fares, which will be frozen, and offer a £0.30 discount versus the equivalent Single ticket price and a £0.40 discount versus the equivalent DaySaver ticket price. The £5 charge for a Pay As You Go card was removed in May 2017 to eliminate any financial barriers to take-up.

- 2.10 To date in 2017/18, 5.3% of adult short-term passengers have opted to use PAYG over single and day tickets. The fares proposition for January 2018 assumes this take up will grow by up to a further 3.8%.

### *Season products – 1 week, 4 week and annual*

- 2.11 The price of 1 Week, 4 Week, Annual and Corporate MetroSaver tickets will all increase in line with the level of inflation (RPI 3.6% July 2017) as shown in appendix C.

### *Gold Card*

- 2.12 Although the pricing of Gold Card and other concessionary products continues to be managed as part of the budget process, Nexus intends to maintain the price of the annual Gold Card at £12. It is also recommended that all day Metro travel for Gold Card holders during July and August each year is adopted as a permanent feature of the Gold Card scheme. The enhancement to allow all day Metro travel between Christmas and New Year is already in place on a permanent basis.

### *Miscellaneous tickets*

- 2.13 The following miscellaneous ticket types will increase in price in line with inflation as outlined in appendix D:-
- Business Pass
  - Conference Pass
  - Class Pass
  - Metro Rail Add on fares (six ticket types)

### **Pricing Proposals (Ferry)**

- 2.14 The price of the Ferry Single and all three Transfare tickets will increase by £0.10 to match the proposed price increases on Metro. The Ferry carnet product will increase in line with the single ticket price to maintain its offering of a book of ten

## **Transport North East (Tyne and Wear) Sub-Committee**

single tickets for the price of eight.

- 2.15 The price of the Ferry DaySaver ticket will be frozen at £2.80. This is designed to encourage additional day trips on Ferry and ensures the overall weighted basket increase remains below the level of inflation.
- 2.16 Pay As You Go can be used as a payment method to purchase Ferry Single and Ferry DaySaver tickets. The discount offered on these ticket types when using PAYG will match those proposed for Metro, namely:-
- £0.30 discount versus the Ferry Single ticket price
  - £0.40 discount versus the Ferry DaySaver ticket price
- 2.17 New under 19 Single and Day tickets will be introduced on Ferry from 2nd January 2018, priced at £1.00 and £2.00 respectively to match Metro. These tickets will be available to purchase by any passenger aged under 18 and under and in possession of a new under 19 Pop card, which must be used as the payment method to purchase the ticket.
- 2.18 The price of the Ferry 1 Week and 4 week tickets will increase in line with inflation, again matching the Metro proposals.
- 2.19 With a weighted average basket of 2.2% across the Ferry ticket range, this proposal can be expected to generate additional revenue of £0.006m in 2018/19. Prices of Ferry tickets are shown in appendix E.

### **3. Reasons for the Proposals**

- 3.1 The proposals contained in this report are intended to ensure a balanced approach to the policy objectives outlined in sections 1.1 and 1.2 of this report.

### **4. Alternative Options Available**

- 4.1 A number of alternative fare proposals were considered as part of this review. This included a fares freeze across all ticket types as well as a proposal with a weighted fares basket above the level of inflation to prioritise revenue above the other policy objectives.
- 4.2 The proposals contained in this report are designed to adopt the most balanced approach to incorporating all policy objectives, increasing revenue by an estimated £0.400m against the 2017/18 forecast with up to an estimated 0.500m fewer journeys, before the positive impact of new Under 19 fares is taken into account

## **Transport North East (Tyne and Wear) Sub-Committee**

(this initiative is estimated to increase journey numbers by 0.170m).

- 4.3 In a fares freeze scenario the impact on patronage would be negligible but this option would reduce estimated revenue by £0.300m compared to the recommended option, and is not recommended because of the pressure it would create on the budget in 2018/19 and subsequent years.
- 4.4 An option to prioritise revenue above the other policy objectives by proposing a weighted fares basket above the level of inflation is also not recommended due to the expected impact on patronage. Whilst a 5.4% weighted basket scenario (3.6% once the predicted take-up of the new under 19 fare is taken into account) could be expected to generate an additional £0.200m in fare revenue as compared to the recommended option, this would come at the expense of an estimated 0.800m fewer journeys on Metro, before the positive impact of new Under 19 fares is taken into account.
- 4.5 Option 1 – The Transport North East (Tyne and Wear) Sub-Committee may accept the recommendations set out in section 2 of this report.
- 4.6 Option 2 – The Transport North East (Tyne and Wear) Sub-Committee may not accept the recommendations as set out in section 2 and instead accept one of the alternative options highlighted in section 4 of this report.
- 4.7 Option 3 - The Transport North East (Tyne and Wear) Sub-Committee may not accept the recommendations as set out in section 2 of this report and as such opt not to implement any increase to Metro and Ferry fares from 2<sup>nd</sup> January 2018.

### **5. Next Steps and Timetable for Implementation**

- 5.1 Should the Sub-Committee approve the proposed fare changes set out in this report, the new fare levels will come into force on 2<sup>nd</sup> January 2018.
- 5.2 A further report will be submitted in January 2018 in which the Combined Authority will consider the 2018/19 budget. The budget proposal will, subject to approval, take account of the Metro and Ferry fare changes contained in this report.

### **6. Potential Impact on Objectives**

- 6.1 The proposals in this report are intended to ensure the continued operation of the Metro within the subsidy levels available, whilst also being mindful of achieving the policy objectives outlined in sections 1.1 and 1.2 of this report.

### **7. Financial and Other Resources Implications**

## **Transport North East (Tyne and Wear) Sub-Committee**

- 7.1 Estimates of future fares revenue are based on financial and market modelling which include a margin of error. The fare revenue shortfall for 2017/18 is expected to be between £0.300m and £0.600m below the budget set of £46.063m, with a further £0.100m reduction due to a deterioration in Nexus' share of the NTL market. As a result, the Metro fare revenue forecast for 2017/18 has been reduced by £0.400m and this will necessarily be kept under close review during the remainder of the year.
- 7.2 The budget proposal being developed for 2018/19 and considered elsewhere on today's agenda assumes an increase in fare revenue of £0.800m against the 2017/18 revised forecast, prior to the effect of any changes to the under 19 fare. Part of this will be achieved as a result of the approach to the January 2018 fares review recommended in this report, with the remainder coming from a range of other measures e.g. customer improvements and targeted marketing in order to recover the losses forecast in the current year.
- 7.3 Should the proposed changes to the under 19 fare be implemented, this will reduce fare revenue by an estimated £0.490m (net) per annum.
- 7.4 The overall impact of the current year's downturn in fare revenue together with the proposals set out in this report (and other measures) provide for a total fare revenue budget i.e. including Nexus' share of sales of third party products such as Network One tickets and which do not feature in this proposal, in 2018/19 of £45.975m which is consistent with what is set out in Nexus' proposed budget for 2018/19.

### **8. Legal Implications**

- 8.1 There are no direct legal considerations arising from this report.

### **9. Key Risks**

- 9.1 There are no specific risk management considerations arising from this report.

### **10. Equality and Diversity**

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

### **11. Crime and Disorder**

## Transport North East (Tyne and Wear) Sub-Committee

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

### 12. Consultation/Engagement

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

### 13. Other Impact of the Proposals

13.1 There are no other direct environmental or economic considerations arising from this report.

### 14. Appendices

14.1 Appendix A – Structured pricing targets.

14.2 Appendix B – Proposed single and day ticket prices.

14.3 Appendix C – Proposed season ticket prices.

14.4 Appendix D – Proposed miscellaneous Metro ticket prices.

14.5 Appendix E – Proposed Ferry prices.

### 15. Background Papers

15.1 There are no specific background documents for consideration linked to this report.

### 16. Contact Officers

16.1 Huw Lewis, Customer Services Director, Nexus  
Email: [Huw.Lewis@nexus.org.uk](mailto:Huw.Lewis@nexus.org.uk)  
Tel: 0191 203 3112.

### 17. Sign off

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

### 18. Glossary

## **Transport North East (Tyne and Wear) Sub-Committee**

- 18.1 **Network Ticketing Ltd (NTL)** – Provider of multi-modal transport tickets.
- 18.2 **Pay As You Go (PAYG)** – a smart card that allows passengers to top up in advance and pay for journeys as they are made.
- 18.3 **Retail Price Index (RPI)** – a measure of inflation published monthly by the Office for National Statistics.

## Transport North East (Tyne and Wear) Sub-Committee

### Appendix A

Price Matrix Structural Targets						
Product	2015 Ratio	2016 Ratio	2017 Ratio	Proposed 2018 Ratio	Target ratio	Relates to
DaySaver 1 Zone	1.5	1.6	1.7	1.7	1.8	Single 1 Zone
DaySaver 2 Zones	1.4	1.5	1.5	1.5	1.8	Single 2 Zones
DaySaver All Zones	1.4	1.5	1.5	1.5	1.8	Single All Zones
MetroSaver 1 Week 1 Zone	3.8	3.8	3.6	3.6	3.5	DaySaver 1 Zone
MetroSaver 1 Week 2 Zones	4.1	4.0	3.9	3.9	3.5	DaySaver 2 Zones
MetroSaver 1 Week All Zones	4.5	4.4	4.2	4.3	3.5	DaySaver All Zones
MetroSaver 4 Week 1 Zone	3.7	3.4	3.5	3.5	3.5	MetroSaver 1 Week 1 Zone
MetroSaver 4 Week 2 Zones	3.5	3.4	3.5	3.5	3.5	MetroSaver 1 Week 2 Zones
MetroSaver 4 Week All Zones	3.4	3.3	3.4	3.4	3.5	MetroSaver 1 Week All Zones
MetroSaver Annual 1 Zone	11.8	11.5	11.1	11.1	11.0	MetroSaver 4 Week 1 Zone
MetroSaver Annual 2 Zones	9.1	10.1	10.5	10.5	11.0	MetroSaver 4 Week 2 Zones
MetroSaver Annual All Zones	7.3	8.2	8.8	8.8	11.0	MetroSaver 4 Week All Zones
16-18 MetroSaver 1 Week All Zones	0.4	0.4	0.4	0.4	0.4	MetroSaver 1 Week All Zones
16-18 MetroSaver 4 Week All Zones	0.4	0.4	0.4	0.4	0.4	MetroSaver 4 Week All Zones
Student MetroSaver 4 Week Inner Zone	0.7	0.7	0.7	0.7	0.7	MetroSaver 4 Week 1 Zone
Student MetroSaver 4 Week All Zones	0.7	0.7	0.7	0.7	0.7	MetroSaver 4 Week All Zones
Student MetroSaver Annual Inner Zone	0.6	0.7	0.7	0.7	0.7	MetroSaver Annual 1 Zone
Student MetroSaver Annual All Zones	0.7	0.6	0.6	0.6	0.7	MetroSaver Annual All Zones



## Transport North East (Tyne and Wear) Sub-Committee

### Appendix B

Single / Day Tickets - Price changes effective 2 January 2018						
Product	2017 Price	2018 Price	Change £	Change %	Sales (000s)	Journeys (000s)
Single 1 Zone (A, B, C)	£1.70	£1.80	£0.10	5.9%	1,316	3,494
Single 2 Zone (A+B, B+C)	£2.60	£2.70	£0.10	3.8%	1,103	
Single All Zones (A+B+C)	£3.30	£3.40	£0.10	3.0%	866	
Single 1 Zone PAYG	£1.50	£1.50	£0.00	0.0%	N/A	449
Single 2 Zone PAYG	£2.40	£2.40	£0.00	0.0%	N/A	
Single All Zones PAYG	£3.10	£3.10	£0.00	0.0%	N/A	
DaySaver 1 Zone PAYG	£2.60	£2.60	£0.00	0.0%	N/A	
DaySaver 2 Zone PAYG	£3.70	£3.70	£0.00	0.0%	N/A	
DaySaver All Zones PAYG	£4.70	£4.70	£0.00	0.0%	N/A	9,640
DaySaver 1 Zone (A, B, C)	£2.90	£3.00	£0.10	3.4%	1,207	
DaySaver 2 Zone (A+B, B+C)	£4.00	£4.10	£0.10	2.5%	1,592	
DaySaver All Zones (A+B+C)	£5.00	£5.10	£0.10	2.0%	1,156	123
Transfare 1 Zone (T1)	£2.70	£2.80	£0.10	3.7%	9	
Transfare 2 Zone (T2)	£3.60	£3.70	£0.10	2.8%	16	
Transfare 3 Zone (T3)	£4.30	£4.40	£0.10	2.3%	27	267
Child Commercial Single (A+B+C)	£0.80	£0.80	£0.00	0.0%	358	1,468
Child DaySaver (A+B+C)	£1.20	£1.30	£0.10	8.3%	692	29
Child Transfare (T3)	£0.90	£1.00	£0.10	11.1%	24	~
Add Zone 1 Day 1 Zone (Season add on)	£2.90	£3.00	£0.10	3.4%	~	~
Add Zone 1 Day 2 Zone (Season add on)	£4.00	£4.10	£0.10	2.5%	~	~

## Transport North East (Tyne and Wear) Sub-Committee

### Appendix C

MetroSaver / Corporate MetroSaver - Price changes effective 2 January 2018						
Product	2017 Price	2018 Price	Change £	Change %	Sales (000s)	Journeys (000s)
MetroSaver 1 Week 1 Zone (A, B, C)	£10.50	£10.80	£0.30	2.9%	93	3,464
MetroSaver 1 Week 2 Zone (A+B, B+C)	£15.50	£16.00	£0.50	3.2%	136	
MetroSaver 1 Week All Zones (A+B+C)	£21.00	£21.70	£0.70	3.3%	57	
MetroSaver 4 Week 1 Zone (A, B, C)	£36.60	£37.90	£1.30	3.6%	7	2,128
MetroSaver 4 Week 2 Zone (A+B, B+C)	£53.80	£55.70	£1.90	3.5%	14	
MetroSaver 4 Week All Zones (A+B+C)	£71.20	£73.70	£2.50	3.5%	8	
MetroSaver Annual 1 Zone (A,B,C)	£405.00	£419.00	£14.00	3.5%	~	2,762
MetroSaver Annual 2 Zone (A+B, B+C)	£565.00	£585.00	£20.00	3.5%	~	
MetroSaver Annual All Zones (A+B+C)	£625.00	£647.00	£22.00	3.5%	1	
Corporate MetroSaver (1-19 tickets)	£535.00	£554.00	£19.00	3.6%	0.8	
Corporate MetroSaver (20-39 tickets)	£530.00	£549.00	£19.00	3.6%	0.5	
Corporate MetroSaver (40+ tickets)	£525.00	£544.00	£19.00	3.6%	5	

## Transport North East (Tyne and Wear) Sub-Committee

### Appendix C (cont.)

Under 19 / Student MetroSaver - Price changes effective 2 January 2018						
Product	2017 Price	2018 Price	Change £	Change %	Sales (000s)	Journeys (000s)
NEW Under 19 Single PAYG (A+B+C)	-	£1.00	N/A	N/A	N/A	N/A
NEW Under 19 Day PAYG (A+B+C)	-	£2.00	N/A	N/A	N/A	N/A
16 - 18 MetroSaver 1 Week All Zones	£7.50	£7.70	£0.20	2.7%	18	154
16 - 18 MetroSaver 4 Week All Zones	£28.00	£29.00	£1.00	3.6%	12	
Student MetroSaver 4 Week Inner Newcastle	£25.20	£26.10	£0.90	3.6%	19	1,492
Student MetroSaver 4 Week Inner Sunderland	£25.20	£26.10	£0.90	3.6%		
Student MetroSaver 4 Week All Zones	£49.00	£50.70	£1.70	3.5%	6	
Student MetroSaver Annual Inner Newcastle	£280.00	£290.00	£10.00	3.6%	0.3	
Student MetroSaver Annual Inner Sunderland	£280.00	£290.00	£10.00	3.6%		
Student MetroSaver Annual All Zones	£360.50	£373.00	£12.50	3.5%	2	

## Transport North East (Tyne and Wear) Sub-Committee

### Appendix D

Miscellaneous Metro Tickets - Price changes effective 2 January 2018						
Product	2017 Price	2018 Price	Change £	Change %	Sales (000s)	Journeys (000s)
Business Pass	£168.00	£174.00	£6.00	3.6%	~	~
Conference Pass	£2.60	£2.70	£0.10	3.8%	~	~
Class Pass - 1 Pass 1 Day	£31.00	£32.10	£1.10	3.5%	~	~
Class Pass - 2 Passes 1 Day	£49.00	£50.70	£1.70	3.5%	~	~
Class Pass - 1 Pass 1 Term	£94.00	£97.40	£3.40	3.6%	~	~
Class Pass - 2 Passes 1 Term	£155.00	£160.60	£5.60	3.6%	~	~
Class Pass - 1 Pass Annual	£242.00	£250.60	£8.60	3.6%	~	~
Class Pass - 2 Passes Annual	£429.00	£444.50	£15.50	3.6%	~	~
Single Inner Zone Rail Add On	£1.50	£1.60	£0.10	6.7%	~	~
Return Inner Zone Rail Add On	£2.20	£2.30	£0.10	4.5%	~	~
7 Day Inner Zone Rail Add On	£8.80	£9.10	£0.30	3.4%	~	~
Single Outer Zone Rail Add On	£2.50	£2.60	£0.10	4.0%	~	~
Return Outer Zone Rail Add On	£4.00	£4.10	£0.10	2.5%	~	~
7 Day Outer Zone Rail Add On	£16.20	£16.70	£0.50	3.1%	~	~

## Transport North East (Tyne and Wear) Sub-Committee

### Appendix E

Ferry Tickets - Price changes effective 2 January 2018						
Product	2017 Price	2018 Price	Change £	Change %	Sales (000s)	Journeys (000s)
NEW Under 19 Ferry Single - PAYG	N/A	£1.00	N/A	N/A	N/A	N/A
NEW Under 19 Ferry DaySaver - PAYG	N/A	£2.00	N/A	N/A	N/A	N/A
Ferry Single	£1.50	£1.60	£0.10	6.7%	34	441
Ferry Single - PAYG	£1.30	£1.30	£0.00	0.0%	N/A	
Ferry DaySaver	£2.80	£2.80	£0.00	0.0%	58	
Ferry DaySaver - PAYG	£2.50	£2.40	-£0.10	-4.0%	N/A	
FerrySaver 1 Week	£10.30	£10.60	£0.30	2.9%	1	
FerrySaver 4 Week	£36.00	£37.30	£1.30	3.6%	~	
Ferry Carnet (10 single trips)	£12.00	£12.80	£0.80	6.7%	0.3	
1 Zone Transfare	£2.70	£2.80	£0.10	3.7%	1	
2 Zone Transfare	£3.60	£3.70	£0.10	2.8%	0.2	
3 Zone Transfare	£4.30	£4.40	£0.10	2.3%	~	
Child Commercial Single	£0.60	£0.60	£0.00	0.0%	1	
Child Transfare	£0.90	£1.00	£0.10	11.1%	0.2	

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## TT2 MonthlyTraffic Statistics

Monthly	2017/2018													
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
2017/2018	1,339,682	1,419,309	1,403,299	1,419,925	1,420,316	1,398,352	28,762	0	0	0	0	0	forecast	
2016/2017	1,558,122	1,563,097	1,551,438	1,567,605	1,516,502	1,457,122	1,461,583	1,429,020	1,271,255	1,322,420	1,281,275	1,481,023		
Capacity	2,340,000	2,418,000	2,340,000	2,418,000	2,418,000	2,340,000	2,418,000	2,340,000	2,418,000	2,418,000	2,184,000	2,418,000		

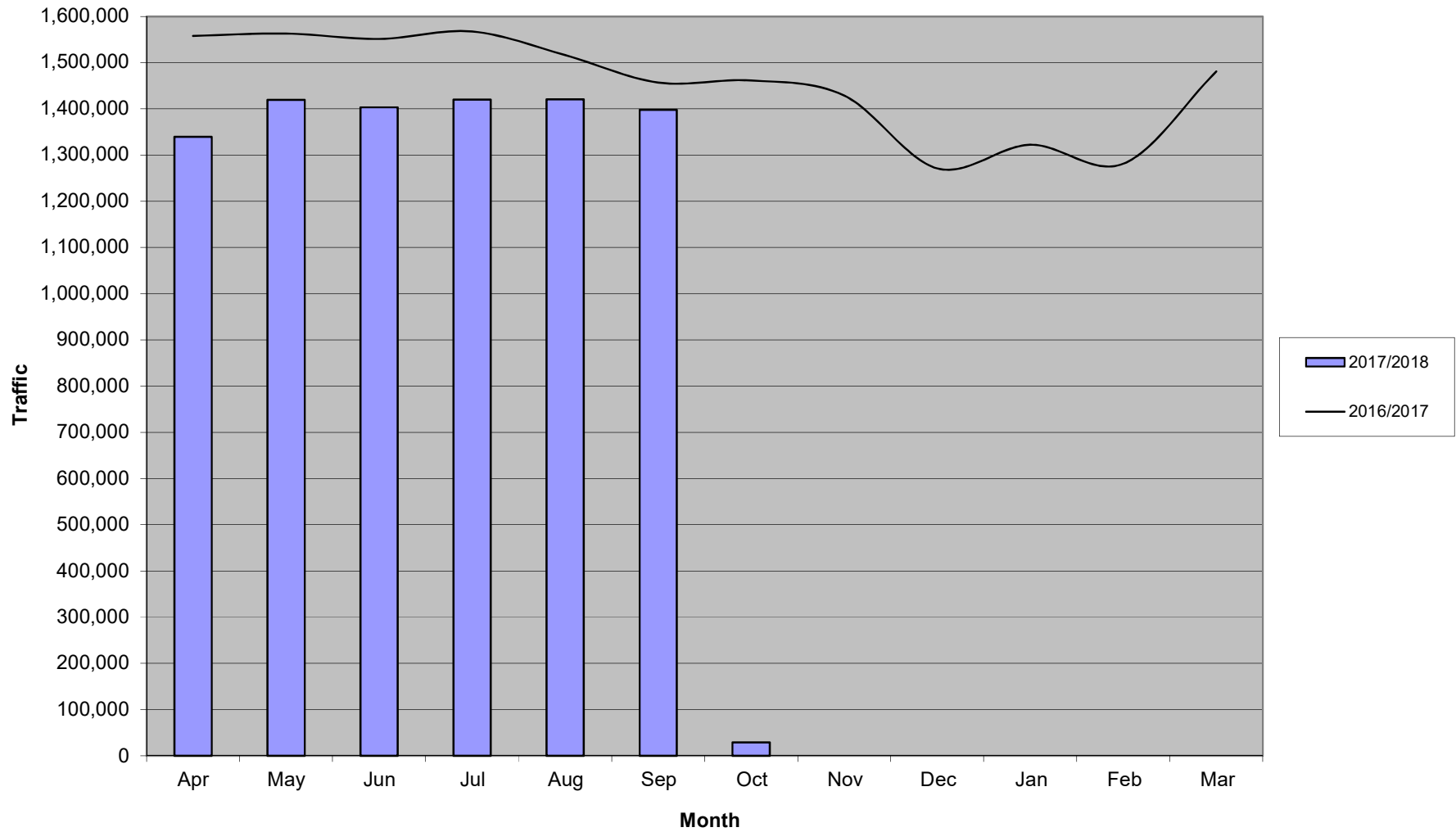
Traffic by Class	2017/2018													
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
2017/2018	1,339,682	1,419,309	1,403,299	1,419,925	1,420,316	1,398,352	28,762	0	0	0	0	0		
2016/2017	1,558,122	1,563,097	1,551,438	1,567,605	1,516,502	1,457,122	1,461,583	1,429,020	1,271,255	1,322,420	1,281,275	1,481,023		
Capacity	2,340,000	2,418,000	2,340,000	2,418,000	2,418,000	2,340,000	2,418,000	2,340,000	2,418,000	2,418,000	2,184,000	2,418,000		
Class 1	17,675	21,327	19,424	19,107	18,981	17,040	194	0	0	0	0	0	CI1 % ETC	
Class 2	1,203,550	1,272,084	1,261,526	1,277,628	1,272,611	1,258,202	26,874	0	0	0	0	0	CI2 % ETC	
Class 3	69,811	75,135	72,823	72,658	77,236	73,904	461	0	0	0	0	0	CI3 % ETC	
Exempts	48,646	50,763	49,526	50,532	51,488	49,206	1,233	0	0	0	0	0	Ex % ETC	
													Total %	

Class,Cash,Permit	2017/2018													
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
2017/2018	1,339,682	1,419,309	1,403,299	1,419,925	1,420,316	1,398,352	28,762	0	0	0	0	0		
2016/2017	1,558,122	1,563,097	1,551,438	1,567,605	1,516,502	1,457,122	1,461,583	1,429,020	1,271,255	1,322,420	1,281,275	1,481,023		
Capacity	2,340,000	2,418,000	2,340,000	2,418,000	2,418,000	2,340,000	2,418,000	2,340,000	2,418,000	2,418,000	2,184,000	2,418,000		
Class 1 Cash	17675	21327	19424	19107	18981	17040	194	0	0	0	0	0	C1	
Class 1 Permit	0	0	0	0	0	0	0	0	0	0	0	0	P1	
Class 2 Cash	655995	653081	642326	682930	707874	656086	19323	0	0	0	0	0	C2	
Class 2 Permit	547555	619003	619200	594698	564737	602116	7551	0	0	0	0	0	P2	
Class 3 Cash	12740	14076	13997	14209	14086	13349	116	0	0	0	0	0	C3	
Class 3 Permit	57071	61059	58826	58449	63150	60555	345	0	0	0	0	0	P3	
Exempts	10689	10840	10290	11260	12157	11045	365	0	0	0	0	0	Ex	
Exempts Permit	37957	39923	39236	39272	39331	38161	868	0	0	0	0	0	P Ex	
													Tolls to Date £	

2016/2017 Traffic by Class															
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		CI1 % ETC	
Class 1 total	16,763	22,597	23,464	22,981	21,107	20,862	16,403	10,785	8,360	8,449	9,766	16,151		CI2 % ETC	
Class 2 total	1,400,107	1,401,345	1,386,027	1,405,523	1,359,003	1,306,883	1,317,764	1,288,188	1,152,068	1,197,800	1,157,085	1,333,526		CI3 % ETC	
Class 3 total	89,511	85,983	89,581	84,989	81,841	79,301	76,279	80,354	64,024	69,432	70,723	79,767		Ex % ETC	
Exempts total	51,741	53,172	52,366	54,112	54,551	50,076	51,137	49,693	46,803	46,739	43,701	51,579			
2016/2017 Class,Cash,Permit														TOTAL % ETC	
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar			
Class 1 Cash	16763	22597	23464	22981	21107	20862	16403	10785	8360	8449	9766	16151			
Class 1 Permit	0	0	0	0	0	0	0	0	0	0	0	0			
Class 2 Cash	768490	779434	748910	791471	792522	702008	709180	648245	626240	588306	578555	660200			
Class 2 Permit	631617	621911	637117	614052	566481	604875	608584	639943	525828	609494	578530	673326			
Class 3 Cash	19196	18255	18992	17626	16845	16192	14853	15006	11804	11955	11902	14511			
Class 3 Permit	70315	67728	70589	67363	64996	63109	61426	65348	52220	57477	58821	65256			
Exempts	9224	10072	10247	11302	12021	9919	10166	9075	9620	8584	8433	10442			
Exempts Permit	42517	43100	42119	42810	42530	40157	40971	40618	37183	38155	35268	41137			

Table 1: TT2 Monthly Traffic Statistics

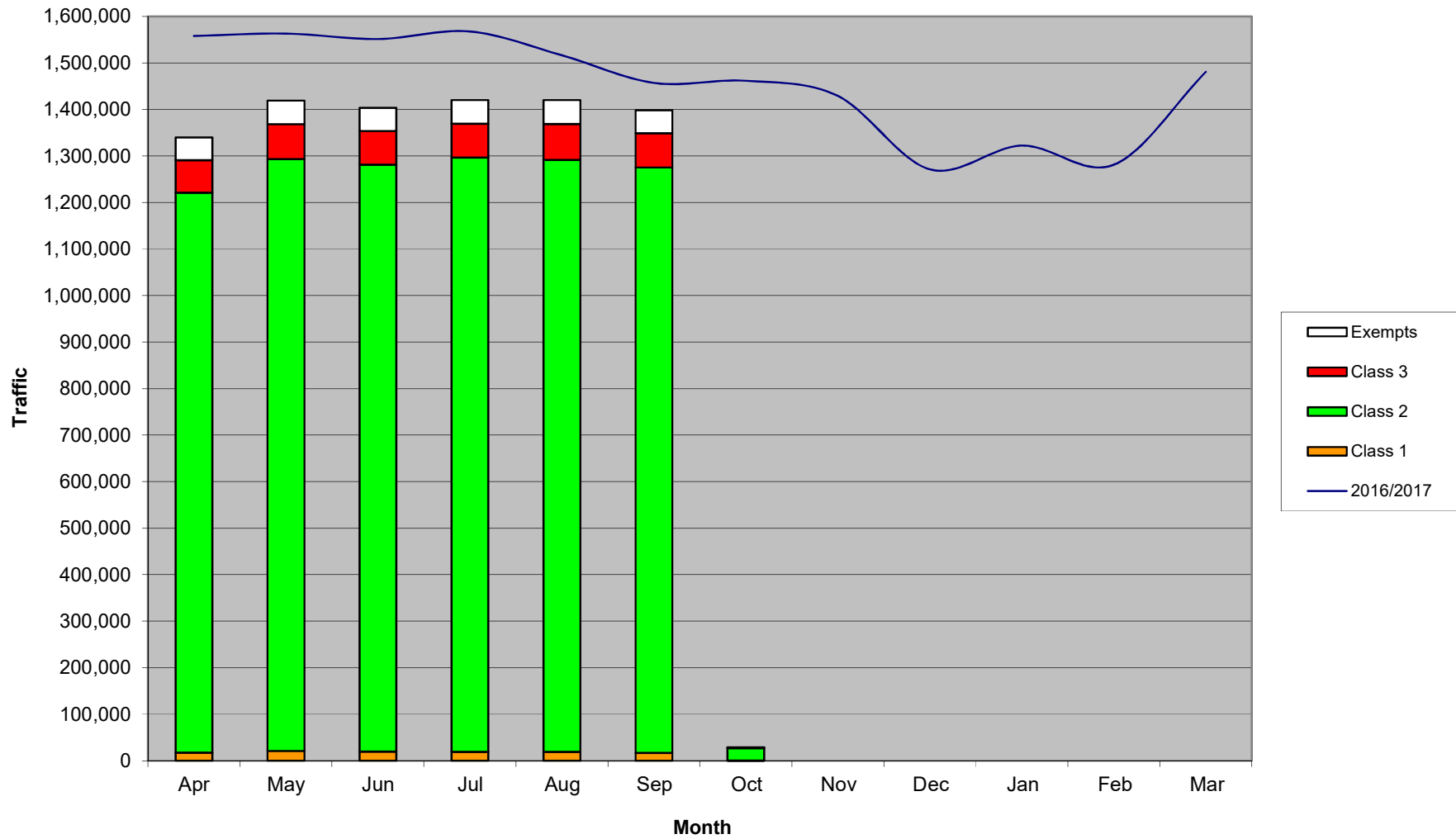
## TT2 TRAFFIC FIGURES



Graph A: TT2 Monthly Traffic Figures

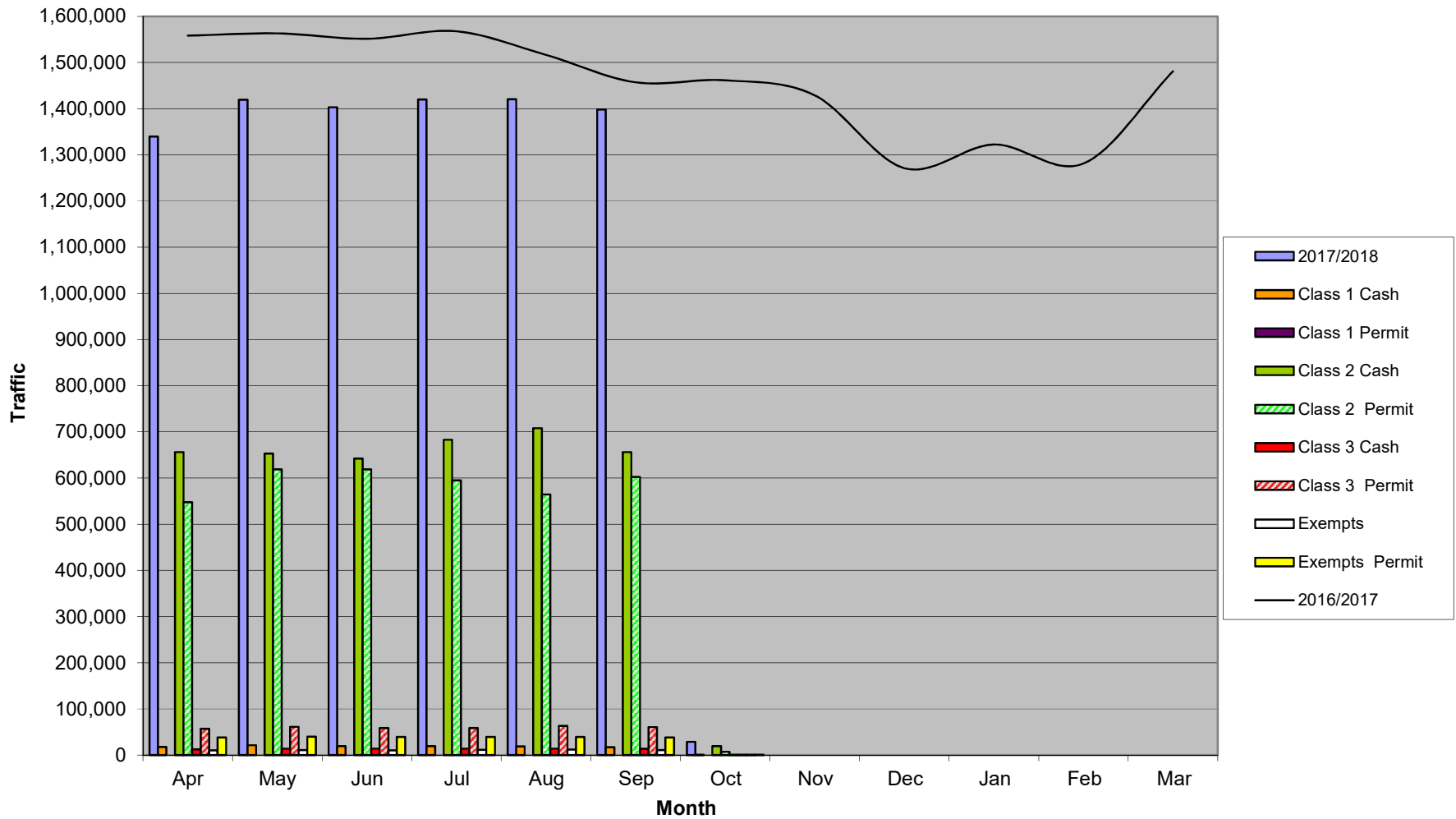


### TT2 TRAFFIC FIGURES



Graph B: TT2 Monthly Traffic Figures by Vehicle Type

# TT2 TRAFFIC FIGURES Class, Cash, Permit



Graph C: TT2 Monthly Traffic Figures by Payment Type

### Tunnel Environmental Conditions

Title	April	May	June	July	August	September	October	November	December	January	February	March
2017/2018	April	May	June	July	August	September	October	November	December	January	February	March
CO												
CO Allowable [ppm]	35	35	35	35	35	35	35	35	35	35	35	35
Southbound Monthly Mean [ppm]	0.63	0.74	0.74	0.82	0.69	0.57						
Northbound Monthly Mean [ppm]	0.96	0.90	0.99	0.88	0.89	0.98						
Reduced Visibility												
Visibility Allowable [%Obs]	50	50	50	50	50	50	50	50	50	50	50	50
Southbound Monthly Mean [%Obs]	0.56	0.58	0.59	0.55	0.59	0.57						
Northbound Monthly Mean [%Obs]	0.36	0.42	0.43	0.45	0.52	0.49						
Nitrogen Monoxide												
Nitrogen Monoxide Allowable [ppm]	5	5	5	5	5	5	5	5	5	5	5	5
Southbound Monthly Mean [ppm]	0.26	0.30	0.30	0.33	0.28	0.31						
Northbound Monthly Mean [ppm]	0.50	0.55	0.56	0.82	0.58	0.66						

**Table 2: Presents Environmental Data for the Tunnels.**

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# Tyne Pedestrian & Cyclist Tunnels



## Refurbishment Progress

Nov 2017



This section of tunnel adjacent to the lift shafts has had all tiling removed and the joints between the cast iron rings, which were leaking, have now been sealed. The next operation will be re-tiling.





The contractor has started to reinstate areas of delaminated concrete in preparation for re-tiling works.



This view shows the installation of localised enclosures within the tunnels to allow specialist contractors to drill into the asbestos packing between the cast iron rings prior to the injection of resin to stop leaks.





The Warerite panels in both the north and south inclined shafts have been substantially completed. Where the original panels had to be replaced panels have been provided by Formica whose predecessor supplied the original panels to the tunnels.



Produced by

North East Combined Authority

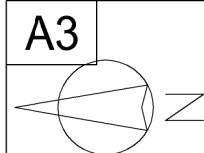
c/o TT2 Limited, Tyne View Terrace

Wallsend NE28 0PD

FOR MORE INFORMATION VISIT

[www.tynepedestrianandcyclisttunnels.co.uk/](http://www.tynepedestrianandcyclisttunnels.co.uk/)

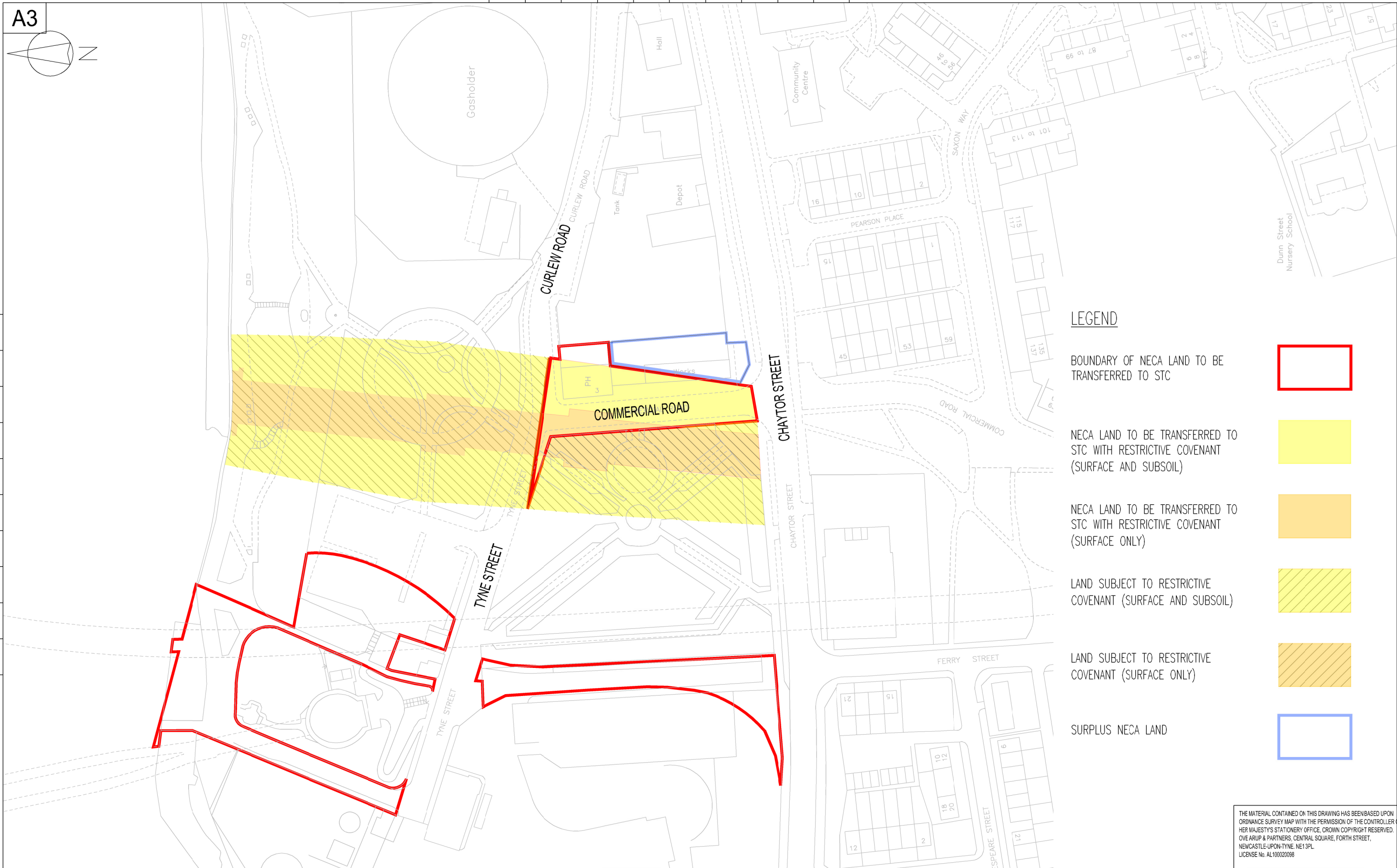




10cm - SCALE WITH CAUTION AS DISTORTION CAN OCCUR

10cm

A3



### LEGEND

BOUNDARY OF NECA LAND TO BE TRANSFERRED TO STC



NECA LAND TO BE TRANSFERRED TO STC WITH RESTRICTIVE COVENANT (SURFACE AND SUBSOIL)



NECA LAND TO BE TRANSFERRED TO STC WITH RESTRICTIVE COVENANT (SURFACE ONLY)



LAND SUBJECT TO RESTRICTIVE COVENANT (SURFACE AND SUBSOIL)



LAND SUBJECT TO RESTRICTIVE COVENANT (SURFACE ONLY)



SURPLUS NECA LAND



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Client



north east combined authority

Job Title

NEW TYNE CROSSING

P2	7/11/17	DJS	ISSUED FOR INFORMATION
P1	2/12/16	DJS	ISSUED FOR INFORMATION
Rev.			

ARUP

Central Square, Forth Street  
Newcastle upon Tyne, NE1 3PL  
Tel: +44 (0)191 2616080 Fax: +44 (0)191 2617879  
www.arup.com

Discipline

LAND TRANSFER

Drawing Title

NECA LAND TO BE TRANSFERRED TO SOUTH TYNESIDE MBC RIVER TO CHAYTOR STREET

Drawing Status		Rev.
FOR INFORMATION		P2
Scale @ A3 1:1250	Originator D.SWAINSON	
Checked	Approved	Date 7/11/17
Job No. 124819	Drawing No. LA-S-040	

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## **Transport North East (Tyne and Wear) Sub-Committee**

**Date:** 16 November 2017

**Subject:** Nexus Annual Activity and Expenditure Analysis Report 2016/17

**Report of:** Managing Director (Transport Operations)

### **Executive Summary**

The purpose of this report is to provide members with financial and statistical information relating to Nexus' services as part of its annual reporting processes.

### **Recommendations**

The Transport North East (Tyne and Wear) Sub-Committee is recommended to note the attached report, "Nexus Annual Activity and Expenditure Analysis Report 2016/17".



## **Transport North East (Tyne and Wear) Sub-Committee**

### **1. Background Information**

- 1.1 This report provides members with an analysis of Nexus expenditure and activity at district level during 2016/17. It builds on previous reports since 2009/10
- 1.2 The basis of the report has in the past been used to discuss Nexus' expenditure with District Treasurers
- 1.3 As with other Passenger Transport Executives and Travel Concession Authorities, Nexus reports on its financial performance annually. Its statement of accounts is subject to external audit. For 2016/17 the external auditor issued an unqualified audit opinion, without modification, on the Statement of Accounts, and confirmed that there were no matters that prevented them from being satisfied that Nexus has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 1.4 When the levy for 2010/11 was discussed with district Leaders in December 2009, the Leadership Group requested more information on the services being provided by Nexus at a local authority level. In particular, there was some concern from Leaders that there was no transparency on how services funded from the Nexus budget, in particular the elements that they directly support via the levy and the grant passed to Nexus by the former TWITA (now the NECA), impacted on individual authorities. In response, a proposal for capturing and reporting appropriate information was discussed with and agreed by District Treasurers when they met in April 2010. The initial report was produced covering expenditure and activity analysis for 2009/10 and has been followed up in subsequent years
- 1.5 This updated report, the 'Nexus Activity and Expenditure Analysis Report 2016/17' has been prepared using similar principles to those adopted for the previous four reports, although where possible, advances in smart technology have enabled more robust reporting in some areas e.g. use of post code analysis for ENCTS concessionary journeys
- 1.6 It is recognised that the levy (and the grant passed to Nexus by the NECA) is generated locally based on the population of constituent districts and therefore transparency and accountability requires the Combined Authority and Nexus to be able to demonstrate value for money in the use of resources to each of the constituent authorities in the area
- 1.7 This is not an exact science given that existing processes work at the sub-regional level and expenditure profiles are, for example, additionally influenced by:-
  - i. The economies of scale if services are provided at a Tyne and Wear level including the extent to which Nexus can use the levy in order to lever

## Transport North East (Tyne and Wear) Sub-Committee

- additional funds;
- ii. The high proportion of cross boundary services between the constituent authorities and neighbouring unitary authorities;
- iii. The different characteristics within the constituent authorities in respect to public transport demand and supply;
- iv. The nature and extent of bus operators commercial networks; and
- v. Population densities, socio-economic geography and land use planning decisions

1.8 Nonetheless broad conclusions can be drawn, although it is important to recognise that information provided at a district level will need careful examination and could warrant certain caveats in order that inaccurate interpretations or incorrect comparisons are not made

1.9 Nexus' Director of Finance and Resources has worked with district colleagues in order to develop an agreed methodology that estimates the amount of 'benefit derived' by each district from services provided by Nexus, relative to their resource input

1.10 In May 2012, District Treasurers were advised that whilst adopting a strict formulaic approach to determining the amount of 'benefit derived' relative to the Levy was possible, and that this could result in a perception that some districts 'gained' relative to their input whilst others 'lost' it was also extremely important to recognise:-

- i. The cross boundary nature of passenger flows means that consideration of the journey being undertaken, the reason for it and the origin of the person making it should be taken into account e.g. it is probable that both Sunderland and South Tyneside will have derived benefit from a Sunderland resident boarding a bus in South Tyneside.
- ii. The value of services provided by Nexus over and above those which are funded from the Levy, in particular the Tyne and Wear Metro system, which penetrates all five districts.
- iii. Regarding this latter point, Nexus' gross income in 2016/17 was some £161.3m. Of this, £50.7m was funded from commercial revenues, whilst £110.6m was funded from various grants, including the release of capital grants deferred which offsets depreciation charged on those fixed assets which were in the past financed by government grant. Given that the grant passed to Nexus by the NECA accounted for £62.5m of grant income, more than 60% of Nexus' gross income was therefore funded from outside of the grant passed to Nexus by the NECA.

## **Transport North East (Tyne and Wear) Sub-Committee**

- 1.11 This led to unanimous support in favour of the retention of the population based share of local resource inputs via the levy although Treasurers and senior transport officers have expressed a desire to see this reporting continue, building on trends that are now establishing themselves having regard to four years' of analysis as well as progress made in more robust methods of capturing this information e.g. by analysing the Nexus Host Operating Processing System (HOPS) for concessionary travel journeys.

### **2. Proposals**

- 2.1 This report does not contain any proposals.

### **3. Reasons for the Proposals**

- 3.1 This report does not contain any proposals.

### **4. Alternative Options Available**

- 4.1 There are no alternative options available.

### **5. Next Steps and Timetable for Implementation**

- 5.1 Members may wish to have a more detailed explanation at a future policy seminar.

### **6. Potential Impact on Objectives**

- 6.1 The report analyses how services are delivered to support the objectives of the NECA.

### **7. Financial and Other Resources Implications**

- 7.1 The report sets out how Nexus' resources are expended.

### **8. Legal Implications**

- 8.1 There are no specific legal implications arising from this report.

### **9. Key Risks**

- 9.1 A continued decline in Metro ridership may have an adverse impact on fare income.
- 9.2 Changes to the levy will impact on Nexus' ability to continue to provide the services as set out in this report



## **Transport North East (Tyne and Wear) Sub-Committee**

### **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 crim and disorder implications arising from this report.

### **12. Consultation/Engagement**

- 12.1 There are no specific consultation and community engagement implications arising from this report.

### **13. Other Impact of the Proposals**

- 13.1 There are no other impacts arising from this report.

### **14. Appendices**

- 14.1 Nexus Annual Expenditure and Activity Analysis report 2016/17

### **15. Background Papers**

- 15.1 None

### **16. Contact Officers**

- 16.1 John Fenwick, Director of Finance and Resources, Nexus  
E-mail [john.fenwick@nexus.org.uk](mailto:john.fenwick@nexus.org.uk) Tel: 0191 2033248

### **17. Sign off**

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

### **18. Glossary**

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# Annual Report

2016/17



## Glossary

### Financial Terms

Capital Grants Deferred	An unusable reserve which is created when Grant funding is used to acquire fixed assets. Capital Grants Deferred are released to the Income and Expenditure Statement to match the depreciation costs associated with the assets they were used to finance.
Grant	Grants made by the Government towards either capital or revenue expenditure to support the cost of the provision of services. These grants may be specifically towards the cost of particular schemes or to support general revenue expenditure.
Levy	A grant paid to Nexus by the Local Authorities in Tyne and Wear to help finance its general expenditure. Also referred to as 'NECA grant'.
Nexus' net revenue expenditure	The amount of operating expenditure that Nexus incurs in the provision of public transport services after taking account of central government grants, external income from commercial activities and the release of capital grants deferred.
Non-grant Income	External Income, 'income from commercial activities and other non-public sources'.

### Other Terms

(TW)ITA	(Tyne & Wear) Integrated Transport Authority (the ITA): the predecessor body to the NECA.
NECA	North East Combined Authority: the Local Transport Authority covering the seven areas comprising Northumberland, Durham, Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland.
Local Transport Plan (LTP)	The Local Transport Authority's statutory plan setting out its policies and objectives for transport provision in its area. NB Currently there are 3 LTPs in the NECA area for Northumberland, Durham and Tyne & Wear. Work is underway to prepare the Transport Plan for the North East, the first LTP to cover the whole of the NECA area.
Bus Strategy	The subsidiary document to the Tyne and Wear LTP related to the LTA's strategy for the delivery of bus services in its area, including for example details relating to the provision of secured bus services.
Secured Bus Service	A local bus service operated by a commercial operator but funded by Nexus following a competitive tendering process. Also known as a tendered service, a subsidised service or a socially necessary bus service.
Resource board	A form of secured service whereby the contractual obligation is based on a number of hours rather than a fixed route.
Commercial Service	A local bus service operated by a bus company which is usually commercially viable, and is therefore run without financial subsidy from Nexus.

ENCTS	The English National Concessionary Travel Scheme is a national scheme by the Department for Transport (under Concessionary Bus Travel Act 2007) which is run in conjunction with Local Transport Authorities and Passenger Transport Executives across England whereby residents who have attained the state pension age, as well as eligible disabled people, are provided with free off-peak bus travel on weekdays and all day at weekends and Bank Holidays. The ENCTS is a statutory obligation that is placed on Nexus to reimburse commercial bus operators who themselves are statutorily obliged to carry ENCTS pass holders.
POP Card	A smartcard that allows the holder to pay for public transport using a plastic card that can be read by machines on stations and vehicles.
Under 16 Pop Card	Children who live in Tyne and Wear and are aged 5 to 15 on 31 August before the start of the academic year are entitled to an Under 16 Pop card. This lets them travel in Tyne and Wear at concessionary child fares.
Gold Card	A product that can be bought by those eligible for ENCTS travel and loaded onto the ENCTS smartcard used for bus travel which allows travel on Metro, Shields Ferry and Northern Rail services between Newcastle and Sunderland without further payment.
TVM	Ticket Vending Machine. These are the machines introduced during our Ticketing and Gating project a few years ago from which Metro customers buy Metro Tickets.
VLY	“versus last year”, shows how a figure for this year compares with one from the previous year.
Pax	Abbreviated form of “Patronage”.
Moving annual patronage	Used within this report to show the total patronage over the last year at that point in time. When plotted over time, it produces a flatter line, which reduces abrupt pattern changes caused by short-term fluctuations.
Take-up rate	The proportion of people eligible to apply for a particular concession or service who actually make use of it.

## Introduction

Nexus is the Tyne and Wear Passenger Transport Executive (PTE) established under the Transport Act 1968 (as amended) and administers funds in order to implement local public transport policies in Tyne and Wear on behalf of the North East Combined Authority (NECA). On 14th April 2014 the NECA was created by Order of the Secretary of State under sections 84, 91 and 93 of the Local Transport Act 2008(a) and sections 103 to 105 and 114 to 116 of the Local Democracy, Economic Development and Construction Act 2009(b). At the same time, the NECA's predecessor body, the Tyne and Wear Integrated Transport Authority (the ITA) was abolished, and its functions, properties, rights and liabilities were transferred to the NECA.

Our mission statement is 'Supporting the economy and the environment through better public transport services'.

Working within the policy remit set for us by the NECA, and in accordance with the Tyne and Wear Local Transport Plan developed by the ITA and its local partners, Nexus plans, promotes and provides public transport to improve the economic prosperity of Tyne and Wear, and the daily lives of its people. There are few people living in Tyne and Wear whose daily lives are not touched in some way by public transport, and therefore the activities of Nexus, through getting people to work, children to school, students to colleges, allowing access to shops, medical facilities or leisure attractions.

As set out in our corporate business plan for 2016/17, we have continued to make improvements to public transport, make savings wherever possible and take steps to secure the future of Metro. This year has seen the continuation of the Metro Asset Renewal Programme, the preparation to take back control of Metro operations from 1 April 2017, and the initiation of the Metro Futures project which aims to replace our ageing fleet of Metro rolling stock. Our new Corporate Business Plan outlines the major activities to be undertaken in the next 2 years, including:

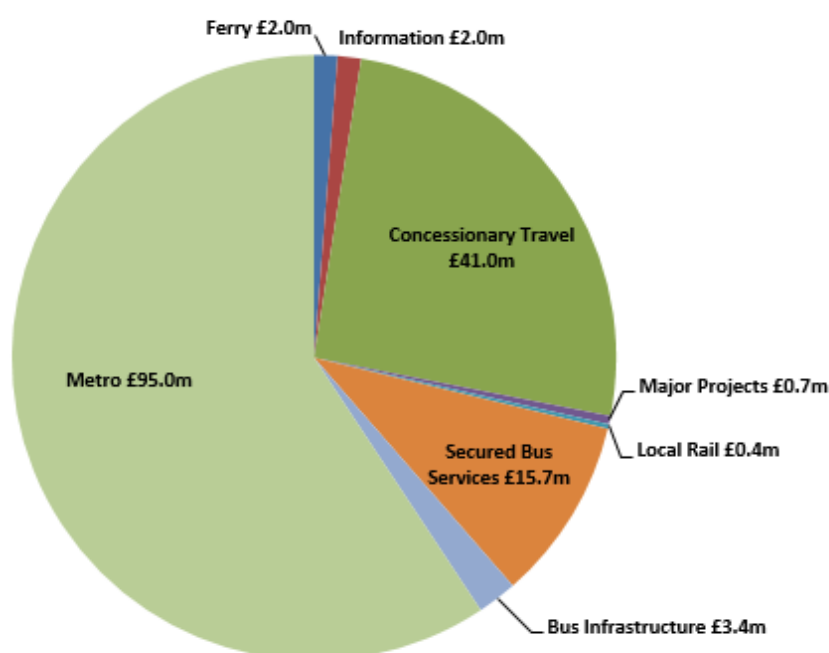
- Improving Metro reliability and punctuality
- Considering future Metro concessions
- Building a new railway skills training centre at South Shields
- Improving Sunderland station
- Scoping possible Metro extensions
- Achieving Financial Savings

### Nexus Gross Revenue Expenditure 2016/17

Nexus' gross revenue expenditure during 2016/17 amounted to £160.2m.

The chart below shows where Nexus spends its revenue budget, clearly illustrating that in gross expenditure terms, the largest service is Metro, followed by Concessionary Travel and then Secured Bus Services with the residue of funding spent on a variety of different services for example provision of travel information, bus interchanges, and the cross Tyne Ferry.

### Nexus Gross Revenue Expenditure 2016/17 (£160.2m)



### Nexus Gross Income 2016/17

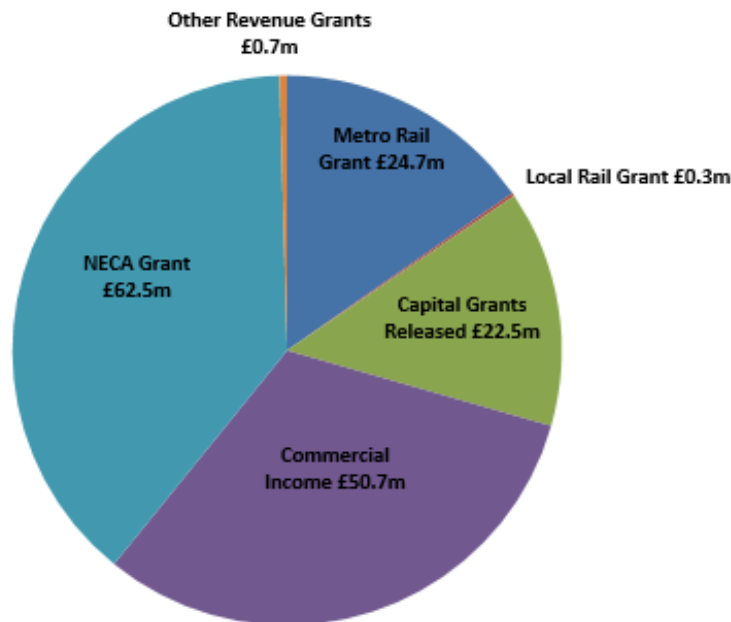
Nexus' gross income in 2016/17 amounted to £161.3m, comprising:-

- Grant funding from the North East Combined Authority
- Direct grant from central government to support the operation of the metro (the metro Rail Grant) and local rail services (Rail Administration Grant)
- Commercial revenue generated from customers who use our services (the majority of which is generated through metro fare revenue)
- Revenue funding for the NESTI activities carried out within the year

- **Capital Grants Released.** An unusable reserve is established when a fixed asset that is funded by Government grant is created. The reserve is released from the balance sheet in order to match the depreciation charges posted to the revenue account that reflect the use of the asset in the provision of services.

The chart below shows how this income was generated:-

### **Nexus Gross Income 2016/17 (£161.3m)**

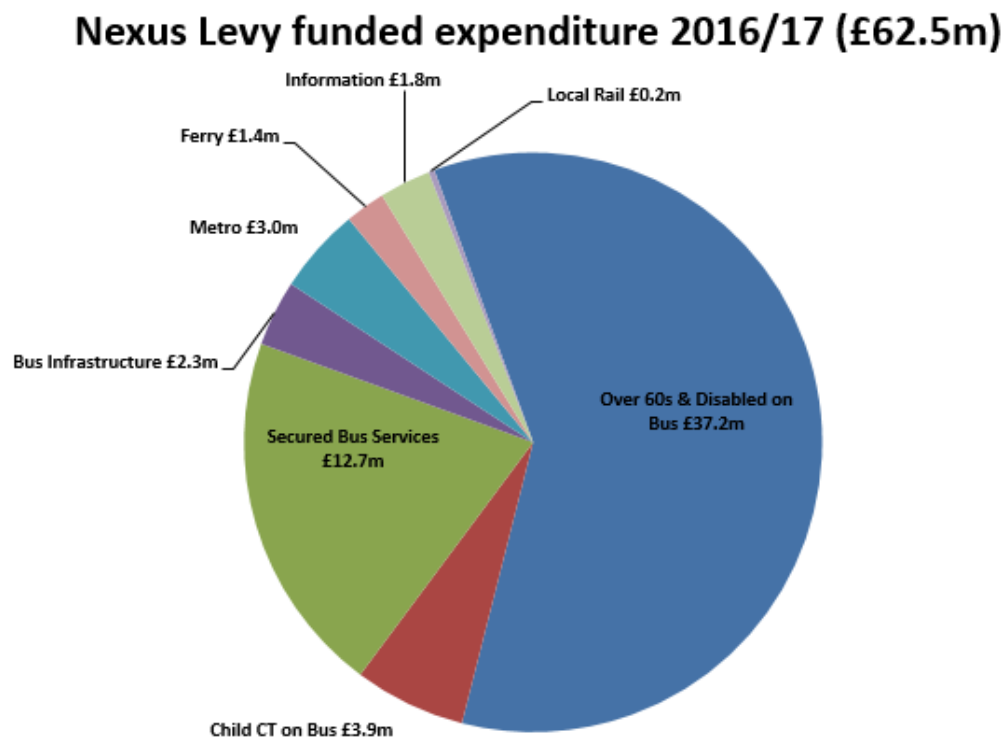


### **The Tyne and Wear Transport Levy 2016/17**

In January 2016, the NECA agreed a budget and issued a transport levy to the constituent councils within Tyne and Wear so as to meet a proportion of its liabilities/expenses for 2016/17. The apportionment of the levy is calculated by reference to the total resident population of each Council. This is done in accordance with Section 7(5) of the Transport Levying Bodies Regulations 1992. In the case of Tyne and Wear, the NECA set a levy for the financial year 2016/17 of £65.1m, of which £62.5m was paid as a grant to Nexus in order to execute the policy decisions of the NECA. Much of the grant from the NECA is used by Nexus to fund the reimbursement of concessionary fares, the majority of which is a mandatory statutory requirement (the ENCTS). The remainder of the grant from the NECA is spent on contracting and administering Secured Bus Services, the local contribution to Metro (primarily used to support the Gold Card concessionary fares scheme), the Shields Ferry and other things such as the provision of public transport information and bus infrastructure.



The chart below shows where Nexus spends the funds it receives through the revenue grant from the NECA:-



## **Activity Analysis**

This section provides a breakdown and analysis of activity across the following areas of public transport service provision in Tyne and Wear:-

### **Services**

1. All bus services
2. Secured bus services
3. Concessionary Travel on Bus (ENCTS)
4. Under 16 (U16) Concessionary Travel on Bus
5. Metro patronage
6. Gold Card Concessionary Travel on Metro
7. Under 16 (U16) Concessionary Travel on Metro
8. Bus Infrastructure
9. Information
10. Ferry
11. Rail Services
12. TaxiCard Services

## 1) All bus services

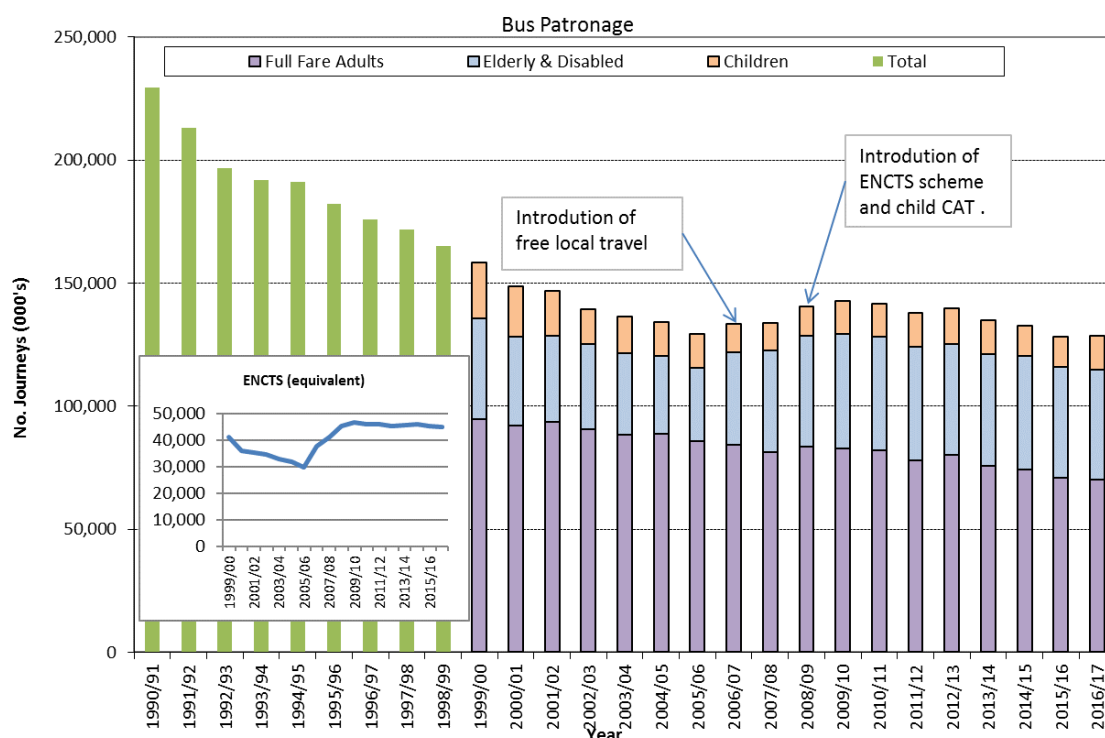
### a. Overview of bus passenger boardings

During 2016/17, 128.7 million passenger boardings were made on bus services in Tyne and Wear, which represents an overall increase of 0.2% on the previous year.

The table below provides a more detailed breakdown of the bus market across Tyne and Wear in recent years.

Passenger Type (Boardings 000s)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Change Vol	Change %
Adult	82.245	78.169	80.103	75.721	74.392	70.875	70.240	-0.634	-0.9%
ENCTS	45.992	45.899	45.038	45.574	45.940	45.179	44.753	-0.426	-0.9%
Child	13.383	14.026	14.436	13.681	12.388	12.339	13.703	+1.364	11.1%
<b>Total</b>	<b>141.620</b>	<b>138.094</b>	<b>139.577</b>	<b>134.977</b>	<b>132.720</b>	<b>128.393</b>	<b>128.696</b>	<b>+0.303</b>	<b>0.2%</b>

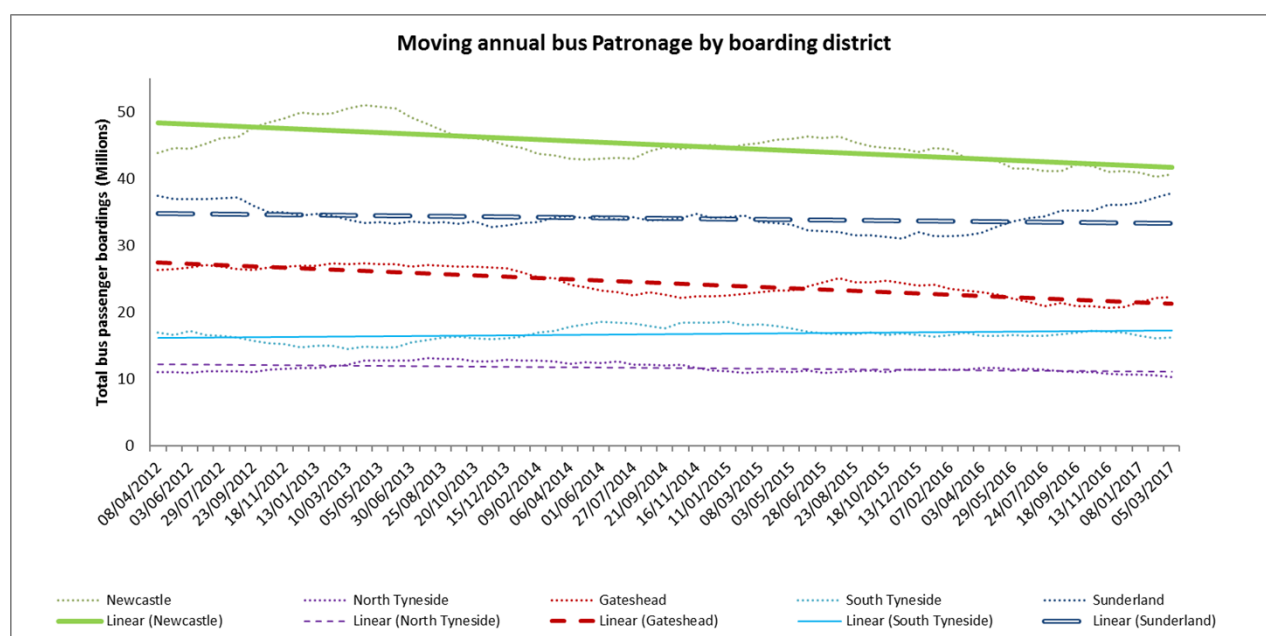
Whilst the Adult and ENCTS market segments have continued to decline in line with the long term trend, there has been a significant increase in child patronage. One of the major bus operators extended eligibility for child tickets to 18 years and capped child fares at £1.00 per trip during 2016/17. This has been a major contributing factor in this change. The chart below shows how this year's changes fit in to the long-term picture of patronage trends.



## b. All Bus passenger boardings by Local Authority

The chart below plots the moving annual bus patronage (defined in the glossary), showing the long term trend of total bus patronage boardings by local authority area. Although there is some variation year on year, the long term trend of decline is evident across all Local Authority areas.

As with previous years, in this data set the patronage boarding location is defined by the origin of a journey. That is, a journey originating in Newcastle, irrespective of journey destination or passenger home district, is classified as a Newcastle journey. Whilst Nexus' patronage data is based upon a robust methodology with statistically robust samples, some fluctuation will occur in the trends observed. Therefore, the following graph shows the five-year linear trend as well as the moving annual patronage.

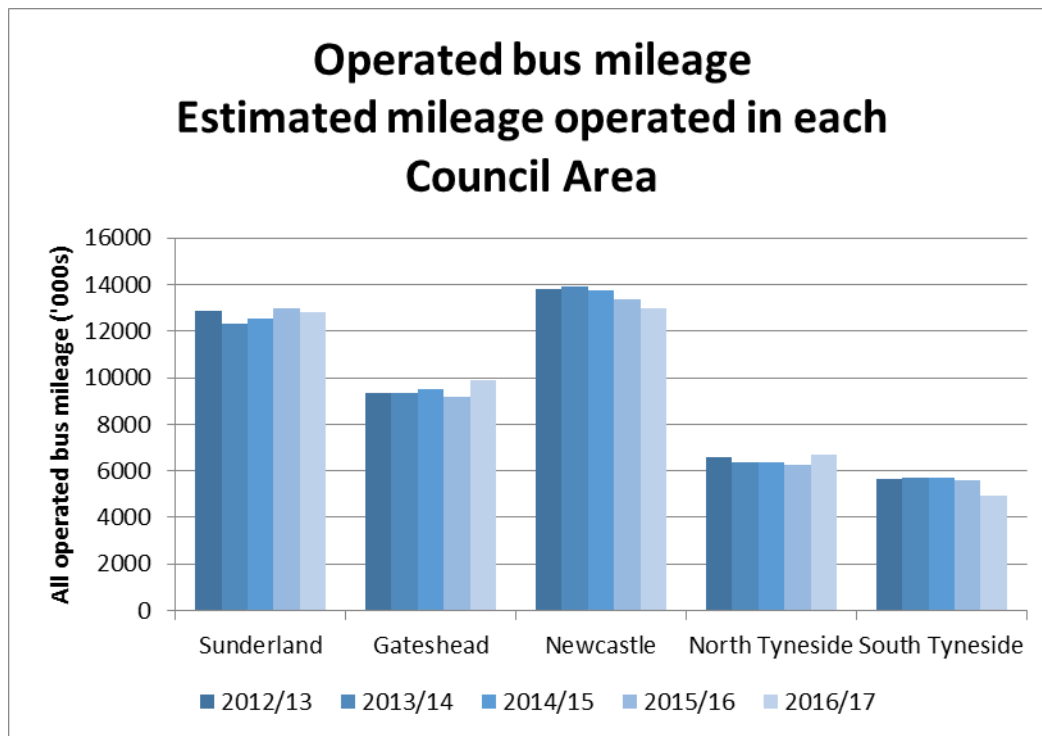


Nexus has analysed the local authority area that passengers live in, compared to the location they boarded and it is evident that a sizeable number of 'cross boundary' journeys are undertaken. This is shown in the table below and includes trips made by residents from outside of Tyne and Wear, highlighting the fact that the levels of cross-boundary travel varies greatly by Local Authority.

		Board in					
		GH	NC	NT	SL	ST	Outside T&W
Live in	GH	86.9%	5.1%	1.2%	0.7%	0.7%	2.1%
	NC	3.5%	74.7%	11.8%	0.4%	0.5%	4.2%
	NT	0.9%	9.9%	79.7%	0.2%	0.4%	13.6%
	SL	2.8%	0.8%	0.6%	88.8%	4.1%	6.9%
	ST	2.8%	1.1%	2.0%	3.7%	93.6%	0.6%
	Outside T&W	3.0%	8.2%	4.6%	6.1%	0.7%	72.7%
	Check	100%	100%	100%	100%	100%	100%

### c. Operated bus mileage

The DfT publish figures for vehicle miles operated at a regional level with lower level estimates for each Local Authority produced by Nexus shown below. The DfT have advised there will be a delay in the release of vehicle miles data until January 2018. The chart below uses 2015/16 total mileage and will be updated in 2018



## 2) Secured bus services

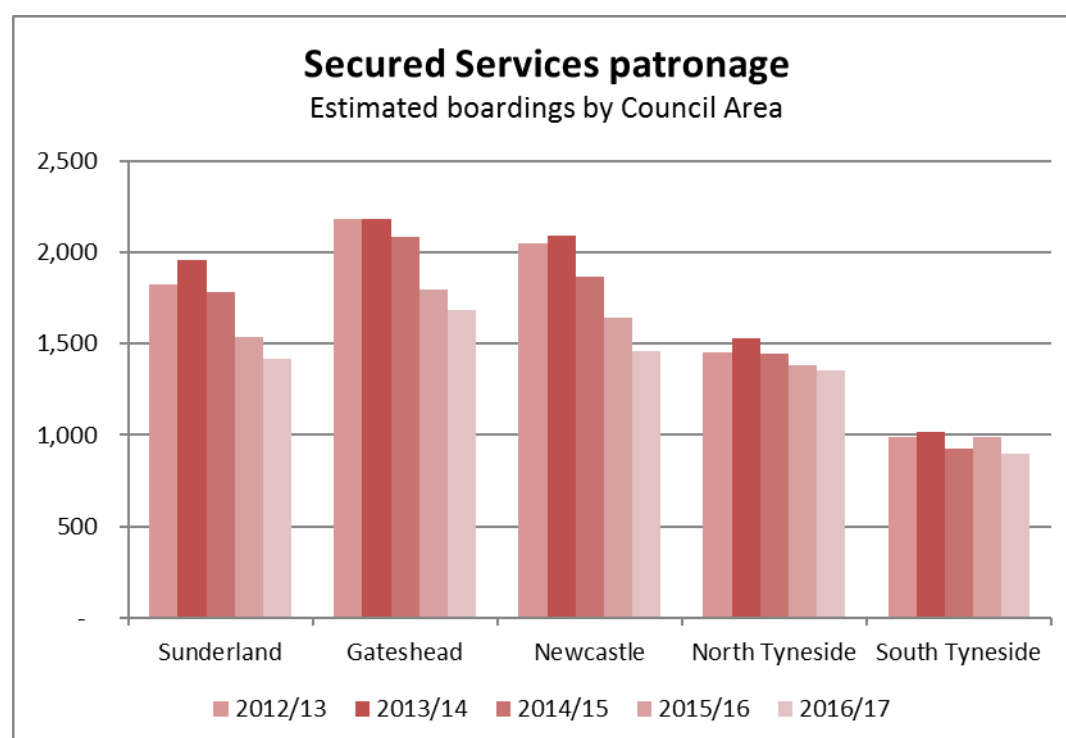
### a. Tyne & Wear overview

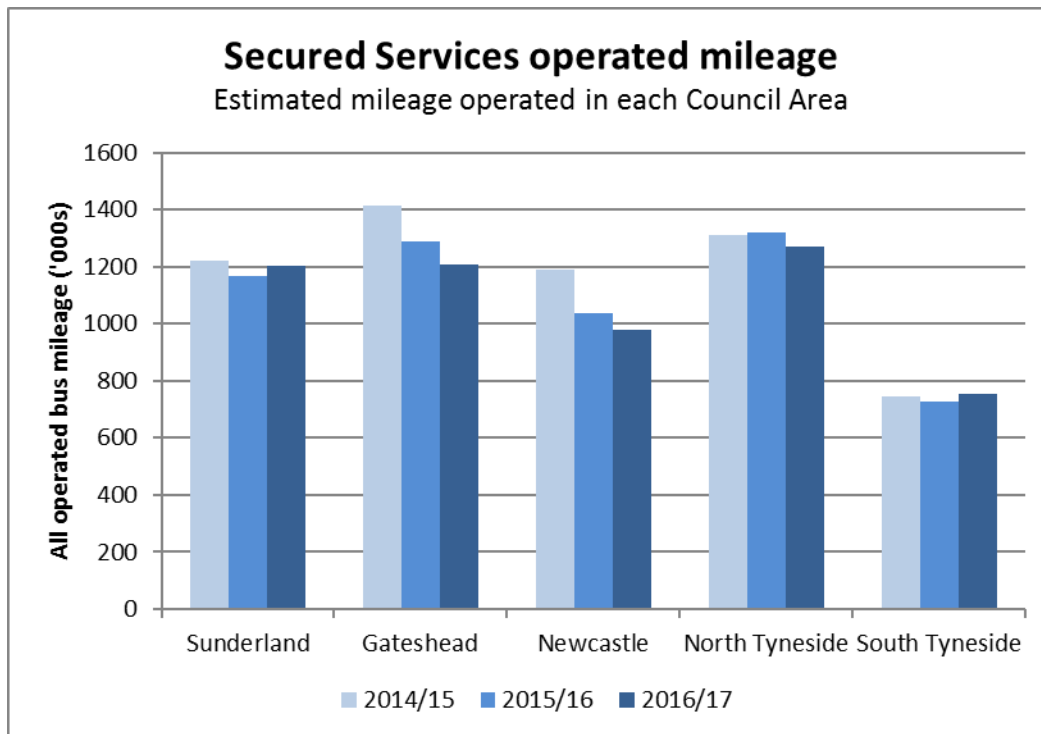
Nexus continually monitors cost and usage of secured bus services. During 2016/17, the number of journeys made on secured bus services fell by 524k, a 7.1% reduction on the previous year across Tyne and Wear as a whole. Total mileage operated on a secured service basis also reduced, at the lower rate of 2.2%. The reason for this is principally because of the commercialisation of a number of services that were previously secured e.g. the Q1 and Q2 services. This has contributed to a reduction in the total cost of providing secured services of around £2 million, or 11.2%, thereby improving overall cost effectiveness.

Passenger type Boardings (000's)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Change Vol.	Change %
Adult	4,033	4,328	3,951	3,946	3,798	3,487	3,264	- 223	-6.4%
ENCTS	2,878	3,062	2,383	2,462	2,180	1,903	1,672	- 231	-12.1%
Child	2,066	2,222	2,160	2,361	2,127	1,951	1,881	- 70	-3.6%
<b>Total</b>	<b>8,977</b>	<b>9,612</b>	<b>8,494</b>	<b>8,769</b>	<b>8,104</b>	<b>7,341</b>	<b>6,817</b>	<b>- 524</b>	<b>-7.1%</b>
<b>Total mileage (miles 000's)</b>	Not Available				<b>5,880</b>	<b>5,537</b>	<b>5,414</b>	<b>- 123</b>	<b>-2.2%</b>

### b. District level overview

The estimated number of passenger boardings and mileage operated for secured services provided in each local authority area is shown in the bar charts below.





Many small changes to individual services have contributed to the overall drop in mileage. However, the following service changes are among the most significant:

- Increased commercialisation of Q1 and Q2 services reduced Newcastle and Gateshead mileage by around 46,000 miles.
- Asda are now funding the A1, A2 and A3 services provided for their customers. Since these services are no longer secured on behalf of Newcastle City Council, it led to a reduction of 17,000 miles in Newcastle.
- In North Tyneside, there have been reorganisations of the 57 and 57A services, leading to a decrease of 16,000 miles, and also of the 32 and 32A services, causing a further decrease of 17,000 miles.
- In Sunderland, there has been some reorganising of services as the daytime journeys of the 237, 238 and 239 were commercialised. This was offset by an extension of the route of the 237, to cater for passengers who had previously relied on the DRT service. Cumulatively, this amounted to an increase of 22,000 miles.
- The apparent increase in mileage in South Tyneside can be attributed largely to the replacement of resource boards with conventional secured service contracts, which explicitly specify the mileage per trip. By contrast, resource boards quote the number of hours that a vehicle will be available for. From this, it is only possible to estimate the mileage

travelled using a standard “miles per hour” constant which is not always ideal in that it can vary across routes.

Of the reduction in mileage, 63,000 miles can be attributed to Quaylink and Asda buses no longer needing to be secured by Nexus whilst still serving the public. Without this reduction, the overall mileage reduction would have been 60,000 miles, a drop of only 1.1%.



### 3) Concessionary Travel on Bus (ENCTS)

#### a. Background

English National Concessionary Travel Scheme (ENCTS) pass holders have had their journeys on bus recorded using smart-enabled technology since October 2011. These journeys are stored in a database which can be interrogated and analysed alongside Continuous Monitoring Survey data. Passenger numbers below are based upon survey data to maintain consistency with estimates for other passenger groups. The smartcard data compliments this by estimating the proportion of trips made by residents from each area.

#### b. Proportion of ENCTS journeys made by residents from each district

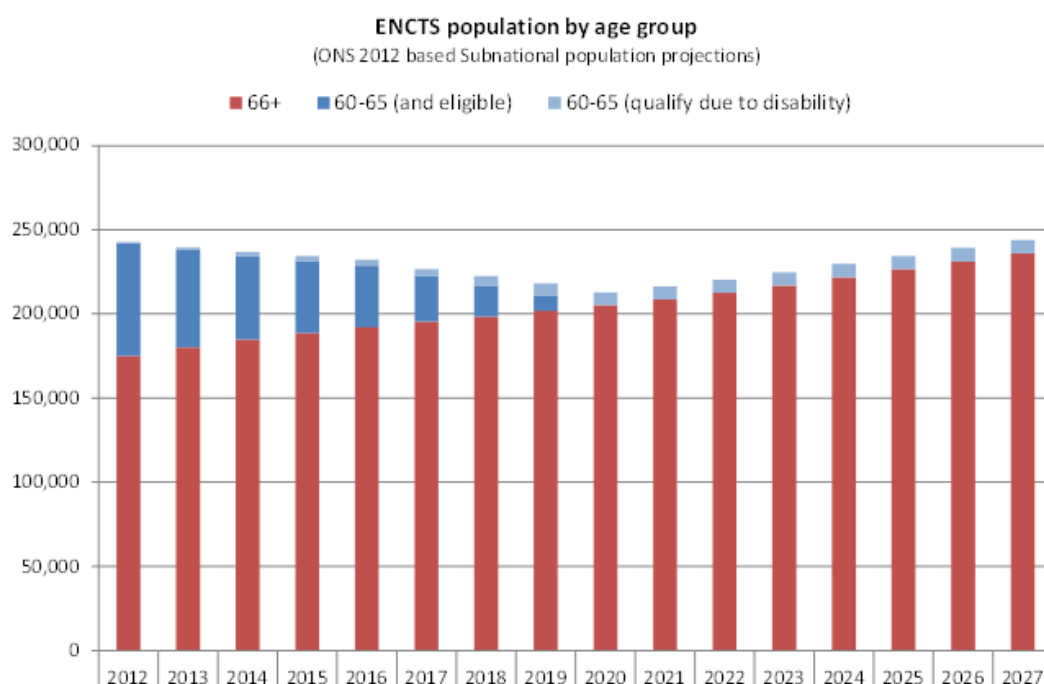
Analysis of the passenger's home district for each ENCTS journey made gives the following results:-

Resident of	Journeys 2015/16 (000s)	Journeys 2016/17 (000s)	Change %	2015/16 Proportion of all trips by T&W resident in...	2016/17 Proportion of all trips by T&W resident in...
Sunderland	12,002	11,760	-2.0%	28.5%	28.3%
Gateshead	8,711	8,489	-2.5%	20.7%	20.5%
Newcastle	9,897	9,857	-0.4%	23.5%	23.7%
North Tyneside	5,654	5,603	-0.9%	13.4%	13.5%
South Tyneside	5,841	5,797	-0.8%	13.9%	14.0%
T&W residents	42,105	41,506	-1.4%	100%	100%
Non T&W residents	3,075	3,247	5.6%		
Total	45,179	44,753	-0.9%		

#### c. Pass holders and take up

The age eligibility for an ENCTS pass is gradually being increased in line with changes in the retirement age for women as outlined in the Pensions Act 2014. Between 2010 and 2020 it will increase from 60 to 66. This is causing the eligible population to gradually reduce, although this trend will be reversed from 2020 which is expected to place a pressure on Concessionary Travel reimbursement as the number of journeys made under the Scheme is likely to recover.

The following graph estimates the ENCTS eligible population through to 2027:-



The following table shows the take up rate for the active ENCTS (elderly only) pass holders against the eligible population in each district. This table now only includes active card holders. Before 2015/16, reported figures included cards belonging to people who have since passed away or moved out of the area.

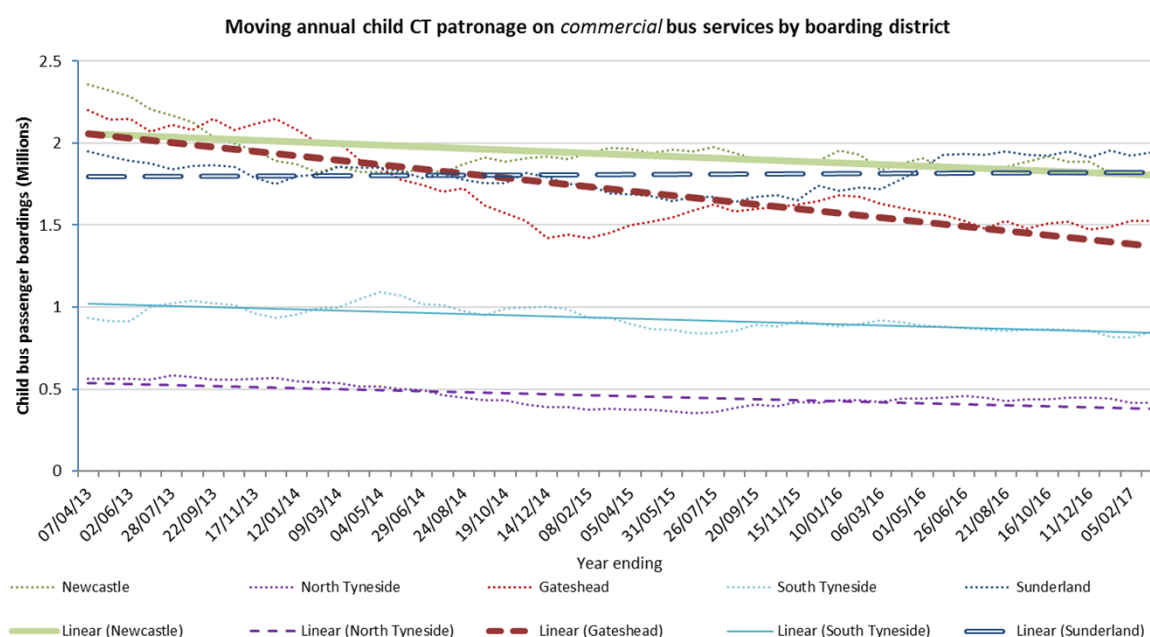
ENCTS pass issues		09/10	10/11	11/12	2012/13	13/14	14/15	2015/16	2016/17
Sunderland	Passes issued	54,495	59,622	59,795	55,445	55,437	58,246	50,358	50,671
	Take up (%)	86%	93%	94%	88%	89%	94%	84%	87%
Gateshead	Passes issued	37,258	40,403	40,555	38,322	40,986	40,013	37,589	37,790
	Take up (%)	81%	87%	90%	83%	90%	89%	86%	89%
Newcastle	Passes issued	42,620	44,771	46,607	45,567	44,536	47,661	43,331	43,586
	Take up (%)	78%	82%	87%	89%	88%	96%	89%	93%
North Tyneside	Passes issued	41,414	44,453	44,786	43,372	42,186	45,659	39,841	40,313
	Take up (%)	88%	93%	96%	91%	90%	98%	88%	92%
South Tyneside	Passes issued	30,438	32,650	32,985	31,669	31,143	33,231	29,775	30,013
	Take up (%)	83%	89%	91%	89%	89%	96%	89%	92%
Tyne & Wear	Passes issued	206,225	221,899	224,728	214,375	214,288	224,810	200,894	202,373
	Take up (%)	83%	89%	92%	88%	89%	94%	87%	90%

In the last year, the take up rate and number of passes issued have increased in contrast to the general decline in ENCTS patronage. This is due to the number of trips per passholder falling by circa 9% and the fact that not all passes are used.

Eligible Population was extracted from ONS 2014-based Subnational Population Projections for England.

#### 4) Under 16 (U16) Concessionary Travel on Bus

During 2016/17, the Under 16 Child Concessionary Travel market made almost 8.1 million journeys on bus in Tyne and Wear, a slight decline of around 1.1% on the previous year. The chart below shows the number of child concessionary journeys made on commercial services within Tyne and Wear over time. These figures are based upon boarding locations derived from the Continuous Monitoring passenger surveys for commercial services, as no smartcard usage data is available for children.



The number of passes issued and estimated take up rates of Under 16 cards are shown in the table below:

Under 16 passes issued		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Sunderland	Passes issued	12,489	13,023	13,021	13,110	13,150	11,304
	Take up rate (%)	34%	36%	37%	37%	37%	32%
Gateshead	Passes issued	11,415	11,757	11,633	11,374	11,317	9,974
	Take up %	46%	45%	45%	44%	44%	38%
Newcastle	Passes issued	10,913	11,751	12,148	12,526	12,820	11,588
	Take up %	32%	34%	35%	35%	35%	31%
North Tyneside	Passes issued	7,455	7,746	7,666	7,394	7,122	5,945
	Take up %	29%	29%	29%	28%	27%	22%
South Tyneside	Passes issued	7,320	7,574	7,555	7,403	7,277	6,320
	Take up %	37%	39%	40%	39%	38%	33%
Tyne & Wear	Passes issued	49,592	51,851	52,023	51,807	51,686	45,131
	Take up %	35%	37%	37%	36%	36%	31%

The drop in active Under 16 Pop cards in circulation can be attributed to those issued at the beginning of the scheme expiring at the end of five years. The number of applications for renewals received was around 6,000 lower than expected, leading to the drop in take up.

The Under 16 card is advertised as the way to get the cheapest child fares. It is promoted in a variety of places and formats including in schools, on board buses and on Metro, in transport interchanges and across all relevant press, digital and social channels. In 2015/16, additional advertising was also undertaken to encourage early renewals of Under 16 cards that were due to expire in July 2016. All parents of children whose cards were due to expire were contacted and reminded of the need to renew to ensure their child continued to get the cheapest fares available.

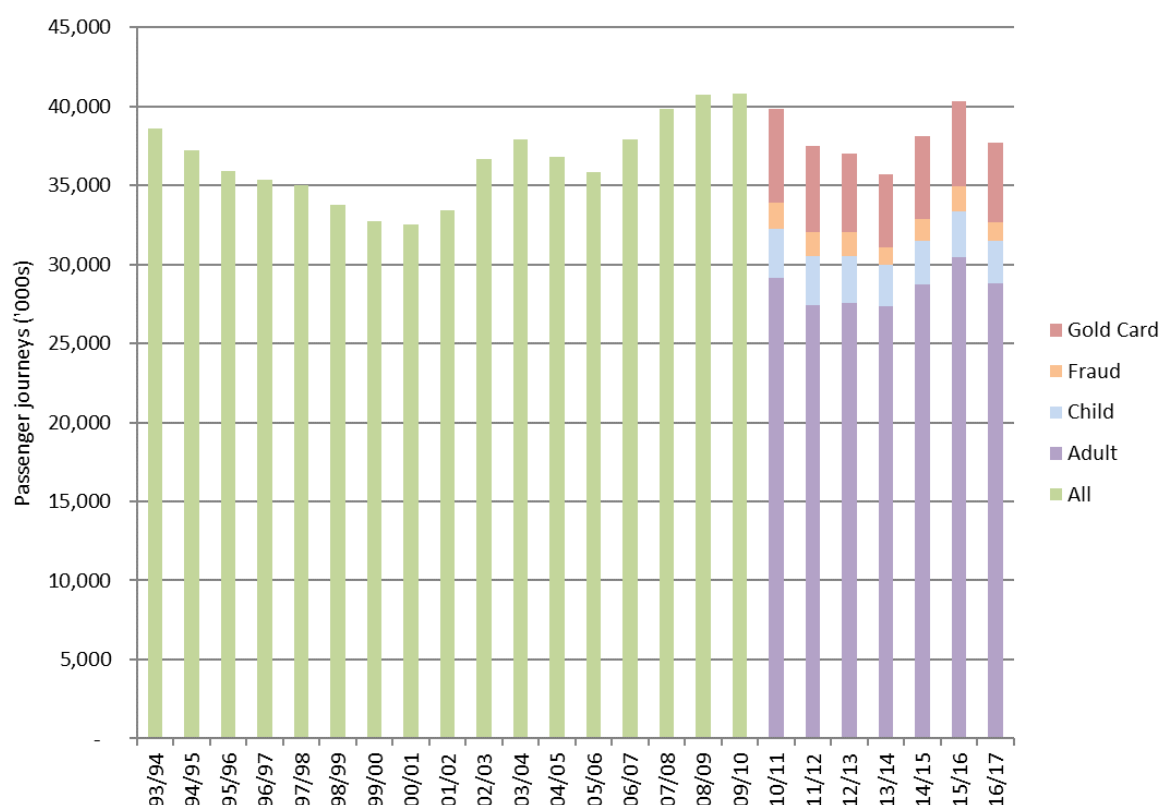
Nexus continues to work with schools across Tyne and Wear to increase pass take up and raise awareness about the benefits of the Under 16 card and the concession in general. Parents are targeted with Under 16 advertising through publications like Primary Times and children are introduced to the card through Nexus led school visits and collaborative sessions with Schools Go Smarter. Nexus also produce a 'School Travel Fact File' which is distributed to all Year 6 school children via the Local Authorities in the summer term and, in partnership with Schools Go Smarter, offer public transport themed activity packs to younger children in Year 3. All publications advertise the Under 16 card. 'Back to School' campaigns in August remind parents to apply for an Under 16 card and to check the latest school bus and Metro timetables at [nexus.org.uk/school](http://nexus.org.uk/school).

In light of the reduced take-up rate, Nexus will be considering a number of measures which could help to increase usage of this product.

## 5) Metro patronage

### a. Overview of Metro passenger boardings

During 2016/17, 37.7 million journeys were made on Metro, which represents a decline of almost 6.5% on the previous year.



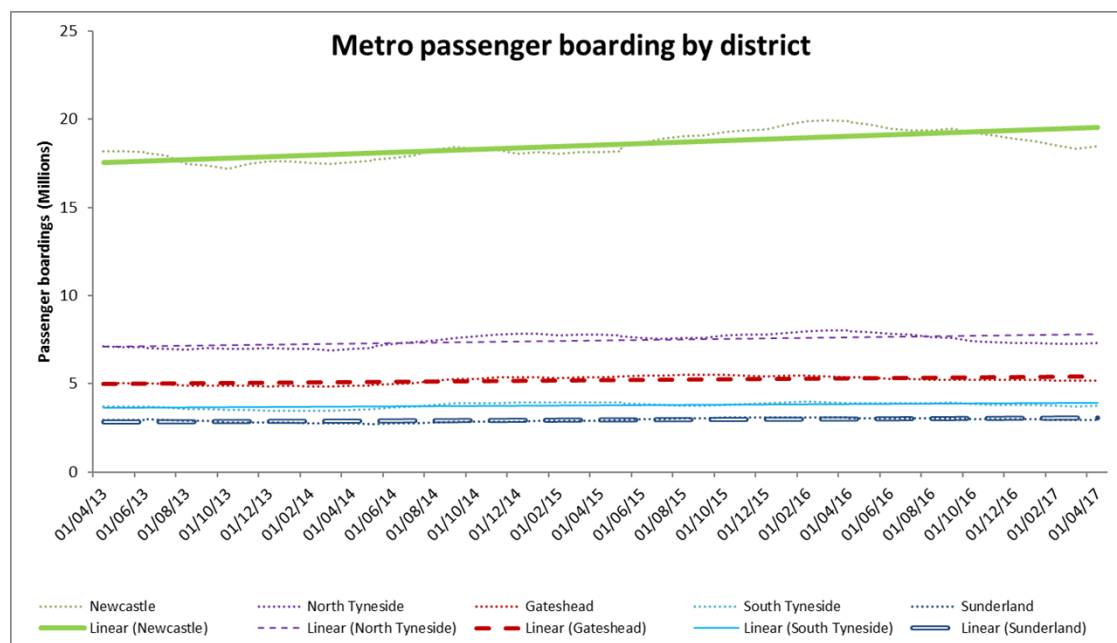
The table below provides a breakdown of the passenger numbers in more recent years with the change in 2016/17 compared to the previous year.

Metro Patronage by Ticket Type (000s)									
Passenger Type (Boardings 000s)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Change Vol	Change %
Adult	29,154	27,445	27,568	27,318	28,748	30,446	28,769	-1,678	-5.5%
Gold Card	5,903	5,496	5,020	4,629	5,271	5,339	5,017	-0,322	-6.0%
Child	3,088	3,092	2,952	2,680	2,722	2,922	2,726	-0,196	-6.7%
Fraud	1,664	1,492	1,489	1,077	1,373	1,582	1,176	-0,406	-25.7%
<b>Total</b>	<b>39,809</b>	<b>37,525</b>	<b>37,029</b>	<b>35,703</b>	<b>38,114</b>	<b>40,290</b>	<b>37,688</b>	<b>-2,602</b>	<b>-6.5%</b>

Analysis of 2016/17 performance versus 2015/16 shows a decline in discretionary journey demand with weekends and weekday evenings mostly affected. Short term tickets were also more profoundly in decline compared to season products. However, analysis of smartcard data showed trip rates on season products were also down year on year, indicating that discretionary leisure type journeys made by season ticket holders are also in decline.

## b. Metro passenger boardings by district

The chart below shows the long term trends for Metro boardings in each district.



## c. All Metro passenger boardings - Resident district versus boarding district

As Metro is a static system, unlike the more fluid bus network, data is more consistent which allows for better comparison of boardings within each district. However, the same considerations are still relevant, in that those boarding in one district could live elsewhere. The proportion of people boarding the Metro in the same area they live in is lower compared to bus, highlighting the cross-boundary nature of the system. For example, less than 57% of those who board in Gateshead live within Gateshead and less than 53% who board in Newcastle also live in Newcastle.

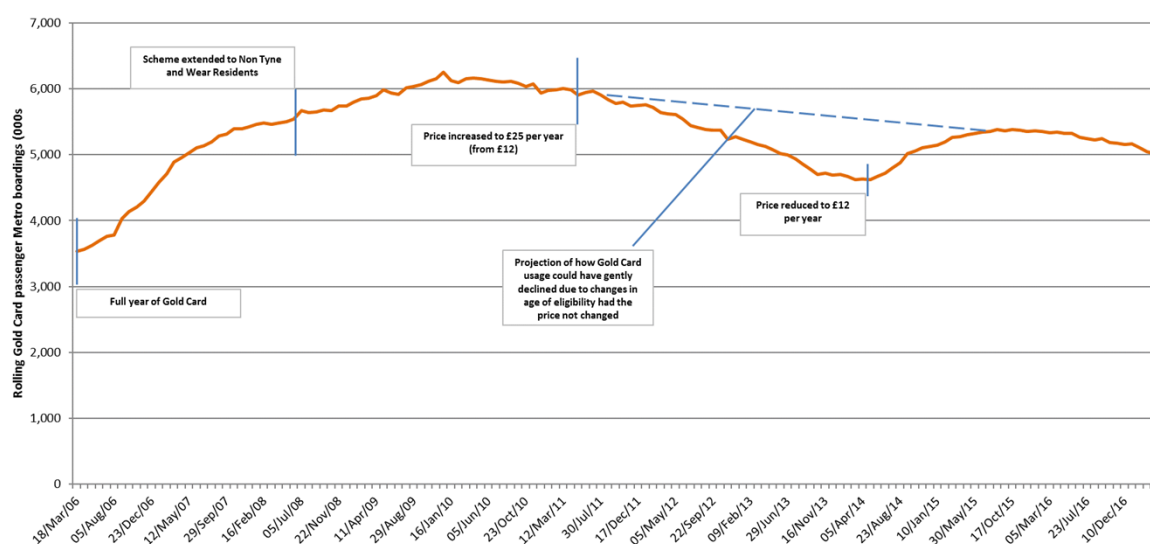
		Board in				
		GH	NC	NT	SL	ST
Live in	GH	56.9%	8.5%	3.8%	4.2%	4.7%
	NC	6.4%	52.3%	11.7%	5.8%	3.5%
	NT	3.2%	15.7%	76.0%	1.3%	1.4%
	SL	10.0%	5.9%	1.4%	75.7%	3.6%
	ST	20.1%	9.0%	3.0%	9.2%	84.9%
	Outside T&W	3.4%	8.6%	4.0%	3.8%	2.0%
	Check	100.0%	100.0%	100.0%	100.0%	100%

## 6) Gold Card Concessionary Travel on Metro

### a. Overview of Metro Gold Card passenger boardings

The statutory English National Concessionary Travel Scheme does not include light rail, Ferry or heavy rail systems. However, in order to extend customer choice and provide parity with bus, Nexus provides the Gold Card, which allows subsidised travel on Metro for those with a valid ENCTS pass. ENCTS passengers could purchase a Metro Gold Card which allows unlimited off peak travel for £12.00 during 2016/17, the income from which assists with operating costs. As the fee for the Gold Card has changed, so has demand.

During 2016/17, Gold Card Concessionary pass holders made just over 5 million journeys on Metro in Tyne and Wear which represented a decline of around 6% on the previous year.



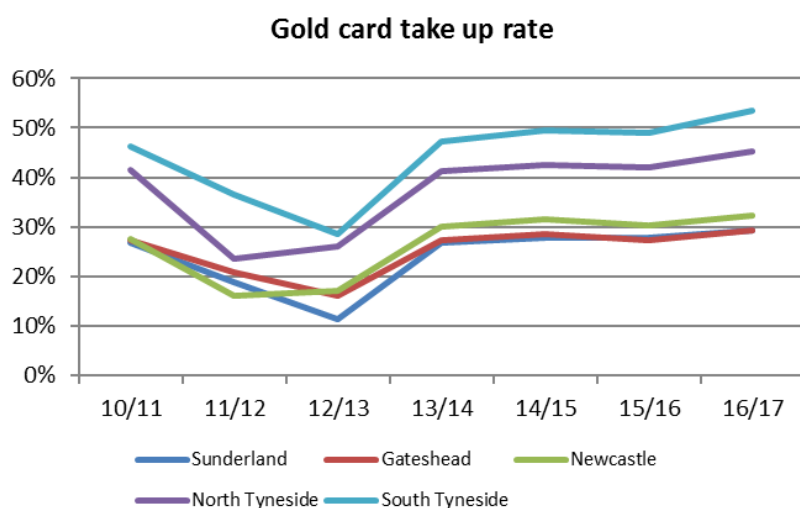
As the age of eligibility increases, it would be reasonable to expect that the number of trips made using Gold Card would slowly decline. However, we have seen a much sharper drop followed by a rise as the price of the Gold card has changed. The blue dotted line shows an estimate of what the Gold Card usage could have been had the price remained constant.

## b. Metro Gold Card take up rate

In the 2016 public consultation on services Nexus provides, “Have Your Say”, the provision of the Metro Gold Card was ranked as the top priority for eligible ENCTS pass holders, compared to other local voluntary concessions offered by Nexus.

The table below shows Gold Card sales by authority area along with demographics and pass take up compared to previous years. Sales have increased by 4%, and take up rate stands at 36.6% of the eligible population compared to 34.1% in the previous year. This suggests a reduction in the trips per Gold Card holder.

Gold card holder district		10/11	11/12	12/13	13/14	14/15	15/16	16/17
Sunderland	Card sales	17,175	11,861	7,185	16,724	17,263	16,707	17,115
	Take up (%)	27%	19%	11%	27%	28%	28%	29%
Gateshead	Card sales	12,610	9,435	7,462	12,409	12,809	11,895	12,518
	Take up (%)	27%	21%	16%	27%	28%	27%	29%
Newcastle	Card sales	15,119	8,700	8,744	15,263	15,755	14,638	15,127
	Take up (%)	28%	16%	17%	30%	32%	30%	32%
North Tyneside	Card sales	19,785	10,968	12,442	19,232	19,852	19,041	19,924
	Take up (%)	42%	23%	26%	41%	43%	42%	45%
South Tyneside	Card sales	17,018	13,212	10,108	16,589	17,124	16,421	17,488
	Take up (%)	46%	36%	28%	47%	49%	49%	54%
Tyne & Wear	Card sales	81,707	54,176	45,941	80,217	82,802	78,702	82,172
	Take up (%)	32.7%	22.1%	18.8%	33.4%	34.8%	34.1%	36.6%



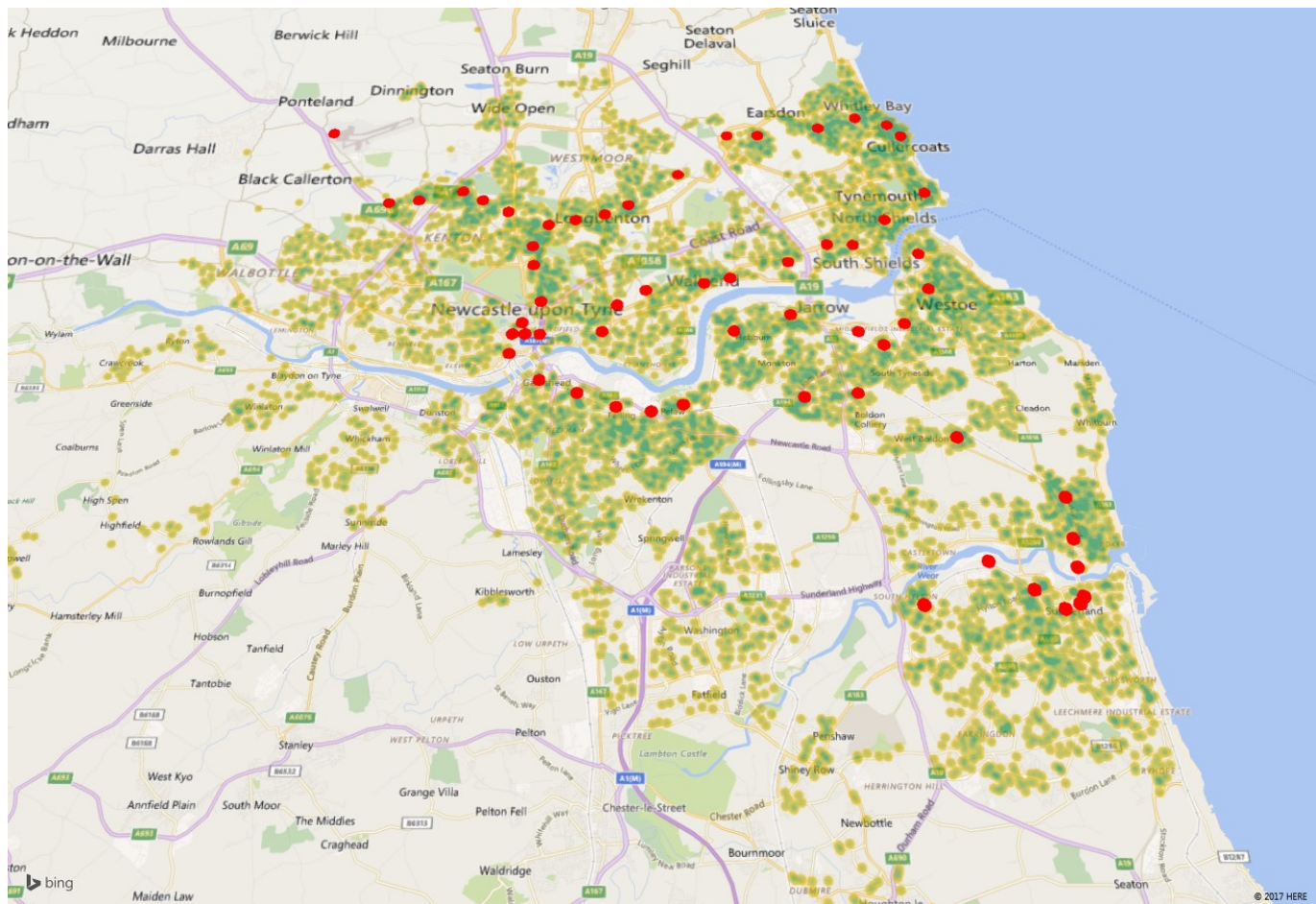
Eligible Population was extracted from ONS 2014-based Subnational Population Projections for England, a more up-to-date estimate than those used previously.

The average number of trips per Gold Card holder has dropped by around 7% per year (similar to the drop in ENCTS trips per card). This has caused Gold Card Patronage to drop despite the increases in take-up rate.



Gold Card continues to be advertised across all of Tyne and Wear, including key corridors and transport interchanges. Advertising has been employed in available Local Authority newsletters as well as in local press titles and Nexus are working in partnership with Age UK to allow Gold Card to become a recommended product.

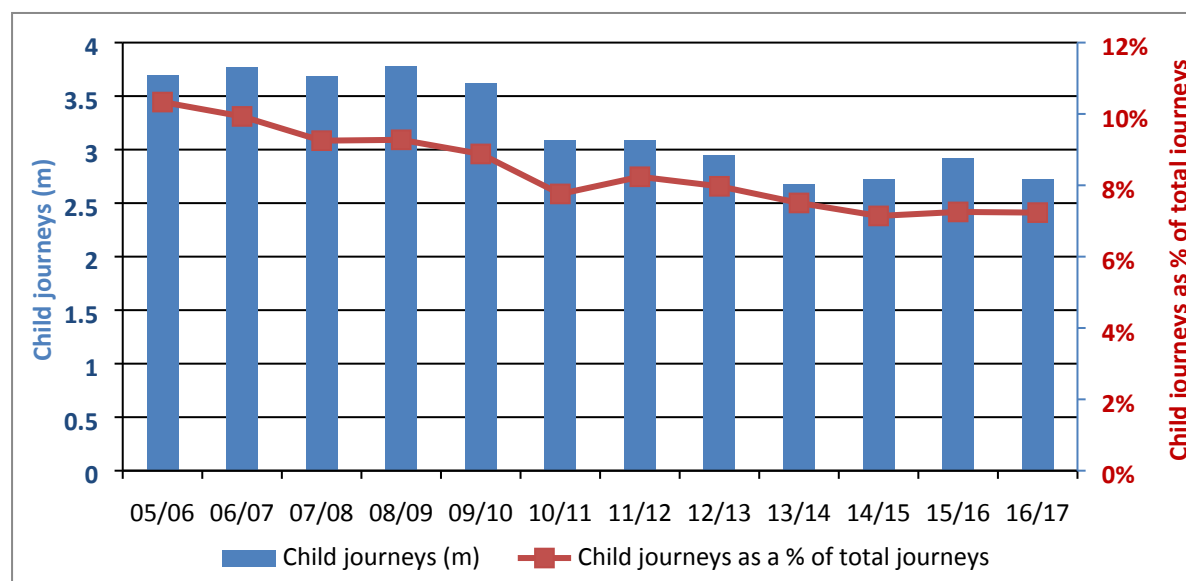
The diagram below shows the trips per card made on Metro per card, plotted by resident's home post code showing higher concentrated usage (darker green) across the region closer to the Metro line (stations shown as red dots).



## 7) Under 16 (U16) Concessionary Travel on Metro

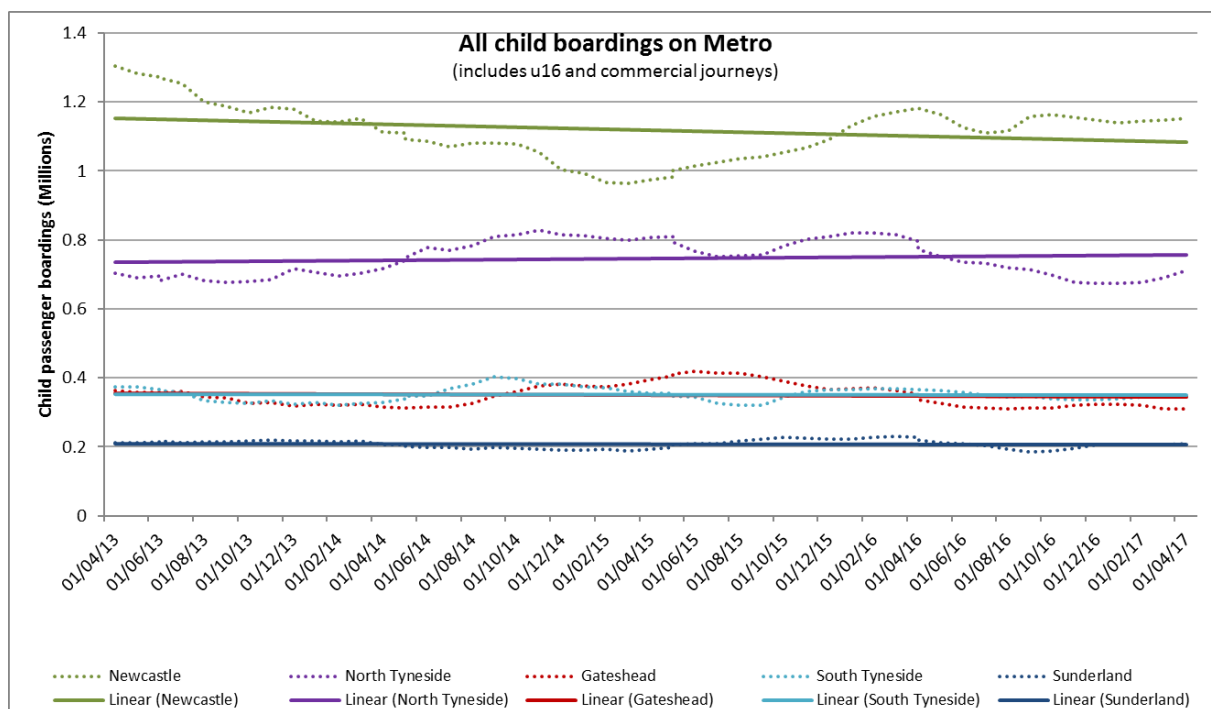
During 2016/17, there were just under 962,000 journeys made on Metro in Tyne and Wear using the child concessionary products. This equates to a 12.8% decrease compared to the previous year. As with the previous year, a higher number of child journeys (1.8 million) were made using the commercial Metro product, a 3% decrease on last year.

In 2005/06, child journeys made up 10% of all journeys, compared to less than 7.5% in recent years. However, the chart below shows that in the last 2 years, the child market on Metro has shown signs of stabilisation, following the years of decline seen previously.



The red line shows child journeys have dropped at roughly the same rate as other Metro journeys. (7.3% to 7.2%)

The chart below illustrates that over the past four years, the trend in all Under 16 journeys made has been relatively consistent across boardings in each district. The exception to this is boardings in Newcastle which have been subject to more fluctuation, largely because of the major line closure in 2014.

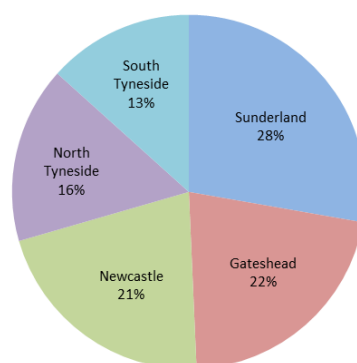


## 8) Bus Infrastructure

Nexus provides nearly 6,000 bus stops in Tyne & Wear. This includes 2,000 bus shelters in four of the Local Authorities, which it manages by arranging their cleaning and maintenance. Newcastle City Council have contracted out all of their bus shelters to an independent commercial contractor; in the other four Local Authorities, a number of bus shelters are provided through a contract where a commercial entity provides the infrastructure and in return generates advertising revenues to cover its costs. Nexus also manages a number of bus stations and interchanges across Tyne and Wear. Since it is the actual bus stop that primarily determines the access point to this mode, the chart below provides a breakdown of bus stops across Tyne and Wear by district. The table provides a breakdown of the active stops in 2016/17 and sets these in context by also showing the trend when compared to the previous year 2015/16.

Despite minimal change in these physical assets year on year, changes to bus services have impacted on how many bus stops are in use. This fluctuates as bus operators changes routes in response to residential developments and changing working/social requirements.

District	Active stops	VLV %	Stations	VLV %
Sunderland	1,630	↑ 4%	4	0%
Gateshead	1,266	→ 0%	5	0%
Newcastle	1,247	↓ -2%	3	0%
North Tyneside	947	↑ 2%	4	0%
South Tyneside	784	↑ 2%	2	0%
<b>Tyne &amp; Wear</b>	<b>5,874</b>	<b>↑ 1%</b>	<b>18</b>	<b>0%</b>



This year, Go North East have reworked a number of their services, with many of the changes being within the Sunderland area. This has contributed to the increase in the number of active bus stops in Sunderland.

## **9) Information**

Nexus also provides a wide range of public transport information in a variety of formats at bus stops, Bus and Metro stations, Travelshops, online and over the telephone.

### **a. Online**

Recently, Nexus has extended the range of web sites it provides. In addition to the main website, we now provide the Live Travel Map, Pop Shop and Nexus Online Store.

In 2016/17 there were just under 3.39 million sessions (i.e. visits to the site) on the [www.nexus.org.uk](http://www.nexus.org.uk) website, slightly down on last year (3.4 million). However, including visits to the new sites this total comes to 3.65 million, an overall increase of 7.4%. One area of decline has been on the web hits regarding buses and bus timetables. This could be due to the decline in bus patronage and the availability of smartphone apps which bring bus information directly to passengers, thereby providing an alternative source of bus information.

Of the Smart products that are available online, 13% were purchased via this channel during 2016/17.

The number of site visits that originate from within Tyne and Wear is around 46%, a very slight drop from last year. The use of mobile devices to access the website continues to exceed the use of desktops/laptops, accounting for 66% of the usage over the year (up from 58% last year).

In the Nexus “Have Your Say” public consultation, the provision of public transport information was ranked as the 2<sup>nd</sup> most important service provided by Nexus. Within this category, finding information online at [nexus.org.uk](http://nexus.org.uk) was ranked as the 2<sup>nd</sup> most important priority across all respondent groups.

### **b. Bus stop timetables**

Information provided at bus stops was ranked as the most important aspect of information provision across all respondent groups in the “Have Your Say” consultation.

The table below shows the number of new bus liners produced through the year by district. Nexus will produce new liners if there are service or timetable changes at a stop during the year. With over 13,000 new liners replacing old ones in 2016/17, on average there were around 36 liners replaced per day.

District	New Liners	% of liners	Last year	% of liners
Sunderland	4,296	32%	1,676	17%
Gateshead	2,349	18%	1,649	17%
Newcastle	2,402	18%	2,178	22%
North Tyneside	2,936	22%	3,827	39%
South Tyneside	1,287	10%	609	6%
<b>Tyne &amp; Wear</b>	<b>13,270</b>	<b>100%</b>	<b>9,939</b>	<b>100%</b>

As previously mentioned, there has been a notable increase in service changes from Go North East during the year (particularly in the Sunderland area). This has contributed to the overall increase in new liner production.

Bus routes in South Tyneside remained comparatively stable during 2015/16, leading to a particularly low quantity of liners issued in this district that year. This year, the liners produced in South Tyneside has risen back to a more normal level, over double last year's quantity. The number of liners produced is dependent on which bus services change and can vary considerably year-to-year. The changes in the numbers for Gateshead, Newcastle and North Tyneside are considered to be within normal levels.

#### **c. Call Centre**

The Nexus 'One Stop Shop' received just under 102,000 calls during 2016/17, a reduction from around 141,500 calls the previous year. The continued decline can be attributed to the reduction in Traveline calls, since the handling of these calls was transferred to the central UK Traveline facility during the previous year. Nexus continues to deal with requests for travel information, but the number of these calls is now down to around 2,500 a month. Nexus has responded to the decrease in demand by closing the call centre during weekends.

The volume of calls can increase significantly during periods of extreme weather, service disruptions and special events. Despite taking around 280 calls on average per day, there have been days during 2016/17 where the number of daily calls has exceeded 600, reaching 685 on 24 November 2016 (when the introduction of ENCTS hot-listing led to additional enquiries from cardholders who were continuing to use cards that had been reported lost and replaced).

## 10) Ferry

During 2016/17 there were just over 0.441 million journeys on the cross Tyne Ferry service, which represents a decrease of 1.4% on the previous year.

Passenger type	2014/15	2015/16	2016/17	Change Vol	Change %
Adult	332,022	321,768	315,823	- 5,945	-1.8%
Gold Card	113,339	101,452	98,788	- 2,664	-2.6%
Child	24,119	24,428	26,700	2,272	9.3%
<b>Total</b>	<b>469,480</b>	<b>447,648</b>	<b>441,311</b>	<b>- 6,337</b>	<b>-1.4%</b>

The decline from 2014/15 to 2015/16 is due to job losses and the opening of the new Tyne Tunnel, both of which were expected to have a lasting effect on Ferry Patronage and which continued into 2016/17. The additional drop this year of just over 6,300 can be attributed mainly to the period from November 22<sup>nd</sup> to 28<sup>th</sup>, when the ferry service was suspended so that urgent repairs could be carried out on North Shields Landing. This, coupled with one day less in February 2017 due to it not being a leap year, is estimated to have caused overall patronage to decrease by 6,500 on the previous year.

While this service provides a key cross Tyne link between South Tyneside and North Tyneside which is reflected in the figures below, the benefit of this strategic asset also spreads to other districts of Tyne & Wear and beyond. The table below shows the percentage split of Ferry users by home district based on Nexus 2016/17 Ferry User Profile research, acquired during routine customer interviews on the ferry.

Ferry Users by District 2016/17	
District	% Total
North Tyneside	34.8%
South Tyneside	33.5%
Newcastle	7.5%
Gateshead	4.9%
Sunderland	7.4%
Other	11.8%
Tyne & Wear	100%

The percentage of passengers from North Tyneside and South Tyneside has reduced notably from last year.

## 11) Rail Services

During 2016/17 there were almost 1.1 million journeys on local Rail services in Tyne and Wear, which represents an increase of 16% on the previous year. This figure only includes journeys on Northern Rail services travelling on the Newcastle to Sunderland or Newcastle to Blaydon lines. The table below provide a breakdown of the figures relevant to the Rail market across Tyne and Wear in 2016/17 and sets these in context by also showing the trend when compared to the previous year 2015/16.

Rail: Tyne & Wear by District 2016/17						
District	Pax (000s)		VLV	Stations	Track (miles)	VLV
Sunderland	125	↑	28%	1	6	→ 0%
Gateshead	202	↑	44%	4	10	→ 0%
Newcastle	771	↑	9%	1	1	→ 0%
North Tyneside	-		-	-	-	-
South Tyneside*	-		-	-	5	→ 0%
Tyne & Wear	1,098	↑	16%	6	21	→ 0%

\* **NOTE:** 5 miles of track on the Sunderland and Newcastle line is actually in South Tyneside

The Office for Rail Regulation record the number of entries/exits at all stations across the country. The latest data is for 2015/16. Outside of London, Newcastle ranks as the 21<sup>st</sup> busiest station. It is the rail hub of the North East, accounting for just over 39% of all passenger movements in the region (unchanged for the third year running).

Passenger movements (entries & exits) at the stations within Tyne and Wear are shown below;

Station	Passengers 2015/16	Passengers 2014/15	North East Rank (of 55 stations)	UK rank (of 2,557 stations)
Newcastle	8,189,528	8,053,112	1	60
Sunderland	475,172	465,784	8	919
MetroCentre	354,240	363,108	10	1,072
Heworth	18,898	15,432	43	2,220
Blaydon	13,466	11,880	46	2,267
Manors	7,614	6,474	48	2,349
Dunston	7,168	4,904	49	2,357



## 12) TaxiCard Services

TaxiCard is a social inclusion transport initiative which is provided for disabled people who have difficulty in accessing mainstream public transport services. At the end of 2016/17 there were over 3,700 registered members of the scheme.

TaxiCard Active Membership 2016/17				
District	2015/16	% Share	2016/17	% Share
Sunderland	1,911	52%	2,011	54%
Gateshead	1,111	30%	1,183	31%
Newcastle	160	4%	156	4%
North Tyneside	274	8%	227	6%
South Tyneside	187	5%	181	5%
<b>Tyne &amp; Wear</b>	<b>3,643</b>	<b>100%</b>	<b>3,758</b>	<b>100%</b>

TaxiCard Trips Made 2016/17			
District	2016/17	% Share	Trips per person
Sunderland	69,287	57%	34
Gateshead	38,838	32%	33
Newcastle	2,881	2%	18
North Tyneside	3,174	3%	14
South Tyneside	6,737	6%	37
<b>Tyne &amp; Wear</b>	<b>120,917</b>	<b>100%</b>	<b>32</b>

The membership and number of trips made has remained relatively stable. It is thought that changes to some of the times of buses going to hospitals (including routes W3, 18/18A and 32/32A) may have had some impact on the figures.

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## **Transport North East (Tyne and Wear) Sub-Committee**

**Date:** 16<sup>th</sup> November 2017

**Subject:** Nexus Budget Preparation 2018/19 to 2020/21

**Report of:** Managing Director (Transport Operations), Nexus

### **Executive Summary**

This report sets out the timetable for the preparation, consultation and approval of the North East Combined Authority's 2018/19 budget and indicative medium term financial strategy for consideration and approval by the Leadership Board on 16 January 2018 where the Tyne and Wear transport levy for 2018/19 will be agreed. The timetable is appended to this report.

This report also sets out for the Sub-Committee's approval, Nexus' approach to the development of its 2018/19 budget and indicative medium term financial forecast (MTFF), an element of which is funded by the Tyne and Wear transport levy.

### **Recommendations**

It is recommended that the Sub-Committee agrees to the budget and service planning approach for Nexus as set out in this report, which will need to be reflected within the North East Combined Authority's 2018/19 budget and indicative medium term financial strategy.

## Transport North East (Tyne and Wear) Sub-Committee

### 1 Introduction

- 1.1 At its January 2017 meeting, the Leadership Board agreed that Nexus could run a budget deficit amounting to £1.610m in 2017/18. The Leadership Board also agreed, that in the face of a rising cost base ‘at standstill’ i.e. no growth in service delivery but with upward pressure on pay and prices, together with further likely reductions in the Tyne and Wear transport levy (indicative cuts in the levy for future years were previously identified at the January 2018 Leadership Board), and in particular the grant paid by the NECA to Nexus in 2018/19 and 2019/20 of £1.230m and £0.590m respectively, service reductions in future years would be inevitable.
- 1.2 However, in a separate report considered elsewhere on today’s agenda, the Sub-Committee is advised that Nexus is currently forecasting a budget surplus in 2017/18 amounting to £1.140m, which will be transferred to reserves at the year end and available to mitigate service reductions next year.
- 1.3 This has been possible because of permanent savings in the base budget of almost £2.0m (which has more than offset the agreed budget deficit) together with a (net) £0.8m of additional one-off savings being achieved in year. This is explained in the table below:

	£m	£m
<b>Base budget deficit</b>		1.610
<b>Permanent Reductions to Base</b>		
Secured Services	(0.750)	
Concessionary Travel	(0.600)	
HV Power	(0.500)	
Establishment Savings	(0.069)	(1.919)
<b>Revised budget deficit</b>		(0.309)
<b>Additional one-off variations</b>		
Metro revenue	0.400	
Ferry Landing Repairs	0.288	
Metro futures (extensions)	(0.255)	
High voltage power	(0.180)	
Concessionary travel	(0.879)	
Other	(0.205)	(0.831)
<b>Forecast surplus at P6</b>		<b>(1.140)</b>

- 1.4 Against a backdrop of sustained grant reductions from the NECA, with further cuts planned next year and across the medium term, and given Nexus’ expenditure commitments ‘at standstill’ Nexus will be unable to set a balanced budget in 2018/19 without placing reliance on reserves. However, because of the recent improvements

## **Transport North East (Tyne and Wear) Sub-Committee**

in Nexus' overall financial standing, it should be possible to set a budget for 2018/19 that will allow for the preservation of service outcomes. An alternative to this approach would be to introduce significant changes which at this time are not recommended. These include (but are not limited to)

- Curtailing and/or withdrawing secured bus services, the cross Tyne ferry service and group travel services;
- Providing less public transport information;
- Not introducing a more affordable and sustainable fares offer for young people;
- Increasing and/or removing the Gold Card concession;
- Increasing and/or removing the Under 16 concession;
- Reducing the frequency of cleaning and maintenance regimes and not having a security presence at bus interchanges and in bus waiting facilities;
- Increasing Metro fares significantly above inflation; and
- Reducing the Metro timetable.

1.5 Whether this approach can be sustained for any longer than one additional financial year is however, more doubtful although there are still opportunities afforded by the integration of Metro operations where savings already achieved can be added to by further reducing duplication and inefficiency.

1.6 Looking further ahead, setting a budget in 2018/19 that will protect service outcomes will provide the time for the Sub-Committee to give due consideration to service priorities and where service reductions might need to be implemented in later years. Such an exercise will need to be set in the context of previous consultation carried out by Nexus (under the Sub-Committee's direction) during the summer of 2016 (the outcome of which was reported to the Sub-Committee, minute 100 refers). Members will recall that because of the way in which Metro is funded i.e. it places little reliance on grant provided by the NECA, it was specifically excluded from the consultation. Of those services that were consulted on, broadly speaking, the consultation showed a preference for the following services, in priority order:-

- i. Bus services, Group travel and Ferry Services
- ii. Public Transport Information
- iii. Local Voluntary Concessions
- iv. Bus Waiting Facilities
- v. Major Projects (although members of the Sub-Committee did express a strong view that Nexus' ability to part fund Major projects and/or pay for their development was vitally important).

## **Transport North East (Tyne and Wear) Sub-Committee**

### **2 Nexus' Corporate Priorities 2018/19 to 2020/21**

- 2.1 The Sub-Committee will be asked to approved Nexus' Corporate Plan for 2018/19 to 2020/21 at its January 2018 meeting.
- 2.2 Whilst Nexus' Corporate Plan is a statement of its key priorities over the medium term, its resource base is such that it is not practicable to plan with any degree of certainty beyond the first twelve months of the Plan. This is particularly so because the Tyne and Wear transport levy will only be certain for the twelve months commencing April 2018. Equally, central government grant to support the operation and maintenance of the Tyne and Wear Metro is only secure until 31 March 2019 also. In addition, potential changes to transport governance within the NECA area are also possible in the medium term.
- 2.3 With that in mind, the suggested priorities during 2018/19, which will be developed and expressed in more detail within the Corporate Plan for the Sub-Committee's approval in January 2018 are set out below for the Sub-Committee to give consideration to now:
  - i. Procure a new fleet of trains and their ongoing maintenance requirements for the Tyne and Wear Metro.
  - ii. Build on the smooth transition of Metro service delivery in 2017 by improving our customers' journey experience.
  - iii. Introduce a more affordable and sustainable fares offer for young people.
  - iv. Continue the successful programme to modernise the Metro with track renewal in Gateshead and South Tyneside, the introduction of new digital radio and rail traffic management systems (RTMS), and the continued replacement of overhead power lines.
  - v. Construct a new training and maintenance centre in South Shields helping to improve operations and make Nexus an employer of choice.
  - vi. Develop proposals for further devolution of the Northern rail franchise while ensuring NECA aspirations for rail are embedded in Transport for the North's (TfN) long term rail strategy.
  - vii. Develop plans to expand local rail services, connecting communities not currently served by either Metro or Northern trains.
  - viii. Implement organisational change to deliver further efficiencies, ensuring Nexus continues to achieve value for money in its use of resources.
  - ix. Protect levy funded frontline services and develop plans to improve the local bus network.
  - x. Deliver technological improvements in everything we do, which will benefit our customers and the wider use of public transport.

## Transport North East (Tyne and Wear) Sub-Committee

### 3 NECA Grant Payable to Nexus

- 3.1 Despite these fiscal uncertainties, the Sub-Committee is asked that consideration be given to the establishment of a three-year indicative budget in order to aid service planning.
- 3.2 To do this, it will be necessary to seek agreement from the Leadership Board for a Tyne and Wear transport levy settlement for 2018/19 and an indication of the scale of the levy in 2019/20 and 2020/21. In this regard, Tyne and Wear districts are aware of their future grant funding settlements from central government and an assessment of the likely future level of the transport levy for Tyne and Wear has previously been made in order to determine future levels of grant to be paid to Nexus by the NECA.
- 3.3 This has been done with reference to the average 'Change in Core Spending Power' for Tyne and Wear districts through to 2019/20, with the Core Spending Power figures adjusted to take account of the 2.0% assumed annual precept increase for Adult Social Care and the national Better Care Fund allocation of £1.5bn. Excluding these two items would see the underlying spending power for Tyne and Wear districts reduce by a further 6% between 2016/17 and 2019/20.
- 3.4 Based on this approach, the table below identifies that the level of NECA grant support that Nexus could reasonably expect to receive would reduce by a further £3.430m by 2019/20, from the amount agreed by the Leadership Board for 2016/17 (which in itself represented a reduction of £2.0m on the 2015/16 level:-

<b>NECA Grant payable to Nexus</b>	<b>16-17 £m</b>	<b>17-18 £m</b>	<b>18-19 £m</b>	<b>19-20 £m</b>
Based on adjusted change in 'Core Spending Power' for the average Tyne and Wear district	62.500	60.890	59.660	59.070

- 3.5 Tyne and Wear Finance Directors have recently considered a proposal from the NECA's CFO and Nexus' Director of Finance and Resources in regards the likely scale of the Tyne and Wear transport levy in 2020/21, which if adopted would see the grant Nexus receives from the NECA reduce by a further £0.070m on the 2019/20 indicative level to £59.000m. This is however, contingent on Leadership Board approval and the Sub-Committee's views are sought in this regard.

### 4 Looking Ahead – 2018/19

- 4.1 In addition to the 2017/18 forecast, which has identified almost £2.0m of permanent savings, Nexus has also considered its spending plans for 2018/19, assuming the budget was being set at 'stand-still' i.e. if it were to maintain service outcomes.

## Transport North East (Tyne and Wear) Sub-Committee

4.2 At this stage, the estimates are based upon a pessimistic, optimistic and mid-case set of scenarios. This is necessary at this time because of the uncertainty surrounding large areas of the Nexus budget. For example:

- It is entirely possible that the public sector pay cap (currently 1%) will be lifted during 2018/19. Each 1% above the cap adds around £0.5m to the aggregate pay bill i.e. that of Nexus and North East Metro Operations Limited (NEMOL) combined;
- Whilst Metro fare revenue collected to the end of period 6 in 2017/18 is slightly ahead of that which was generated in 2016/17, it is behind the budgeted target for the year and not forecast to recover by the year end (this is in part due to sales by third parties, most notably Network Ticketing Limited). If fare revenues worsen during the remainder of the year, this will have a knock-on effect in future years. In addition, the Metro fares review scheduled to come into effect in January 2018 has not yet been agreed by the Sub-Committee who will agree an approach based upon another report contained elsewhere on today's agenda; and
- The transition from the outsourced arrangements that Nexus has with DB Regio Tyne and Wear Limited (DBTW) to that of in-house provision (in the form of North East Metro Operations Limited, NEMOL) from 1 April 2017 has provided an element of uncertainty in regards likely levels of expenditure during 2017/18, including whether a specific contingency needs to be established in order to meet any unforeseen one-off items. Whilst financial targets are largely being met within NEMOL, a concern remains in regards the performance of the train fleet, in particular levels of both planned and reactive maintenance.

4.3 What is also apparent however is that in areas where there was a huge amount of uncertainty this time last year, budgets in respect of concessionary fares reimbursement and contributions to the Tyne and Wear Pension Fund are now a lot clearer:

- As reported to the Sub-Committee in July, Nexus has negotiated settlement terms for both 2017/18 and 2018/19 in relation to concessionary fares reimbursement with the three large bus operators in Tyne and Wear (minute 12 refers); and
- Outstanding pensions issues pertaining to DBTW, NEMOL and Nexus have now been resolved. In summary, DBTW did not exit the Fund in deficit (meaning that Nexus has no liability in this regard), NEMOL's future service employers rate has been notified at 18.4% and Nexus' at 17.2%, both of which are slightly higher than previously budgeted for. In addition, and significantly, Nexus is no longer required to pay a contribution towards its pension deficit, the deficit having been eradicated at the March 2016 valuation. The intention is to direct the (net) £10m saving arising across the three years 2017/18 to 2019/20 into a local contribution for the new Metrocar fleet. This will be subject to Leadership Board approval but the Sub-Committee's views are sought in respect of this proposal.



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- 4.4 The following table summarises the anticipated pressures on next year's budget, showing a pessimistic, optimistic and central case set of scenarios:-

	Pessimistic £m	Central £m	Optimistic £m
Revised 2017/18 Base - Gross Income	(168.9)	(168.9)	(168.9)
Revised 2017/18 Base – Gross Expenditure	168.6	168.6	168.6
<b>Revised 2017/18 Base Surplus</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>
Inflation/Growth	4.1	2.9	2.5
Redirection of Current Spending	(0.7)	(0.7)	(0.7)
Metro Farebox/Grant	(0.6)	(1.0)	(1.0)
<b>Deficit before NECA Grant</b>	<b>2.5</b>	<b>0.9</b>	<b>0.5</b>
NECA Grant Reduction	1.2	1.2	1.2
<b>Original 2018/19 Base Deficit</b>	<b>3.7</b>	<b>2.1</b>	<b>1.7</b>

- 4.5 These estimates therefore illustrate that a £1.2m reduction in the NECA grant will result in a shortfall in Nexus' budget of £2.1m (central case) and between £1.7m and £3.7m depending on whether a pessimistic or optimistic position is adopted.
- 4.6 It should be noted that the variations from the central case planning assumption mainly relate to pay, contract price inflation and Metro farebox.

### 5. Nexus Reserves Position

- 5.1 At its February 2016 meeting, the Tyne and Wear Sub-Committee established the strategic objective that Nexus should be able to balance its revenue budget without placing reliance on its revenue reserves by 2019/20 (minute 65 refers).
- 5.2 As at 31 March 2017, Nexus' revenue reserves amounted to £15.5m. This is in addition to its capital reserves, earmarked for investment in capital projects, the most notable amount being the £15.0m earmarked to provide a local contribution for the new Metrocar fleet. Total capital reserves amounted to £28.2m as at 31 March 2017.
- 5.3 It is therefore apparent that Nexus has options to cushion the impact of any grant reductions from the NECA during 2018/19 and possibly 2019/20 although it should also be noted that as section 4 of this report highlights, it might be necessary to utilise some of Nexus' revenue reserves in order to meet any risks arising from its more pessimistic set of planning assumptions should they manifest themselves.

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### **6 Setting Next Year's Budget (2018/19)**

- 6.1 Notwithstanding the delivery of significant efficiency savings in the current year, next year's budget deficit, using the central case planning assumption, is currently forecast at £2.1m. It is proposed that a corresponding amount be earmarked from Nexus' revenue reserves in order to prevent any cuts in services in 2018/19.

### **7 Looking Further Ahead – 2019/20 and 2020/21**

- 7.1 At some point Nexus needs to reduce its reliance on its revenue reserves as a means of balancing its budget because its ability to keep on delivering efficiency savings that can offset its growing cost base 'at standstill' whilst grant funding from the NECA keeps on reducing, diminishes each year. By way of example, between 2010 and 2020, Nexus will have withstood a £15m or 20% cut in its grant support from the NECA. Fundamentally, because this funding is primarily used for concessionary fares reimbursement, Nexus' ability to continue providing other services funded from this particular grant becomes more and more compromised over time.
- 7.2 Nexus is currently updating its medium term financial forecast (MTFF) in order to identify likely expenditure commitments through to the end of the decade. The MTFF will use the same parameters as those in determining the pessimistic, optimistic and central case scenarios for the 2018/19 budget estimate i.e. if income and expenditure is planned on a standstill basis and if the NECA grant was to reduce according to the assumptions set out in paragraphs 3.3 and 3.4 above, the likely gap in resource will represent the level of service reductions required, notwithstanding Nexus' ability to utilise some of its revenue reserves in order to help cushion any impact.
- 7.3 As highlighted in paragraph 2.2, in the context of the 2019/20 estimate, one very important consideration will be the level of revenue support that Nexus receives from the Department for Transport (DfT) in the form of Metro Rail Grant (MRG). This equates to £25.6m in 2018/19 and provides for around one-third of the net subsidy required to operate the Tyne and Wear Metro with two-thirds of the net subsidy met from a combination of fare revenues and the grant Nexus receives from the NECA (this element primarily to fund the Gold Card). MRG has been provided by the DfT since 2010 and is subject to a multi-year funding agreement that expires in March 2019. The level of MRG that Nexus can expect from DfT in 2019/20 and beyond is not yet known and subject to the outcome of discussions with central government in relation to the outline business case recently discussed by the Department's Board Investment and Commercial Committee (BICC) in respect of investment in a new fleet of Metrocars.
- 7.4 The work that is necessary in order to update Nexus' MTFF will culminate in it being presented to the Leadership Board in January 2018. However, it is important to

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recognise that there are considerable uncertainties concerning a forecast that needs to estimate likely costs and revenues up to 42 months from now.

### **8 Next Steps**

- 8.1 The Leadership Board will be asked to agree the Tyne and Wear transport levy for 2018/19 together with an indicative levy for 2019/20 and 2020/21 at its January 2018 meeting. This will be in the context of Nexus' updated MTFF where at this point in time, it seems likely that Nexus will be able to protect service outcomes in 2018/19 but in so doing will be reliant on an estimated £2.1m of its revenue reserves in order to balance its 2018/19 budget.
- 8.2 The Tyne and Wear transport levy deliberations for 2019/20 and 2020/21 and any further cut to the grant Nexus receives from the NECA need to be considered as part of a political discussion about the level of public transport services in Tyne and Wear as there is a clear trade-off between the frontline services Nexus is capable of providing and the level of the Tyne and Wear transport levy.
- 8.3 Should the Tyne and Wear transport levy (and the grant from the NECA to Nexus) be set at the levels indicated in this report, a further round of consultation will be necessary during 2018 in order to prepare for the delivery of savings which based on Nexus' financial planning assumptions at this point in time, are likely to have a fundamental impact on service delivery in 2019/20 and in particular 2020/21.

### **9 Potential Impact on Objectives**

- 9.1 Nexus' future spending plans are aligned to the achievement of the objectives within the Tyne and Wear Local Transport Plan and associated policies and strategies.

### **10 Finance and Other Resources Implications**

- 10.1 Financial implications are considered throughout this report.

### **11 Legal Implications**

- 11.1 There are no legal issues that arise directly as a consequence of this report.

### **12 Key Risks**

- 12.1 The budget proposals will include an assessment of risk facing the NECA budget, which will be used to inform the level of reserves which is determined to be prudent.

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This report is for information on the budget process and has no specific risk management implications.

### **13 Equality and Diversity**

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

### **14 Crime and Disorder**

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

### **15 Consultation/Community Engagement**

15.1 The proposed budget will be subject to a period of consultation including the Overview and Scrutiny Committee, Governance Committee, and the North East Chamber of Commerce.

### **16 Appendices**

16.1 Budget Timetable 2018/19.

### **17 Background Papers**

17.1 None.

### **18 Contact Officers**

18.1 John Fenwick, Nexus Director of Finance and Resources;

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Tel: 0191 203 3248.

### **19 Sign off**

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

### **20 Glossary**

DBTW – DB Regio Tyne and Wear Limited  
DfT – Department for Transport

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MRG – Metro Rail Grant

MTFF – Medium Term Financial Forecast

NEMOL – North East Metro Operations Limited (a wholly owned subsidiary of Nexus)

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### Appendix 1 – Budget Timetable 2018/19

DATE	EVENT/MEETING	ACTION
August-September 2017	Budget preparation – discussions with local authorities and officer groups	Consider and comment on NECA budget issues
12 September 2017	NECA Governance Committee	Update on Budget Process and Timetable
14 September 2017	Transport North East Committee – Tyne and Wear Sub Committee	Update on budget process with specific reference to the Tyne and Wear Transport Levy and the Tyne Tunnels budget.
19 September 2017	NECA Leadership Board	Consider and agree 2018/19 budget process/timetable and updated 2017/18 budget position
October 2017	Meetings with individual authorities	Consult/discuss budget proposals; identify and resolve issues
16 November 2017	Transport North East Committee	Consider Transport budget/levy proposals for consideration by Leadership Board
14 November 2017		Draft NECA Leadership Board Budget Report circulated for consultation.
21 November 2017	NECA Leadership Board	Consider and agree draft budget report and any changes to the report for wider consultation
5 December 2017	Governance Committee	Consider budget report as part of consultation process
December 2017 (date to be confirmed)	Tyne and Wear (Transport) Sub Committee	Consider/agree transport budget/levy proposals for consideration by Leadership Board
12 December 2017	LA7 Leadership Briefing	Informal consideration of the content of the budget report and levy proposals
14 December 2017	NECA Overview & Scrutiny Committee	Consider budget report as part of consultation process
8 January 2018	Paper circulation	Final budget report published
16 January 2018	NECA Leadership Board	Formally agree levies and budget

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