

Joint Transport Committee Audit Committee

Wednesday, 18th December, 2019 at 10.00 am

Meeting to be held in the Saltwell Room, Gateshead Civic Centre

AGENDA

Page No

1. **Apologies for Absence**

2. **Declaration of Interests**

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 12 September 2019** **3 - 8**

4. **Budget Proposals** **9 - 66**

5. **Joint Transport Committee Strategic Risk Register** **67 - 88**

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

The next meeting will take place on Thursday 9 April 2020 at 10am at Sunderland Civic Centre.

This page is intentionally left blank



JOINT TRANSPORT COMMITTEE, AUDIT COMMITTEE

DRAFT MINUTES FOR APPROVAL

12 September 2019

Meeting held Whickham Room, Gateshead Civic Centre, Regent Street, Gateshead, NE8 1HH

Present:

- Mark Scrimshaw (Chair)
- Stuart Green (Vice Chair)

Councillors:

- M Swinburn – Northumberland Council
- D Burnett - Gateshead Council
- B Kellett – Durham Council
- P Stewart – Sunderland City Council

Officers:

- Paul Darby – Durham Council
- Tracy Davis – Sunderland City Council
- Eleanor Goodman - NECA
- Stuart Turnbull – Newcastle City Council
- Mike Scott – Regional Transport Team

The meeting was inquorate and those members in attendance discussed the following issues.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor M Charlton (Gateshead), Councillor E Bell (Durham) and Councillor E Malcolm (South Tyneside).

2. DECLARATIONS OF INTEREST

None were received.

3. MINUTES OF THE PREVIOUS MEETING HELD ON 19 DECEMBER 2018

RESOLVED: The minutes of the meeting held on 19 December 2018 were agreed as a correct record.

Matters Arising

It was requested that detail of passenger usage over a number of years be provided so that trends could be identified. It was agreed that such information could be included for next years budget round.

4. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

Committee received a report outlining the results of the Review of the Effectiveness of Internal Audit. Committee was advised that Sunderland City Council now provide the internal audit service for the Joint Transport Committee and that in order to provide assurance external assessments will be carried out every five years. The Council's External Auditor is Mazars.

The outcome of the review confirms compliance and provides a small number of recommendations.

RESOLVED: That Committee noted the outcome of the review and the positive opinion provided by Mazars.

5. JOINT TRANSPORT COMMITTEE INTERNAL AUDIT PLAN 2019/20

Committee received the proposed Internal Audit Strategy, Audit Plan and performance measures for 2019/20.

Committee was advised that as part of the Plan for 2019/20, two audits would be carried out in relation to; governance arrangements and project management and procurement arrangements.

It was noted that governance arrangements will be looked at because it is important to review the set up of the Committee in order to give a clear understanding of how it is working currently.

It was reported that more long-term activity would be identified and Committee informed accordingly.

It was questioned whether any external comparators would be used in the audit. It was confirmed that the team has covered Joint Committees previously and it is looking at how appropriate this Committee is. There is a set of standard arrangements that the audit will be looking for and evaluating how they have been complied with. It was also noted that some CIPFA recommendations would be used but that it would be more focussed around the organisation itself.

RESOLVED: That Committee noted the proposed Internal Audit Strategy and Audit Plan for 2019/20 and the key performance measures for the provision of the internal audit service.

6. JOINT TRANSPORT COMMITTEE DRAFT STRATEGIC RISK REGISTER

Committee was provided with an initial assessment of the strategic risks the Joint Transport Committee faces. It was noted that this is based on discussion with officers, it is a live document and therefore may change.

Strategic risks were identified which included;

- Funding available to the JTC may reduce
- Failure to secure the maximum amount of funding
- Funding may not be able to be used on a timely basis or be sufficient to complete projects

It was reported that an amber rating was given based on what is known at present and Committee was asked for its views.

The point was made that, as there is uncertainty around future funding, the likelihood scores are too low and should be increased to be more balanced with the impact that is categorised as critical, which is perhaps overstated on some.

Committee agreed that the risks identified are correct and the text alongside each strategic risk is extremely good.

RESOLVED: That the comments of the Committee on the draft Strategic Risk Register be noted.

7. REVIEW OF JOINT TRANSPORT AUDIT COMMITTEE TERMS OF REFERENCE

A report was presented to Committee outlining the outcomes of a review into the JTC Audit Committee Terms of Reference against the CIPFA Guidance for audit committees 2018.

It was reported that in the main there is compliance, however there does require some slight wording to be brought up to date.

It was confirmed that there is a requirement for internal audit to comply and be independently reviewed every five years. This wording has been included in the proposed Terms of Reference.

It was agreed that it is useful to receive an interim report on the work of internal and external audit and it was noted that Committee can ask for additional reports if it requires.

RESOLVED: Committee noted the changes to the Terms of Reference to be agreed when the meeting is quorate.

8. TRANSFORMING CITIES FUND – TRANCHE 2 BID

A report was presented on the process followed to identify and prioritise sustainable transport schemes included in the North East's Transforming Cities Fund (TCF) capital investment programme. It was noted that there is an opportunity within the 12 city regions for a share of £1.28bn, as a non-mayoral combined authority this JTC is required to go through a bidding process.

The key TCF requirements were outlined as;

- Sustainable transport, not roads
- Focus on economy and environment
- Delivery of schemes between 2020 and 2023
- Devolved funding with programme delivery managed locally

It was noted that the process began in June 2018 with a successful expression of interest. A draft tranche 2 bid was submitted to DfT in June 2019 and currently work is underway on the final bid to Government in November 2019. It is expected that funding will be released in March 2020, this will then give three years for the funding to be spent and the scheme to be delivered.

There is a lead team in place to develop the bid and coordinate the programme on behalf of the region.

Committee was advised that at the start of the process a list of schemes from local authorities, Nexus and regional stakeholders were compiled. Initial sifting was then undertaken against key TCF requirements and then prioritised based on fit to TCF objectives and what could be delivered by 2023.

Government guidance asked for three cost scenarios; high, medium and low. The JTC scenarios ranged from £330m to £380m, as a lot of the schemes fitted the criteria.

It was reported that the intention of the DfT is that most of the funding will be devolved to the region and frameworks will be in place to distribute the funding. Bid values in excess of £40m will be managed through Whitehall, although preferably more local control is desired, this will be addressed when funding is awarded.

It was noted that it is not currently clear as to what conditions will be attached to the devolved funding, a draft business case has been developed for each scheme. Committee was assured that any final decision on funding would be made by the JTC.

RESOLVED: That Committee noted the content of the report.

9. DATE AND TIME OF THE NEXT MEETING

The next meeting will take place on Thursday 12 December 2019 at 10am at South Shields Town Hall.

10. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That the press and public be excluded during consideration of the following item.

11. TYNE PEDESTRIAN TUNNEL UPDATE

Committee received a report and presentation on the refurbishment works undertaken at the Tyne Pedestrian and Cyclist Tunnels.

RESOLVED: That Committee noted the content of the report.

This page is intentionally left blank

North East Joint Transport Committee, Audit Committee

Date: 18 December 2019
Subject: Budget Proposals
Report of: Chief Finance Officer

Executive Summary

The purpose of this report is to provide the Joint Transport Committee (JTC) Audit Committee with an update on the JTC Budget Proposals for 2020/21 and future years as part of the budget consultation process.

Reports on the draft 2020/21 Budget were presented to the JTC on 23 October and 19 November. These reports are attached to this report as appendices for consideration and comment.

The views of the Audit Committee will be considered in the development of the final budget report and reported to the JTC when it sets the budgets and Transport Levies for 2020/21 at its meeting on 21 January 2020.

Recommendations

The North East Joint Transport Committee, Audit Committee is recommended to receive the report for information and provide comment for consideration as part of the consultation process.

1. Background Information

- 1.1 The purpose of this report is to seek the views of the JTC Audit Committee on proposals for the 2020/21 JTC budget, as part of its consultation process. The reports on the draft budget presented to the JTC on 23 October and 19 November are attached as appendices.

2. Proposals

- 2.1 The budget proposals for 2020/21 as they currently stand for Transport activities are set out in the reports attached as appendices.
- 2.2 Key proposals (set out in detail in Appendices 1 to 3) presented to the JTC on 23 October and 19 November include:
- a) That the draft proposed budget and levy for Durham County Council (DCC) is £15.466m (subject to further ongoing work by DCC);
 - b) That the draft proposed budget and levy for Northumberland County Council (NCC) is £6.224m (subject to further ongoing work by NCC);
 - c) That the options presented in respect of the Tyne and Wear levy be considered and feedback provided on the preferred option for further consultation; and
 - d) That the Tyne Tunnels tolls are proposed to be increased for Class 3 vehicles (HGVs) by £0.10p to keep pace with inflation and the increase in the shadow toll payable to the concessionaire TT2 Ltd., in line with the concession contract and the agreed approach to the funding of the Tyne Tunnels (Note: the decision to increase the Tyne Tunnels tolls will be taken by the Tyne and Wear Sub Committee in January 2020).

3. Reasons for the Proposals

- 3.1 As part of the process for setting its budget, the JTC must ensure appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget. This includes consultation with the JTC Audit Committee, and this report provides an opportunity for such consultation to take place.

4. Alternative Options Available

- 4.1 This report is presented for information.

5. Next Steps and Timetable for Implementation

- 5.1 Comments made as part of the consultation process will be considered in the development of the final, detailed budget proposals for 2020/21 which will be presented to the JTC in January 2020.

6. Potential Impact on Objectives

- 6.1 There are no impacts on objectives arising from this report.
- 7. Financial and Other Resources Implications**
- 7.1 The financial and other resource implications are set out in detail in the individual reports contained as appendices.
- 8. Legal Implications**
- 8.1 There are no legal implications arising from this report.
- 9. Key Risks**
- 9.1 There are no risk management implications arising from this report.
- 10. Equality and Diversity**
- 10.1 There are no equality and diversity implications arising from this report.
- 11. Crime and Disorder**
- 11.1 There are no crime and disorder implications arising from this report.
- 12. Consultation/Engagement**
- 12.1 The budget is subject to a period of consultation which includes this committee as well as the JTC Overview and Scrutiny Committee and officer groups.
- 13. Other Impact of the Proposals**
- 13.1 There are no other impacts arising from this report which is for information.
- 14. Appendices**
- 14.1 Appendix 1: JTC 23 October 2019 – Budget Proposals 2020/21
Appendix 2: JTC 23 October 2019 – Nexus Budget Strategy – Medium Term Financial Planning 2020/21
Appendix 3: JTC 19 November 2019 – Budget Proposals
- 15. Background Papers**
- 15.1 None
- 16. Contact Officers**
- 16.1 Eleanor Goodman, NECA Finance Manager,
eleanor.goodman@northeastca.gov.uk, 0191 277 7518
- 17. Sign off**
- The Proper Officer for Transport: ✓

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

North East Joint Transport Committee

APPENDIX 1

Date: 23 October 2019
Subject: Budget Proposals 2020/21
Report of: Chief Finance Officer

Executive Summary

This report provides a summary of the proposed draft Transport budget and levies for 2020/21 and provides an update on the position in the current year. The report also includes indicative summary budget information for 2021/22 and 2022/23.

In terms of the current year, the transport levies and grants to Durham, Northumberland and Nexus are fixed for the year, so the outturn will be in line with the original budget allocations.

The budget strategy outlined in this report is based on an assumption of a levy for 2020/21 for Tyne and Wear in line with the current year, representing a cash freeze. On this basis, the proposed levy for 2020/21 would be £61.1m. Nexus is anticipating significant budget pressures over the medium term and will need to factor a levy freeze into its planning assumptions for 2020/21 and over the medium term.

Durham and Northumberland are currently developing their transport budget proposals for 2020/21 and future years, which will be reported to the next meeting and which will determine the total for their levies.

It is proposed to continue the contribution of £10,000 per authority which is retained from the Durham and Northumberland levies and which funds the work of the Joint Transport Committee, including contributions to the post of the Managing Director, Transport North East and the Transport Strategy Unit. The contribution from the Tyne and Wear levy to fund central activity will be £2.1m (in line with current allocations), which is mainly used to meet costs relating to the operation of the former Tyne and Wear Integrated Transport Authority.

It is proposed that funding for the Transport Strategy Unit from the Local Transport Plan Integrated Transport Block grant is maintained at the current level of £500,000 (£62,500 per council and Nexus).

The forecast position for 2019/20 for the Tyne Tunnels revenue account is for a breakeven position after making additional provision for the repayment of debt and the costs of the new Tyne Tunnel Manager. The estimates for 2020/21 build in the full year costs of the new Tyne Tunnels Manager position and also indicate a breakeven position next year. Provision

has been made for one off costs of the Tyne Pass Project in the current and next year. The draft budget estimates for 2020/21 have been prepared on the basis that increases in the Retail Price Index will trigger an increase in the toll for Class 3 vehicles (HGVs) next year.

Recommendations

The North East Joint Transport Committee is recommended to:

- i. Receive this report for consideration and comment;
- ii. Note the projected outturn position for the 2019/20 Transport budget, as set out in the report;
- iii. Consider the following budget assumptions / proposals and agree to these forming the basis of consultation on the 2020/21 Transport Budget:
 - a. That the 2020/21 Transport Levy for Tyne and Wear is indicatively to be set at £61.1m, which represents a cash freeze compared with the current year;
 - b. That the revenue grant to Nexus for 2020/21 is indicatively proposed to be set at £59.0m, which is a cash freeze compared with the current year total;
 - c. That contributions of £500,000 to the Transport Strategy Unit are top sliced from Local Transport Plan Integrated Transport Block grant received by the JTC in 2020/21;
 - d. That the Tyne Tunnels Tolls are proposed to be increased to keep pace with inflation and the increase in the shadow toll payable to the concessionaire TT2 Ltd., in line with the concession contract and the agreed approach to the funding of the Tyne Tunnels. (Note: The decision to increase the Tyne Tunnel Tolls will be taken by the Tyne and Wear Sub Committee in January 2020)
- iv. Note the indicative budget forecasts for 2021/22 and 2022/23, as set out in the report;
- v. Note that the budget proposals for Transport will be subject to a consultation process including reports to the Joint Transport Committee Overview and Scrutiny Committee, Joint Transport Committee Audit Committee, relevant officer groups and the Leadership Board of NECA and the NTCA Cabinet;
- vi. Note the intention to consider the Transport Budget in more detail at the next meeting on 19 November 2019, and to approve the budget and agree the Transport Levies at the meeting of the JTC on 21 January 2020, after considering any comments received on the proposals and decisions reached by the Tyne and Wear Sub Committee in January 2020.

1. Background Information

- 1.1 The North East Joint Transport Committee receives funding from a variety of sources including the levies on Durham, Northumberland and Tyne and Wear councils, Tyne Tunnels tolls income, grant funding and interest income. This funding is used to deliver the transport objectives of the Committee through the provision of revenue grants to Durham and Northumberland councils and Nexus for the delivery of public transport services, the funding of the Tyne Tunnels and the provision of the Transport Strategy Unit which works on behalf of the Joint Transport Committee to provide it with relevant information and policy choices and deliver its policies at a regional level.
- 1.2 In line with the Transport Levying Bodies Regulations 1992, the transport levies must be issued by 15 February preceding the commencement of the financial year in respect of which they are to be issued.
- 1.3 This report summarises the process and timetable for approval of the levies and other budgets relating to the Joint Transport Committee and sets out initial proposals for these budgets. The proposals will be further developed and consulted upon in the coming months, and reports will be presented to the committee at its meetings on 19 November 2019 and 21 January 2020. The report includes indicative budget forecasts for 2021/22 and 2022/23.
- 1.4 Appendix 1 shows the timetable for the agreement of the Joint Transport Committee budget for 2020/21. The timetable is in line with the requirements of the constitution agreed by the North East Combined Authority, who are the accountable body for transport matters.

2. Proposals

Transport Levies

- 2.1 As the transport levies and revenue grants are normally fixed for the year there is no change in the levies payable and grants payable between the original budget and the forecast outturn, and minimal change in the retained transport levy budget. Any surplus or deficit against the budgets for the three main delivery agencies (Durham County Council, Northumberland County Council and Nexus) is retained or managed within the reserves of that organisation.
- 2.2 A proportion of the levies is retained to support the work of the JTC and meet historic costs relating to the former Tyne and Wear Integrated Transport Authority (TWITA). This budget is expected to underspend slightly due to lower interest charges than originally budgeted on historic Tyne and Wear Transport debt and the forecast underspend will be transferred to the JTC retained reserves at year end.

Table 1: 2019/20 Transport Levies and Grants

	2019/20 Original Budget	2019/20 Forecast Outturn	2019/20 Forecast Variance
	£000	£000	£000
Total Transport Levies	(82,766)	(82,766)	0
Grant to Durham	15,552	15,552	0
Grant to Northumberland	6,094	6,094	0
Grant to Nexus	55,667	55,667	0
Contribution to Metro Fleet Replacement reserve	3,333	3,333	0
Retained Transport Levy budget	2,120	2,091	(29)
Net	-	(29)	(29)
Contribution to/ (from) JTC unearmarked reserves	-	29	29

Tyne and Wear Levy

- 2.3 The 2020/21 levy for Tyne and Wear is assumed to be a cash freeze for 2020/21 and totals £61.1m. The grant from the levy for Nexus has been reduced by £15.2m (20%) over the last 10 years as local authorities have managed extremely challenging central government funding settlements. Nexus are expecting some significant financial pressures over the medium term. The impact of retaining the levy for Tyne and Wear authorities at the current level will be carefully considered by Nexus and future budget reports will set out the likely impact on the Nexus medium term financial plan as cost pressures and details of available income are further refined.
- 2.4 The distribution of the levy within Tyne and Wear is based on population, in accordance with the Transport Levying Bodies Regulations 1992. The amounts levied on each individual authority need to be adjusted to reflect the mid-year population estimate for 2018. Increases in the share of the population for Newcastle and North Tyneside mean that the share of the levy for these authorities will increase in 2020/21, while there will be compensating small decreases for Gateshead, South Tyneside and Sunderland in 2020/21. Based on a levy freeze, the proposed levy for each of the Tyne and Wear councils next year is shown below:

Table 2: Distribution of Proposed Tyne and Wear Transport Levy

	2019/20 T&W Transport levy	2018 Mid-Year Population Estimate	2020/21 T&W Transport Levy Proposal	Levy Change Year on Year	Levy Change Year on Year
Tyne & Wear	£		£	£	%
Gateshead	10,949,433	202,508	10,888,380	(61,054)	(0.56)
Newcastle	16,002,955	300,196	16,140,834	137,879	0.86
North Tyneside	11,060,540	205,985	11,075,330	14,790	0.13
South Tyneside	8,089,866	150,265	8,079,396	(10,469)	(0.13)
Sunderland	14,997,206	277,417	14,916,061	(81,145)	(0.54)
Total	61,100,000	1,136,371	61,100,000	0	0.00%

Nexus

- 2.5 A separate report on draft budget proposals for Nexus is included on the JTC agenda. This sets out the significant cost pressures which are affecting the Nexus budget for 2019/20 and future years, and the impact of a range of scenarios on the forecast budget deficit: a cash freeze in the grant from the Tyne and Wear Levy, a 2% increase in 2020/21 and the deployment of reserves to cushion the impact of budget pressures over the medium term as a short term measure to set a balanced budget.
- 2.6 This consolidated report is prepared on the basis of one of these scenarios (a cash freeze). These planning assumptions will be updated as necessary for the report to the next meeting of the Joint Transport Committee on 19 November 2019 to reflect the views from this meeting and other consultations.

Transport Strategy Unit

- 2.7 The Transport Strategy Unit (TSU) (previously referred to as the Regional Transport Team) supports the Joint Transport Committee, providing relevant information to support policy choices and to deliver policies at a regional level. The TSU's activities include developing and maintaining:
- The Transport vision and plan;
 - The funding plan and bids for external funding;
 - Input into the LEP's strategies and plans on transport, and local business organisations;
 - A project pipeline and assurance framework;
 - Responses to transport consultations and policy-making opportunities by government and other external agencies;
 - Input into Transport for the North (TfN)'s pan-Northern policies and plans; and

- Relationships with other authorities (whether local, combined, national or sub-national) with whom the Joint Transport Committee may share a common interest.

- 2.8 During 2018/19 and 2019/20 the capacity of the TSU has been temporarily enhanced through secondments and fixed term contracts to prepare the bid against Transforming Cities Fund Tranche 2. This work will be complete before the end of the current financial year. The 2020/21 draft budgets have not made any assumptions on funding to be received from the Transforming Cities Fund Tranche 2 bid. Should the bid be successful, costs of programme management have been built into the bid and the budget for 2020/21 and future years will be updated accordingly.
- 2.9 In addition to the significant current activity of developing the Transport Plan and related delivery programmes, some other major upcoming policy developments could potentially include the development of a new bus strategy, the expansion of the Metro and local rail network, developing a model for rail devolution, and growing the programme to increase the uptake of walking and cycling. Further work is required in considering the scope of these developments, with funding packages to be agreed once requirements are clearer. There are also significant funding opportunities for well-developed bids along with a need for strong delivery programme management.
- 2.10 The TSU is funded through contributions from the Transport Levies which are retained to support JTC activity, a top-slice of the Local Transport Plan Integrated Transport Block grant which is awarded to the JTC and external contributions to some specific posts.
- 2.11 A summary of the forecast position for 2019/20 including the TCF bid resources (which was agreed after the original budget was set in January 2019) and the initial proposed budget for 2020/21 is set out in the table below. The budget for 2020/21 and future years will be updated once the updated Transport Plan is agreed which will set clear priorities for the work of the TSU.

Table 3: Transport North East Strategy Unit Budget

	2019/20 Original Budget	2019/20 Forecast Outturn	2019/20 Forecast Variance	2020/21 Initial Estimates
	£	£	£	£
Gross Expenditure				
Managing Director Transport North East and Transport Strategy Unit	658,405	584,251	(74,154)	692,631
Transport Plan	50,000	70,000	20,000	15,000
Transport Strategy Unit: Research and Development	180,000	183,044	3,044	173,000
Transport Strategy Unit: Travel and Miscellaneous	6,000	14,800	8,800	16,000
	2019/20	2019/20	2019/20	2020/21

	Original Budget	Forecast Outturn	Forecast Variance	Initial Estimates
	£	£	£	£
Transport Strategy Unit: IT/Equipment/Accomm	0	20,000	20,000	20,000
Salaries and secondment costs – Transforming Cities	241,856	233,847	(8,009)	0
Consultancy and other costs of bid preparation – Transforming Cities	191,218	191,218	0	0
Total Expenditure	1,327,479	1,297,159	(30,319)	916,631
Gross Income				
LTP funding - TSU	(500,000)	(500,000)	0	(500,000)
LGF funding - TSU	(100,000)	(100,000)	0	(100,000)
LGF funding - TCF	(100,000)	(100,000)	0	0
LTP/Levy funding - TCF	(233,074)	(233,074)	0	0
Retained Transport Levy	(31,870)	(47,671)	(15,801)	(128,773)
External funding for specific posts	(139,102)	(149,598)	(10,598)	(142,198)
Total Income	(1,104,046)	(1,130,343)	(26,297)	(870,971)
Net	223,433	166,816	(56,617)	45,660
Use of Reserves to Fund Net Expenditure				
Transport Strategy Unit Reserves	(123,433)	0	123,433	(30,660)
Go Smarter legacy funds – Transforming Cities Fund	(100,000)	(100,000)	-	0
Go Smarter legacy funds - Other	0	(30,044)	(30,044)	(15,000)
Earmarked reserves – Transforming Cities Fund	0	(36,772)	(36,772)	0

- 2.12 The forecast outturn for salaries is significantly less than the original budget due to a number of vacancies in the team which have not yet been filled. These vacancies have offset a cost pressure for pension contributions which has arisen because the budget assumed that employees would all have transferred to the employment of NECA and associated pension savings would have been made. This transfer is unlikely to take place before 1 January 2020. By the end of September 2019, unbudgeted pension costs of £32,518 had been incurred.
- 2.13 An increase in forecast costs in relation to the Transport Plan is reflected in the 2019/20 outturn as a result of additional work on the Plan requested by the Joint Transport Committee. Go Smarter legacy funds will be used to fund these additional costs.

- 2.14 A new budget line for IT/Equipment and Accommodation costs for the TSU has been added to the forecast outturn for 2019/20 to meet costs which are anticipated to arise from the planned relocation of the TSU to Gateshead Civic Centre.
- 2.15 The original budget for the year contained a significant use of the general reserve which was built up through underspends on the budget in previous years. This is now not forecast to be required in 2019/20 due to anticipated in year savings - particularly in relation to salaries and through the identification of alternative resources to fund activity. An earmarked reserve to part-fund the TCF bid work was established at the end of the 2018/19 financial year to ringfence an underspend in the contribution from the Transport levy and which was not included in the original budget

Tyne Tunnels

- 2.16 The Tyne Tunnels are accounted for as a ring-fenced account within the JTC/NECA budgets, meaning that all costs relating to the tunnels are wholly funded from the toll's income received and Tyne Tunnels reserves, with no call on the levy or other external government funding. The JTC receives all the toll income from the vehicle tunnels, and a payment under the contract with TT2 is determined based on traffic levels. The balance retained by the JTC is to meet other costs associated with the Tyne Tunnels namely interest and principal repayments on borrowing taken out to fund the New Tyne Crossing project and client costs associated with the management of the contract with the concessionaire.
- 2.17 The forecast outturn position for 2019/20 is for a small surplus of around £52,000 which is mainly as a result of additional interest income on balances held by the JTC. Traffic levels have been largely in line with forecasts, slightly higher than in 2018/19 but traffic flow levels remain less than the levels experienced in 2016/17 prior to the commencement of Highways England works at Silverlink in North Tyneside. The forecasts include the costs of the new Tyne Tunnel Manager (currently out for recruitment) and the full year costs of this new role is included in the estimates for 2020/21.
- 2.18 The tables below provide a summary of the forecast for 2019/20 and the indicative budget for 2020/21 and future years.

Table 4: Tyne Tunnels Budget Forecast 2019/20

	2019/20 Original Budget	2019/20 Forecast	Variance
	£000	£000	£000
Tolls Income	-28,090	-28,141	-51
Contract Payments to TT2	21,197	21,221	24
Employees	0	16	16
Historic Pension costs	52	52	0
Support Services	95	145	50
Supplies & Services	45	35	-10
Financing Charges	6,966	6,988	22
Interest/Other Income	-290	-368	-78
Contribution (to)/from Reserves	-25	-52	-27

- 2.19 A new post of Tyne Tunnels Contract Manager was approved by the JTC in September and is currently being advertised. This role will manage the client-side aspects of the Tyne Tunnel Project Agreement with TT2 and act as the principle point of liaison with the Concessionaire so that contractual matters are dealt with in a timely and efficient manner. The part-year costs of the post are built into the revised forecast for 2019/20 and the full year costs from 2020/21 onwards, which is the reason for the variance in Employee costs in the 2019/20 forecast. Once this post is filled and handover has been completed there will be a reduction in the budget for support services, as support has previously been provided by the NECA Chief Finance Officer and Monitoring Officer and individuals at Newcastle City Council.
- 2.20 As previously reported to the Tyne and Wear Sub Committee, TT2 have brought forward proposals to introduce a Tyne Pass process using Automatic Number Plate Recognition as a pre-cursor to a longer term aim of having a free flow system in place in the future where there would be no toll booths on the plazas.
- 2.21 These proposals would require changes to the Tyne Tunnels Byelaws, the Project Agreement and financial model for the contract. A temporary increase in the support services budget for the Tyne Tunnels is therefore proposed for the 2019/20, 2020/21 and 2021/22 financial years to meet the additional costs from the client side of implementing the project, such as external professional advice. This can be met from within the Tyne Tunnels budget and will be kept under review as the project progresses.

Table 5: Tyne Tunnels Initial Estimates 2020/21-2022/23

	2020/21	2021/22	2022/23
	£000	£000	£000
Tolls Income	-28,422	-28,919	-29,642
Contract Payments to TT2	21,633	22,505	22,942
Employees	62	63	65
Historic Pension costs	53	55	56
Support Services	100	102	104
Supplies & Services	46	47	48
Financing Charges	6,756	6,416	6,673
Interest/Other Income	-290	-290	-290
Contribution (to)/from Reserves	-61	-22	-45

2.22 The 2020/21 tolls income estimate assumes an increase in tolls to £3.90 for Class 3 vehicles in line with inflation as measured by the Retail Price Index (RPI) – a year on year increase of £0.10 (2.6%). It is not anticipated that an increase in the tolls for Class 2 vehicles will have been triggered by the increase in RPI until the 2021/22 financial year, as increases can only be applied in 10p increments. These charges are therefore likely to remain at £1.80 in 2020/21.

2.23 In terms of the formal process for the increase in Tolls, if the level of RPI has reached the point at which an increase is possible, a decision to increase tolls will be taken by the Tyne and Wear Sub Committee in January 2020. If a decision to increase the tolls is taken, officers from NECA as the Accountable Body for the JTC will follow the process set out in the Tyne Tunnels Order 2005 to implement the decision of the committee. This will involve advertising the proposed increase in at least one local newspaper and notifying the Department for Transport. Once notified, the Department has 21 days to determine whether to take the order and, if so, the order will be made 28 days before it comes into effect. A decision on the specific date for implementation will be taken in conjunction with TT2, taking into account operational considerations. The increase, if implemented, would come into effect after May 2020 and will be discussed in greater detail with the Tyne and Wear Sub Committee.

3. Reasons for the Proposals

3.1 The proposals are presented here to inform the JTC of work on the preparation of the 2020/21 Transport Budget and to begin the budget consultation process in line with the process set out in the NECA constitution in its role as Accountable Body for Transport. The report sets out indicative forecasts for 2021/22 and 2021/22.

4. Alternative Options Available

4.1 Option 1 – The North East Joint Transport Committee may accept the recommendations set out in the report.

Option 2 – The North East Joint Transport Committee may suggest amendments or alternative proposals be considered.

Option 1 is the recommended option.

5. Next Steps and Timetable for Implementation

5.1 Proposals are at an initial draft stage and further work will be ongoing in developing these further over the coming weeks. More detail will be presented to the JTC at its meeting on 19 November 2019, with a view to recommending formal agreement to the budget and levies in January 2020.

5.2 Appendix 1 shows the budget timetable for setting the 2020/21 budget.

6. Potential Impact on Objectives

6.1 The budget presented in this report is set to achieve the Transport policy objectives of the Authority.

7. Financial and Other Resources Implications

7.1 The financial and other resource implications are summarised in detail in the body of the report where they are known. Further details which are developed as part of the budget development and consultation process will be identified in reports to the November 2019 and January 2020 reports to the Committee.

7.2 The budget strategy outlined in this report is based on a levy for 2020/21 for Tyne and Wear in line with the current year, representing a cash freeze. On this basis the total levy for 2020/21 would be £61.1m. This position would provide a significant challenge for Nexus, who have seen the levy reduced by £15.2m (20%) over the last 10 years and who are expected to face significant financial pressures in the coming three years. The sustainability of retaining the levy for Tyne and Wear authorities at the current level will need to be carefully considered over the medium term.

8. Legal Implications

8.1 The JTC must ultimately approve the transport budget and levies unanimously.

9. Key Risks

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

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

12.1 The NECA Constitution (in its role as accountable body for the JTC) requires that consultation on its budget proposals be undertaken at least two months prior to the budget being agreed.

12.2 The extent of public consultation will be proportionate to the impact that the proposals would have on services to the public. At this stage no significant service reductions or implications are expected in 2020/21, however, if the Tyne and Wear levies are frozen again in 2021/22 this will provide a challenge to Nexus. Proposals will be published on the website for comment and included in any budget consultation undertaken by constituent authorities.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report.

14. Appendices

14.1 Appendix 1 – Budget Timetable 2020/21 – Joint Transport Committee

15. Background Papers

15.1 JTC Budget 2019/20 report 22 January 2019

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
eleanor.goodman@northeastca.gov.uk, 0191 277 7518

17. Sign off

- The Proper Officer for Transport: ✓
- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

18. Glossary

DfT – Department for Transport

NECA – North East Combined Authority

NTCA – North of Tyne Combined Authority

TfN – Transport for the North

TSU – Transport Strategy Unit

TT2 – TT2 Ltd, Tyne Tunnels Concessionaire

Appendix 1 – Budget Timetable 2020/21 – Joint Transport Committee

Date	Meeting/Event	Action
14 August 2019	Tyne and Wear Sub-Committee (Briefing)	Consider 3 year forward forecasts of budget pressures and issues in relation to Nexus
17 September 2019	North East Joint Transport Committee (Briefing)	Consider 3 year forward forecasts of budget pressures and issues in relation to Nexus
23 October 2019	North East Joint Transport Committee	Initial budget proposals and 3-year forecasts in relation to JTC/Transport budgets. Consultation requirements to be considered / agreed
7 November 2019	Joint Transport Committee Overview and Scrutiny Committee	Examine initial budget and consultation proposals and make any recommendations to the JTC
19 November 2019	North East Joint Transport Committee	Consider updated draft Transport budget proposals and any feedback from JTC Overview & Scrutiny Committee
21 November 2019	Tyne and Wear Sub-Committee	Consider report on the draft budget proposals with specific reference to Tyne and Wear Transport activity
26 November 2019	NTCA Cabinet Meeting	Consider draft Transport budget proposals developed by JTC and implications regarding Transport Levy for constituent authorities as part of the budget consultation process
TBC – Meeting to be arranged w/c 9 December 2019	NECA Leadership Board	Consider the decisions and any recommendations made by the JTC and JTC Overview and Scrutiny Committee
12 December 2019	Joint Transport Committee Audit Committee	Consider budget proposals as part of consultation process
19 December 2019	JTC Overview and Scrutiny Committee	Consider (updated) budget proposals as part of consultation process (if necessary)
21 January 2020	North East Joint Transport Committee	Approve Transport Revenue Budget and Transport Levies
28 January 2020	NTCA Cabinet Meeting	Formally agree to issue the Transport Levy to constituent NTCA authorities

Date	Meeting/Event	Action
4 February 2020	NECA Leadership Board	Leadership Board formally issue levy agreed by Joint Transport Committee in January. Formal agreement of non-Transport budgets and contributions.
15 February 2020	Levy letters issued to constituent authorities	Date by which Transport levies must be issued in line with Transport Levying Bodies Regulations

North East Joint Transport Committee

APPENDIX 2

Date: 23 October 2019

Subject: Nexus Budget Strategy – Medium Term Financial Planning 2020/21 – 2022/23

Report of: Director of Finance and Resources, Nexus

Executive Summary

This report sets out details of the budget pressures and issues facing Nexus over the next three years and seeks the views of the Committee on such matters to inform its approach to its medium term financial plan, in particular the implications of Nexus preparing its budget for 2020/21.

Recommendations

The North East Joint Transport Committee is recommended to note the contents of this report, consider the implications arising from the budget pressures and issues facing Nexus and provide initial comments in order to inform its approach to its medium term financial plan.

1. Background Information

- 1.1. When the Joint Transport Committee (JTC) agreed Nexus' budget in January 2019, the intention was to use reserves in 2019/20 and 2020/21 with the position thereafter likely to require either additional investment or a review of services given that significant efficiencies had been realised over the last ten years without impacting on service delivery.
- 1.2. The medium-term forecast set out at that time (against Nexus' share of the Tyne and Wear transport levy) is summarised below:

Table 1: Medium Term Financial Forecast (January 2019)

	2019/20	2020/21	2021/22
	£m	£m	£m
ENCTS	34.529	34.594	35.350
Discretionary Concessionary Travel	3.708	3.679	3.867
Metro	1.442	3.605	5.283
Ferry	1.004	1.062	1.128
Local Rail	0.190	0.199	0.215
Bus Services	11.737	12.116	12.615
Bus Infrastructure	2.528	2.576	2.632
Public Transport Information	1.228	1.234	1.321
NET FUNDING REQUIREMENT	56.367	59.066	62.411
JTC GRANT (LEVY)¹	(55.667)	(59.000)	(59.000)
(SURPLUS)/DEFICIT	0.700	0.066	3.411

- 1.3. The net funding requirement is after taking account of government grants, fare revenue and commercial income, most of which is secured in order to run the Tyne and Wear Metro. The net funding requirement represents the reliance Nexus places on the grant it receives from the JTC, which principally funds bus contracts, concessionary fares and public transport infrastructure.
- 1.4. In 2010, the JTC grant (levy) was £74.2m. In 2020/21 it will be £59.0m, a reduction of £15.2m or 20% over the last 10 years. By contrast, funding for the Metro has increased. In the past 5 years, Metro fare revenue has grown by £6.0m (or 15%) whilst Metro Rail Grant (MRG) from the Department for Transport (DfT) has

¹ The JTC Grant / Levy was reduced by £3.333m in 2019/20 in order to part fund the local contribution towards the new fleet of Metrocars. This retained funding, which will amount to £10.000m as at 31 March 2020 is held in an earmarked reserve by the NECA. The £3.333m is reinstated in future years.

increased by £1.6m (or 7%). Consequently, only £1.4m of Nexus' net funding requirement in 2019/20 relates to Metro, whilst Metro's gross budget in 2019/20 is in excess of £100.0m.

1.5. Over the past few years, Nexus has delivered a range of efficiency savings in order to protect frontline services. Most notably:

- Headcount reduced by 20%;
- The cost of operating Metro has reduced by circa £2m per annum after the concession with DB Regio ended in March 2017; and
- A range of other savings have been achieved e.g. in tendered bus services and concessionary fares reimbursement.

1.6. In addition, since 2014, Nexus has generated surpluses of £11m, of which £7m has been invested in transport infrastructure, with the balance increasing usable reserves, which are available to support frontline services.

2. The 2019/20 forecast and its impact on future years

2.1 In the run up to the end of the 2018/19 financial year and in the early part of 2019/20, a number of budget pressures have emerged. The 2019/20 deficit has increased from £0.7m to £4.1m, an increase of £3.4m. It should be noted that £1.1m of this variance relates to the development of Transforming Cities Fund (TCF) bids, such costs being non-recurring and possibly subject to capitalisation and potential recovery from any Transforming Cities Fund allocations once they are known.

2.2 The remainder is mainly explained by:

- A reduction in Metro fare revenue of £1.2m (this equates to over 2% of the farebox) and broadly reflects the outturn position in 2018/19 also;
- A reduction in Secured bus services fare revenue of £0.3m (this equates to circa 10% of the farebox);
- The April 2019 pay award for Nexus (and NEMOL) employees were both 0.5% in excess of the budget provision, adding a £0.3m pressure; Contract inflation relating to high voltage power and cleaning, which are forecast to be £0.5m and £0.2m in excess of budget respectively;
- Responses to catastrophic overhead line failures in May 2019 have added a £0.3m budget pressure;
- Train crew overtime has added a £0.5m pressure; and
- These cost pressures have been mitigated by:
 - The reclassification of capital grant as revenue grant (£0.5m);
 - A reduction in contract costs relating to the secured bus network (£0.3m); and
 - An increase in investment income (£0.2m).

- 2.3 Without intervention, most of these in-year pressures (and savings) will carry forward to next year, meaning that the full year effect will impact on the three-year forecast, 2020/21 to 2022/23. Broadly speaking, the medium term forecast, updated to take into account these cost pressures is set out in the table below (compared to that which was submitted to the JTC when the 2018/19 budget was set):

Table 2 – Updated Medium Term Financial Forecast

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
January 2019 Deficit (Table 1)	0.7	0.1	3.4	N/A
August 2019 Deficit	4.1	1.6	4.7	7.3
Deterioration in Forecasts	+3.4	+1.5	+1.3	+7.3

- 2.4 It should be noted that detailed work is ongoing in order to refine these estimates. However, it is evident that pay and contractual inflation, known commitments and additional pressures in order to ‘standstill’ continue to grow, whilst estimates of future revenues at best show only a marginal increase. In compiling these broad estimates for 2020/21 to 2022/23, there is an assumption that:

- Services are maintained at current levels, with previous commitments
- Pay and contract prices (including concessionary fares reimbursement) will broadly increase in line with inflation;
- MRG will increase in line with inflation (increasing from £25.1m to £25.6m, confirmed by DfT on 10 October 2019);
- Metro fares will increase in line with inflation;
- JTC grant will be £59.0m in 2020/21; and
- Nexus’ 2019 pension valuation will continue to show a surplus.

3. Impact of the new Metrocar fleet

- 3.1 As Nexus prepares to award contracts for the manufacture and supply of its new train fleet and depot, together with the maintenance of its old Metrocars (MMA) and the new train fleet (TSA), it is apparent that there will be additional costs arising, which are not yet factored into the forecast set out in paragraph 2.3 above. These include:

- Fleet engineering costs are expected to increase, although in the time horizon associated with this medium term financial plan, an earmarked reserve created in anticipation of the transition from the old Metrocars to the new trains will help cover this additional cost; and

- Trades unions representing the train crew are seeking an increase in drivers' salaries because of the introduction of a more technologically advanced vehicle with resolution of this issue required prior to testing, commissioning and training, all of which are necessary for the new fleet to be successfully implemented.

3.2 Over the longer term, these costs will be offset by expected increases in Metro fare revenue and reductions in high voltage power consumption, however this will only be realised once the new fleet is operational.

3.3 Although it is too early to accurately assess the increase in costs associated with the introduction of the new fleet, the following table estimates the potential impact:

Table 3 – Forecasts Updated to reflect New Fleet Estimated Impacts

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
January 2019 Deficit	0.7	0.1	3.4	N/A
October 2019 Deficit	4.1	1.6	4.7	7.3
Potential Deficit (incl new fleet)	4.4	2.4	6.0	8.8
Deterioration in Forecasts	+3.7	+2.3	+2.6	+8.8

3.4 The cumulative deficit across the medium term is therefore estimated at circa £21.6m, with a budget shortfall of £4.4m in 2019/20 increasing to £8.8m by 2022/23.

4. Impact of 2019 Spending Round

4.1 The 2019 Spending Round outlined Government spending plans for 2020/21

4.2 The technical consultation relating to the Local Government Finance Settlement for 2020/21 was issued in October 2019. Final details of the settlement for individual local authorities will not be known until later this calendar year. Tyne and Wear local authorities are in the process of considering the potential outcome of the spending round and the implications for their funding for 2020/21. As part of considering available funding, consideration will need to be given to the levy for 2020/21 taking account of the information contained in this report.

4.3 As an example, a 2.0% increase on a base of £59.0m equates to £1.2m. Assuming this was applied in 2020/21, with a freeze thereafter, the impact on Nexus' medium-term forecast is set out below:

Table 4 – Impact of a 2% increase in grant (levy) in 2020/21

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
January 2019 Deficit	0.7	0.1	3.4	N/A
October 2019 Deficit	4.1	1.6	4.7	7.3
Potential Deficit (incl new fleet)	4.4	2.4	6.0	8.8
Impact of 2% increase in JTC grant (20/21 only)	4.4	1.2	4.8	7.6
Deterioration in Forecasts	+3.7	+1.1	+1.4	+7.6

A 1% levy change is approximately £0.6m

- 4.4 An increase of 2.0% would potentially allow Nexus to pursue some growth initiatives or fund planning studies into future service improvements.

5. Reserves Strategy

- 5.1 One legitimate means of dealing with the forecast deficit is to deploy reserves. This however can only ever be a short-term measure whilst more sustainable solutions are identified.. Nexus' reserves as at 31 March 2019 amounted to £50.3m², of which:
- £10.0m is assessed as being necessary to cushion the impact of unexpected events or emergencies arising;
 - £7.0m is earmarked for capital investment, mainly away from the Metro;
 - £3.0m is earmarked to cover the expected increase in the (fleet) MMA;
 - £14.0m is earmarked for the new fleet; and
 - £16.0m is available to underpin the revenue budget.
- 5.2 Options for how reserves might be used were discussed with members of TWSC at its policy seminar held on 15 August 2019. These included:
- Using reserves to deal with the in-year deficit only with potentially sizeable service reductions necessary from 2020/21 onwards if the level of grant (levy) to Nexus did not increase accordingly;
 - Deploying the full £16.0m reserve until it is fully exhausted, with sizeable service reductions required from 2022/23 onwards if the level of grant (levy) to Nexus did not increase accordingly; and
 - Taking a more prudent approach, whereby the budget deficit is only partly addressed through use of reserves, with more modest service reductions phased in over the medium term.
- 5.3 Feedback from TWSC members was that the more prudent approach should be adopted. Based on this feedback, and factoring in the latest forecasts of budget pressures, a proposed strategy to deploy reserves is illustrated in the table below³:

² This excludes reserves held by NECA of £6.7m in respect of the new fleet (increasing to £10.0m by 31 March 2020) and £9.2m in respect of the Metro Asset Renewal Programme

Table 5 – Utilising Reserves over the Medium-Term (Levy Freeze assumed)

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Potential Deficit (incl new fleet)	4.4	2.4	6.0	5.8
Potential use of Reserves	-4.4	-2.4	-3.0	-2.8
Potential Deficit (after use of reserves)	-	-	3.0	3.0
Remaining Usable Reserves	11.6	9.2	6.2	3.4

5.4 In the above forecast, there is an assumption that £3m of savings are delivered in 2021/22 and 2022/23, leaving savings of £2.8m to be achieved in 2023/24. At this point remaining reserves would be £3.4m.

6. Potential Impact on Services

6.1 The impact on services would need to be considered if, after use of reserves, and assuming there is no increase in the grant (levy), there was still a deficit to eradicate. This is highlighted in the table above.

6.2 In September 2016, Nexus reported to the TWSC the outcome of its public consultation, 'Have Your Say', which ranked Nexus' services in order of importance⁴.

6.3 The ranking (with 1 denoting the most popular service and one that the public most wished to see protected) is replicated below:

Priority	
1	Bus services, Group travel and Ferry Services
2	Public Transport Information
3	Local Voluntary Concessions
4	Bus Waiting Facilities
5	Major Projects

7. Proposals

7.1 This report sets out details of the budget pressures and issues facing Nexus over the next three years and seeks the views of the Committee on such matters to

³ This shows the deployment of reserves in the 2020/21 JTC grant (levy) freeze scenario only. If the JTC grant (levy) was increased by 2% in 2020/21, remaining usable reserves in 2022/23 would increase to £6.8m.

⁴ The consultation only focused on 'discretionary' levy funded services and therefore did not focus on the statutory elements of the English National Concessionary Travel Scheme or the Tyne and Wear Metro (because of the way in which Metro is funded i.e. primarily from fare revenues and government grant).

inform its approach to its medium term financial plan, in particular, the implications of Nexus preparing its budget for 2020/21 on the basis that its grant from the Committee will be kept at 2019/20 levels.

8. Reasons for the Proposals

- 8.1 To consider the implications arising from the budget pressures and issues facing Nexus and provide strategic guidance to Nexus in order to inform its approach to its medium term financial plan.

9. Alternative Options Available

- 9.1 The development of Nexus' medium-term financial plan depends largely upon the level of its future grant from the Committee, the deployment of its reserves and how any necessary service reductions will be agreed and implemented in the future should that be necessary.

10. Next Steps and Timetable for Implementation

- 10.1 The budget timetable setting out next steps and timetable for implementation is attached at Appendix 2.

11. Potential Impact on Objectives

- 11.1 Nexus' future spending plans and resources will have a direct impact on the ability to achieve the objectives within the Tyne and Wear Local Transport Plan and associated policies and strategies.

12. Financial and Other Resources Implications

- 12.1 Financial implications are considered throughout this report. The report exemplifies the significant cost pressures which are affecting the Nexus budget for 2019/20 and in future years, and the impact of a range of scenarios on the forecast deficit: a cash freeze in the grant from the Tyne and Wear Levy, a 2% increase in 2020/21 and the deployment of reserves to cushion the impact of budget pressures over the medium term as a short term measure to set a balanced budget.
- 12.2 Budget planning assumptions, particularly the approach to achieving savings can have a direct impact on staffing levels within the services provided by Nexus.

13. Legal Implications

- 13.1 There are no legal implications arising directly from the recommendations in this report.

14. Key Risks

- 13.1 The key risks outlined in this report relate to sustainability of current service delivery going forward given the significant financial challenges facing Nexus. The final budget proposals will include an assessment of risk facing the Nexus budget,

which will be used to inform the level of reserves that are determined to be prudent. This report highlights a range of financial pressures and issues facing Nexus over the next three years and seeks the views of the Committee on such matters to inform its approach to its medium term financial plan, in particular the implications of Nexus preparing its budget for 2020/21 on the basis that its grant from the Committee will be kept at 2019/20 level. The report is for information and discussion as part of the budget process and has no specific risk management implications at this stage.

15. Equality and Diversity

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

16. Crime and Disorder

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

17. Consultation/Engagement

- 17.1 The budget timetable setting out consultation/engagement is attached at Appendix 1.

18. Other Impact of the Proposals

- 18.1 There are no other specific impacts arising from this report. The budget assumptions over the level of grant (levy) provided to Nexus by the Tyne and Wear authorities has a direct impact on the budget setting processes of those authorities.

19. Appendices

- 19.1 Appendix 1 - Budget/Consultation Timetable

20. Background Papers

- 20.1 Tyne and Wear Sub-Committee Policy Seminar held on 15 August 2019.

21. Contact Officers

John Fenwick, Nexus Director of Finance and Resources;
Email: john.fenwick@nexus.org.uk;
Tel: 0191 203 3248

22. Sign off

- The Proper Officer for Transport: ✓
- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer ✓:

23. Glossary

DfT – Department for Transport

MRG – Metro Rail Grant

MTFF – Medium Term Financial Forecast

TWSC – Tyne and Wear Sub Committee

Appendix 1 – Budget Timetable 2020/21 – Joint Transport Committee

Date	Meeting/Event	Action
14 August 2019	Tyne and Wear Sub-Committee (Briefing)	Consider 3 year forward forecasts of budget pressures and issues in relation to Nexus
17 September 2019	North East Joint Transport Committee (Briefing)	Consider 3 year forward forecasts of budget pressures and issues in relation to Nexus
23 October 2019	North East Joint Transport Committee	Initial budget proposals and 3 year forecasts in relation to JTC/Transport budgets. Consultation requirements to be considered / agreed
7 November 2019	Joint Transport Committee Overview and Scrutiny Committee	Examine initial budget and consultation proposals and make any recommendations to the JTC
19 November 2019	North East Joint Transport Committee	Consider updated draft Transport budget proposals and any feedback from JTC Overview & Scrutiny Committee
21 November 2019	Tyne and Wear Sub-Committee	Consider report on the draft budget proposals with specific reference to Tyne and Wear Transport activity
26 November 2019	NTCA Cabinet Meeting	Consider draft Transport budget proposals developed by JTC and implications regarding Transport Levy for constituent authorities as part of the budget consultation process
TBC – Meeting to be arranged w/c 9 December 2019	NECA Leadership Board	Consider the decisions and any recommendations made by the JTC and JTC Overview and Scrutiny Committee
12 December 2019	Joint Transport Committee Audit Committee	Consider budget proposals as part of consultation process
19 December 2019	JTC Overview and Scrutiny Committee	Consider (updated) budget proposals as part of consultation process (if necessary)
21 January 2020	North East Joint Transport Committee	Approve Transport Revenue Budget and Transport Levies
28 January 2020	NTCA Cabinet	Formally agree to issue the Transport Levy to

Date	Meeting/Event	Action
	Meeting	constituent NTCA authorities
4 February 2020	NECA Leadership Board	Leadership Board formally issue levy agreed by Joint Transport Committee in January. Formal agreement of non-Transport budgets and contributions.
15 February 2020	Levy letters issued to constituent authorities	Date by which Transport levies must be issued in line with Transport Levying Bodies Regulations

North East Joint Transport Committee

APPENDIX 3

Date: 19 November 2019
Subject: Budget Proposals
Report of: Chief Finance Officer

Executive Summary

This report provides an update on the initial budget proposals which were considered by the Joint Transport Committee on 23 October 2019 and subsequently by the JTC Overview and Scrutiny Committee on 7 November 2019.

Following feedback from JTC meeting on 23 October 2019 on initial proposals, a range of options are presented in this report for the Tyne and Wear levy.

The draft proposed budget and levy for public passenger transport activity in County Durham is estimated at £15.466m for 2020/21. This compares with a levy for 2019/20 of £15.562m.

The draft proposed budget and levy for public transport activity in Northumberland is estimated at £6.224m for 2020/21. This compares with a levy of £6.104m for 2019/20

Since the last meeting, Nexus has received information from the Pension Actuary that impacts positively on medium-term financial planning forecasts. This and the impact of a range of options for the Tyne and Wear levy are considered in this report.

Proposals for budgets for the Tyne Tunnels and the Transport Strategy Unit have not changed from the position reported on 23 October. The Tyne Tunnels revenue account forecast for 2019/20 is a breakeven position.

The Tyne Tunnel estimates for 2020/21 build in the full year costs of the new Tyne Tunnels Manager and indicate a breakeven position. Provision has been made for one-off costs of the Tyne Pass Project. The draft budget estimates for 2020/21 have been prepared on the basis that increases in the Retail Price Index (RPI) measure of inflation will trigger an increase in the toll for Class 3 vehicles (HGVs).

It is proposed to continue the contribution of £10,000 per authority which is retained from the Durham and Northumberland levies and which funds the work of the Joint Transport Committee, including contributions to the post of the Managing Director, Transport North East and the Transport Strategy Unit.

The contribution from the Tyne and Wear levy to fund central activity is dependent on the final levy position that is agreed. At this stage it is assumed that the contribution remains at 2019/20 levels. This funding is mainly used to meet costs relating to the operation of the former Tyne and Wear Integrated Transport Authority.

It is proposed that funding for the Transport Strategy Unit from the Local Transport Plan Integrated Transport Block grant is maintained at the current level of £500,000 (£62,500 per council and Nexus).

On 7 November 2019 the JTC Overview and Scrutiny Committee considered the estimates outlined in this report. Feedback from the meeting is set out in this report.

Recommendations

The North East Joint Transport Committee is recommended to:

- i. Receive this report for consideration and comment as part of the on-going budget setting process;
- ii. Consider the following budget assumptions/proposals and agree to these forming the basis of further consultation on the 2020/21 Transport Budget:
 - a. That the draft proposed budget and levy for Durham County Council is £15.466m (subject to further ongoing work by DCC);
 - b. That the draft proposed budget and levy for Northumberland County Council is £6.224m (subject to further ongoing work by NCC);
 - c. Consider the options presented in respect of the Tyne and Wear levy and the grant to Nexus, and provide feedback on the preferred option for further consultation;
 - d. That the Tyne Tunnels tolls are proposed to be increased for Class 3 vehicles (HGVs) by £0.10p to keep pace with inflation and the increase in the shadow toll payable to the concessionaire TT2 Ltd., in line with the concession contract and the agreed approach to the funding of the Tyne Tunnels (Note: the decision to increase the Tyne Tunnels tolls will be taken by the Tyne and Wear Sub Committee in January 2020);
- iii. Note the indicative budget forecasts for 2021/22 and 2022/23, as set out in the report;
- iv. Note that the budget proposals will be subject to further consultation including a further meeting of the Joint Transport Committee Overview and Scrutiny Committee and consultation with the Joint Transport Committee Audit Committee, relevant officer groups and the Leadership Board of NECA and the NTCA Cabinet and the North East England Chamber of Commerce;
- v. Note the intention to approve the budget and agree the Transport Levies at the meeting of the JTC on 21 January 2020, after considering any comments received on the proposals and decisions reached by the Tyne and Wear Sub Committee in January 2020.

1. Background Information

- 1.1 The North East Joint Transport Committee receives funding from a variety of sources including the levies on Durham, Northumberland and Tyne and Wear councils. Funding is also received from Tyne Tunnels tolls income, grant funding and interest income. This funding is used to deliver the transport objectives of the Committee through the relevant bodies and as set out in this report.
- 1.2 A report was considered by the JTC on 23 October which included initial budget proposals for 2020/21 and future years. Following feedback from the meeting on the initial proposals, a range of options are presented in this report for the Tyne and Wear levy together with further information that is now available, particularly in relation to the Nexus budget.

2. Proposals

Transport Levies

- 2.1 The main area of income and expenditure in the JTC revenue budget is the Transport levies and the revenue grants paid to Durham County Council, Northumberland County Council and Nexus for the delivery of public transport services.
- 2.2 The JTC area, unlike other Combined Authority areas, includes three county areas with different levels of service provision, cost and different levels of grant funding. The difference in costs across the areas is primarily related to concessionary travel reimbursement (including discretionary concessionary travel), which is higher in the Tyne and Wear area because of high levels of travel on the urban transport network, the Metro and Shields Ferry, and historic public transport borrowing costs. This is reflected in the grants paid to Tyne and Wear authorities within the revenue support grant. It is not therefore possible to have a single transport levy covering the whole JTC area and the levy arrangements established three separate levies through legislation for Durham County Council, one for Northumberland County Council and one for Tyne and Wear.
- 2.3 As the transport levies and revenue grants are fixed for the year there is no change in the levies receivable and grants payable between the original budget and the forecast outturn with minimal change in the retained transport levy budget. Any surplus or deficit against the budgets for the three main delivery agencies is retained or managed within the reserves of that organisation.
- 2.4 A proportion of the levies is retained to support the work of the JTC and to meet historic costs relating to the former Tyne and Wear Integrated Transport Authority (TWITA). This budget is expected to underspend slightly in the current year due to lower than anticipated interest costs on historic Tyne and Wear Transport debt. The forecast underspend will be transferred to the JTC retained reserves at year end.

2.5 **Table 1: 2019/20 Transport Levies and Grants**

	2019/20 Original Budget	2019/20 Forecast Outturn	2019/20 Forecast Variance
	£000	£000	£000
Total Transport Levies	(82,766)	(82,766)	0
Grant to Durham	15,552	15,552	0
Grant to Northumberland	6,094	6,094	0
Grant to Nexus	55,667	55,667	0
Contribution to Metro Fleet Replacement reserve	3,333	3,333	0
Retained Transport Levy budget	2,120	2,091	(29)
Net	-	(29)	(29)
Contribution to/ (from) JTC unearmarked reserves	-	29	29

Durham County Council

2.6 The budget and levy for public passenger transport activity in County Durham is expected to be in the region of £15.466m for 2020/21. This compares with a levy for 2019/20 of £15.562m. The budget and levy for 2019/20 and 2020/21 is summarised in the table below

2.7 **Table 3: Draft Durham Transport Budget and Levy 2020/21**

	2019/20 Original Budget	2019/20 Forecast	2020/21 Proposed Budget
	£000	£000	£000
Concessionary Fares	12,048	12,048	11,932
Subsidised Services	2,583	2,361	2,556
Bus Stations	144	130	177
Bus Shelters	19	37	19
Passenger Transport Information	89	85	88
Staffing	669	669	684
Share of NECA Transport Costs	10	10	10
Net Expenditure / Levy	15,562	15,340	15,466

2.8 For 2019/20 an underspend of £0.222m is forecast, which will be retained by Durham County Council at the year-end. The main reasons for the projected underspend are as follows:

- i) Subsidised Services - £222,000 under budget – this relates mainly procurement efficiencies arising from lower than expected costs of bus services.
- ii) Bus Stations - £14,000 under budget – this is due to lower than expected costs for repairs and maintenance and vandalism.
- iii) Bus Shelters – £18,000 over budget – this is due to increased costs for repairs and maintenance.

iv) Passenger Transport Information - £4,000 under budget – Minor variances

- 2.9 Durham County Council is in the process of finalising the 2020/21 budget proposals. The initial estimates shown above show that net budgets are proposed to be largely in line with the current year, with no adverse impact on services anticipated next year.

Northumberland County Council

- 2.10 The proposed budget and levy for public transport activity in Northumberland is £6.224m for 2020/21. This compares with a budget of £6.104m for 2019/20. The budget and levy for 2019/20 and 2020/21 is summarised in the table below:

- 2.11 **Table 4: Draft Northumberland Transport Budget and Levy 2020/21**

	2019/20 Original Budget	2019/20 Forecast	2020/21 Proposed Budget
	£000	£000	£000
Concessionary Fares	4,690	4,621	4,811
Subsidised Services	1,230	1,150	1,230
Bus Stations	24	24	25
Passenger Transport Information	25	25	25
Staffing	125	125	133
Share of NECA Transport Costs	10	0	10
Net Expenditure / Levy	6,104	6,151	6,234

- 2.12 The main areas of expenditure are:

- i) Concessionary Fares – Based on performance to date, the budget is forecast to underspend by £69,000 in 2019/20. The patronage for the service has declined by approximately 1.5% per annum which is offset by increased ticket income.
- ii) Subsidised Bus Services – The Council supports a range of socially necessary bus services, mainly in the rural North and West areas of the County but also some in the more urban South East. It is forecast that the outturn position will show an underspend of £80,000 at the end of the current financial year.

- 2.13 Northumberland County Council is finalising the 2020/21 budget proposals. The estimates set out a small increase related to increased ticket prices and reimbursement to operators for concessionary travel.

Tyne and Wear

- 2.14 The JTC meeting on the 23 October requested further modelling of Tyne and Wear levy options and the impact of different scenarios on the Nexus medium term financial plan position.

- 2.15 The distribution of the levy within Tyne and Wear is based on population, in accordance with the Transport Levying Bodies Regulations 1992. The amounts levied on each individual authority need to be adjusted to reflect the mid-year population estimate for 2018. Increases in the share of the population for Newcastle and North Tyneside mean that the share of the levy for these authorities will increase in 2020/21, while there will be compensating small decreases for Gateshead, South Tyneside and Sunderland in 2020/21.
- 2.16 The following options for the Tyne and Wear levy have been modelled:
- A 2% increase in all three years 2020/21-2022/23
 - A 2% increase in 2020/21 with a cash freeze thereafter
 - A 1% increase in 2020/21 with a cash freeze thereafter
 - A cash freeze in all three years
 - A 1% reduction in 2020/21 and a cash freeze thereafter
 - A 2% reduction in 2020/21 and a cash freeze thereafter
- 2.17 A 1% increase or decrease in the levy equates to £611,000. Detailed tables setting out the impact of each proposal on the Tyne and Wear councils are shown in Appendix 1, with a summary of the total impact shown in the table below:
- 2.18 **Table 5: Options for Tyne and Wear Levy 2020/21-2022/23**

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
a) 2% increase in all 3 years	61,100	62,322	63,568	64,840
Year on Year Increase / (Decrease)		1,222	1,246	1,272
Cumulative Increase / (Decrease)		1,222	2,468	3,740
b) 2% increase in 2020/21 and cash freeze thereafter	61,100	62,322	62,322	62,322
Year on Year Increase / (Decrease)		1,222	0	0
Cumulative Increase / (Decrease)		1,222	1,222	1,222
c) 1% increase in 2020/21 and cash freeze thereafter	61,100	61,711	61,711	61,711
Year on Year Increase / (Decrease)		611	0	0
Cumulative Increase / (Decrease)		611	611	611
d) Cash freeze in all three years	61,100	61,100	61,100	61,100
Year on Year Increase / (Decrease)		0	0	0
Cumulative Increase / (Decrease)		0	0	0
e) 1% reduction in 2020/21 and cash freeze thereafter	61,100	60,489	60,489	60,489
Year on Year Increase / (Decrease)		(611)	0	0
Cumulative Increase / (Decrease)		(611)	(611)	(611)

f) 2% reduction in 2020/21 and cash freeze thereafter	61,100	59,878	59,878	59,878
Year on Year Increase / (Decrease)		(1,222)	0	0
Cumulative Increase / (Decrease)		(1,222)	(1,222)	(1,222)

Nexus

- 2.19 The majority of the Tyne and Wear levy is paid as a revenue grant to Nexus for the delivery of public transport services. An update on the 2019/20 revenue budget position was provided in the JTC report on 23 October 2019.
- 2.20 At the JTC meeting on 23 October 2019, Nexus' medium-term financial forecasts was discussed. This showed the following deficits across the years 2019/20 to 2022/23, assuming a freeze in the grant Nexus receives from the JTC via the Tyne and Wear levy, together with planned use of reserves. This position assumed the existing pension contributions were maintained in the next valuation from 2020/21 and assumed continuation of the current service provision, factoring in pressures arising from pay and price inflation, the Metro fare box and the Metro Fleet replacement programme.

Table 6: Summary of Nexus medium term financial forecast at 23 October 2019

Position presented to JTC: 23/10/19	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	2.40	6.00	5.80		
Movement in reserves		(4.40)	(2.40)	(3.00)	(2.90)		
Deficit/(Surplus) after use of reserves		0.00	0.00	3.00	2.90		
Gap		0.00	0.00	(3.00)	(2.90)	(5.90)	
Remaining reserves	16.00	11.60	9.20	6.20	3.30		21%

- 2.21 Nexus' gross budget in the current year is £170m, funded as follows:
- 31% by government grant;
 - 36% from commercial revenues; and
 - 33% from the Tyne and Wear levy

- 2.22 The levy funds the following services:
- Statutory Concessionary Fares (62% of the levy)
Legal reimbursement to bus operators for the 'free bus pass' – the English National Concessionary Travel Scheme (ENCTS). Nexus has no control over the prices of, or demand for this service and with eligibility age now settling at 66 years, there is likely to be greater pressure on this budget during the next decade
 - Metro (2.5% of the levy)
The Metro gross budget in the current year is £103million with 1.5% of this being funded from the levy
 - Other Services (35.5% of the levy)
Secured buses, discretionary concessions, the ferry, bus infrastructure, provision of public Transport information etc.
- 2.23 Metro revenue has grown by 12% over the past 5 years, meaning that reliance on the grant from the levy for Metro services has been reduced whilst the levy funds a higher proportion of the other services that are provided by Nexus.
- 2.24 The 2019 pension valuation results for Nexus were received after the JTC meeting on 23 October 2019 and there is a forecast financial benefit compared to the position reported to the JTC on 23 October. The Nexus' pension fund position has improved and can be used to reduce its employer's future service contribution rate.
- 2.25 The maximum saving from the valuation is estimated at £3.4m per annum, assuming the surplus is amortised. This improves the Medium-Term Financial Plan (MTFP) forecasts presented to the JTC on 23 October 2019 as set out in the revised MTFP table below. This table uses the same assumptions as set out in paragraph 2.20 (and as reported to the JTC at the last meeting i.e. a cash freeze in the levy) but updated to show the estimated impact of the improved pension valuation position:
- 2.26 ***Table 7: Updated Nexus medium term financial forecast November 2019***

Position presented to JTC: 23/10/19 (Updated to show impact of Pension Saving)	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	(1.00)	2.60	5.40		
Movement in reserves		(4.40)	1.00	(2.60)	(2.70)		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.70		
Gap		0.00	0.00	0.00	(2.70)	(2.70)	
Remaining reserves	16.00	11.60	12.60	9.99	7.29		46%

2.27 Under a scenario of a cash freeze in the levy in 2020/21 and factoring in the impact of the updated pension fund forecasts, there is now a £1m surplus forecast in 2020/21, though there remains significant budget shortfalls in 2021/22 (£2.6m) and 2022/23 (£5.4m) which will need to be addressed. The table above factors in some prudent assumptions around utilising reserves to offset these pressures in the short term. This is not a sustainable position and spending will need to reduce and/or income increased by circa £5.4m to ensure a balanced budget beyond this medium term financial planning period. More detailed modelling of various scenarios and the impact on these forecasts is included in Appendix 2 to this report. The different scenarios are set out below:

- Increasing the levy by 2% across all three years, 2020/21 to 2022/23 (a);
- Increasing the levy by 2% and 1% in 2020/21 only, with a freeze thereafter (b);
- Freezing the levy across all three years (c);
- Reducing the by 1% and 2% in 2020/21 only, with a freeze thereafter (d);
- In all scenarios, introducing a 9.3% pension contribution rate, together with how taking a 'stepped' approach to the rate (in order to mitigate the risk of a significant increase at the 2022 valuation)¹;
- In all scenarios no reductions in services.

2.28 The following table summarises the modelling set out in Appendix 2:

¹ The rate has been adjusted from 9.3% in 2020/21 to 10.4% in 2021/22 to 11.6% in 2022/23

Table 8: Summary of Nexus levy grant options modelling

Scenario	Deficit by 2022/23 £m	Reserves at 31/03/23
Levy increased by 2% in all 3 Years / 9.3% Pension	1.86	11.67
Levy +2% / 9.3% Pension	4.22	10.24
Levy +2% / Stepped Pension	5.16	9.31
Levy +1% / 9.3% Pension	4.81	8.77
Levy +1% / Stepped Pension	5.75	7.83
Levy Freeze / 9.3% Pension	5.40	7.29
Levy Freeze / Stepped Pension	6.34	6.36
Levy -1% / 9.3% Pension	5.99	5.82
Levy -1% / Stepped Pension	6.93	4.88
Levy -2% / 9.3% Pension	6.58	4.34
Levy -2% / Stepped Pension	7.52	3.41

- 2.30 As an illustration, to eradicate the estimated deficit purely through the Tyne and Wear levy would require a levy increase of around 5% in both 2021/22 and 2022/23 assuming a levy freeze in 2020/21.

Metro Futures Studies

- 2.29 At a previous JTC briefing, members considered proposals for progressing a series of studies that are necessary for Metro and local rail network expansion plans. These studies were considered essential to progressing the Metro and Local Rail Strategy (MLRS), adopted in 2016. The estimated cost required for the work was set out as £2.4m, which could be completed over an accelerated 12 to 18 month timetable if additional funding was identified over and above the existing budget provision within the Nexus revenue budget (circa £500,000)..
- 2.30 If there was a cash freeze in the 2020/21 Tyne and Wear levy, Nexus forecast a surplus of approximately £1m. Should this position ultimately be agreed, this surplus could be used to provide a total of circa £1.5m in 2020/21 to progress the work, with the studies completed the following year, funded from the 2021/22 Nexus budget or from Nexus reserves.

Tyne Tunnels

- 2.31 The Tyne Tunnels are fully funded from tolls paid by tunnel users. No government funding was made available for the construction of the second Tyne Tunnel (which opened in 2011) and the refurbishment of the first tunnel which was completed in the same year. The works were funded by a combination of public sector and private sector borrowing, through a Public Private Partnership contract with a private sector concessionaire who designed and built the new tunnel and operate the tunnels under a contract which runs until 2037. The public sector borrowing was taken out by the then Tyne and Wear Integrated Transport Authority and is to be repaid over a 50-year period. The total current balance of borrowing associated with the Tyne Tunnels is £126.823m.
- 2.32 Contract payments to TT2 are calculated with reference to the traffic using the

tunnels and increase with RPI inflation. As a result, actual tolls levied on users are required to increase to keep pace with increases in the contract payments, so the toll is maintained in real terms over the life of the contract. Under the River Tyne (Tunnels) (Modification) Order 2011, tolls can be increased in increments of 10p. Toll increases to date have been in line with expectations presented at the development stage of the New Tyne Crossing project.

2.33 As reported to the JTC on 23 October, the forecast outturn for 2019/20 is for a small surplus of around £52,000 which is mainly as a result of additional interest income on balances held by the JTC. Traffic levels have been largely in line with forecasts, slightly higher than in 2018/19 but traffic flow levels remain less than the levels experienced in 2016/17 prior to the commencement of Highways England works at Silverlink in North Tyneside. The forecasts include the costs of the new Tyne Tunnel Manager.

2.34 The tables below provide a summary of the forecast for 2019/20 and the indicative budget for 2020/21 and future years

Table 9: Tyne Tunnels Budget 2019/20 and 2020/21 and initial forecasts to 2022/23

	2019/20 Original Budget	2019/20 Forecast	2020/21 Proposed Budget	2021/22 Estimate	2022/23 Estimate
	£000	£000	£000	£000	£000
Tolls Income	(28,090)	(28,141)	(28,422)	(28,919)	(29,642)
TT2 Contract	21,197	21,221	21,633	22,505	22,942
Employees	-	16	62	63	65
Pensions	52	52	53	55	56
Support Services	95	145	100	102	104
Supplies & Services	45	35	46	47	48
Financing Charges	6,966	6,988	6,756	6,416	6,673
Interest /Other Income	(50)	(128)	(50)	(50)	(50)
Repayment from TWITA for temporary use of reserves	(240)	(240)	(240)	(240)	(240)
(Surplus) /Deficit on Tyne Tunnels revenue account	(25)	(52)	(61)	(22)	(45)

2.35 A new post of Tyne Tunnels Contract Manager was approved by the JTC in September. This role will manage the client-side aspects of the Tyne Tunnel

Project Agreement with TT2 and act as the principal point of liaison with the Concessionaire so that contractual matters are dealt with in a timely and efficient manner. The part-year costs of the post are built into the revised forecast for 2019/20 and the full year costs from 2020/21 onwards, which is the reason for the variance in Employee costs in the 2019/20 forecast. Once this post is filled and handover has been completed there will be a reduction in the budget for support services, as support has previously been provided by the NECA Chief Finance Officer and Monitoring Officer and individuals at Newcastle City Council.

- 2.36 As previously reported to the Tyne and Wear Sub Committee, TT2 have brought forward proposals to introduce a Tyne Pass process using Automatic Number Plate Recognition as a pre-cursor to a longer term aim of having a free flow system in place in the future where there would be no toll booths on the plazas.
- 2.37 These proposals would require changes to the Tyne Tunnels Byelaws, the Project Agreement and financial model for the contract. A temporary increase in the support services budget for the Tyne Tunnels is therefore proposed for the 2019/20, 2020/21 and 2021/22 financial years to meet the additional costs from the client side of implementing the project, such as external professional advice. This can be met from within the Tyne Tunnels budget and will be kept under review as the project progresses.
- 2.38 The 2020/21 tolls income estimate assumes an increase in tolls to £3.90 for Class 3 vehicles in line with inflation as measured by the Retail Price Index (RPI) – a year on year increase of £0.10 (2.6%). It is not anticipated that an increase in the tolls for Class 2 vehicles will have been triggered by the increase in RPI until the 2021/22 financial year, as increases can only be applied in 10p increments. These charges are therefore likely to remain at £1.80 in 2020/21.
- 2.39 In terms of the formal process for the increase in Tolls, if the level of RPI has reached the point at which an increase is possible, a decision to increase tolls will be taken by the Tyne and Wear Sub Committee in January 2020. If a decision to increase the tolls is taken, officers from NECA as the Accountable Body for the JTC will follow the process set out in the Tyne Tunnels Order 2005 to implement the decision of the committee. This will involve advertising the proposed increase in at least one local newspaper and notifying the Department for Transport. Once notified, the Department has 21 days to determine whether to take the order and, if so, the order will be made 28 days before it comes into effect. A decision on the specific date for implementation will be taken in conjunction with TT2, taking into account operational considerations. The increase, if implemented, would come into effect after May 2020 and will be discussed in greater detail with the Tyne and Wear Sub Committee.
- 2.40 Reserves are held to manage risks associated with ownership of the tunnels, to meet any in-year deficits which may arise on the tunnels revenue account and to deal with any changes which may arise from changes in accounting treatments in future years. The forecast position against the Tyne Tunnels reserves is set out in the table below:
- 2.41 ***Table 10: Tyne Tunnels Reserves 2020/21 Forecast***

	2019/20 Original	2019/20 Forecast	2020/21 Original
	£000	£000	£000
Tyne Tunnels Reserves b/f	(18,452)	(21,150)	(17,961)
(Surplus)/Deficit on Tyne Tunnels revenue account met from reserves	(25)	(52)	(61)
Capital Expenditure funded from Reserves	260	854	-
NESTI Expenditure funded from Reserves	300	342	305
Repayment of LGF funding swap	-	2,045	-
Tyne Tunnels Reserves c/f	(17,917)	(17,961)	(17,717)

Transport Strategy Unit

- 2.42 The Transport Strategy Unit (TSU) (previously referred to as the Regional Transport Team) supports the Joint Transport Committee, providing relevant information to support policy choices and to deliver policies at a regional level. The TSU's activities include developing and maintaining:
- The Transport vision and plan;
 - The funding plan and bids for external funding;
 - Input into the LEP's strategies and plans on transport, and local business organisations;
 - A project pipeline and assurance framework;
 - Responses to transport consultations and policy-making opportunities by government and other external agencies;
 - Input into Transport for the North (TfN)'s pan-Northern policies and plans; and
 - Relationships with other authorities (whether local, combined, national or sub-national) with whom the Joint Transport Committee may share a common interest.
- 2.43 During 2018/19 and 2019/20 the capacity of the TSU has been temporarily enhanced through secondments and fixed term contracts to prepare the bid against Transforming Cities Fund Tranche 2. This work will be complete before the end of the current financial year. The 2020/21 draft budgets have not made any assumptions on funding to be received from the Transforming Cities Fund Tranche 2 bid due to be submitted at the end of November 2019 (which is considered in a report elsewhere on this agenda). Should the bid be successful, costs of programme management have been built into the bid and the budget for 2020/21 and future years will be updated accordingly.
- 2.44 In addition to the significant current activity of developing the Transport Plan and related delivery programmes, some other major upcoming policy developments could potentially include the development of a new bus strategy, the expansion of the Metro and local rail network, developing a model for rail devolution, and growing the programme to increase the uptake of walking and cycling. Further work is required in considering the scope of these developments, with funding packages

to be agreed once requirements are clearer. There are also significant funding opportunities for well-developed bids along with a need for strong delivery programme management.

2.45 The TSU is funded through contributions from the Transport Levies which are retained to support JTC activity, a top-slice of the Local Transport Plan Integrated Transport Block grant which is awarded to the JTC and external contributions to some specific posts.

2.46 A summary of the forecast position for 2019/20 including the TCF bid resources (which was agreed after the original budget was set in January 2019) and the initial proposed budget for 2020/21 is set out in the table below. The budget for 2020/21 and future years will be updated once the updated Transport Plan is agreed which will set clear priorities for the work of the TSU.

2.47 **Table 11: Transport North East Strategy Unit Budget**

	2019/20 Original Budget	2019/20 Forecast Outturn	2019/20 Forecast Variance	2020/21 Initial Estimates
	£	£	£	£
Gross Expenditure				
Managing Director Transport North East and Transport Strategy Unit	658,405	584,251	(74,154)	678,369
Transport Plan	50,000	70,000	20,000	50,000
Transport Strategy Unit: Research and Development	180,000	183,044	3,044	135,000
Transport Strategy Unit: Travel and Miscellaneous	6,000	14,800	8,800	16,000
Transport Strategy Unit: Contingency	0	0	0	15,000
Transport Strategy Unit: IT/Equipment/Accomm	0	20,000	20,000	20,000
Salaries and secondment costs – Transforming Cities	241,856	233,847	(8,009)	0
Consultancy and other costs of bid preparation – Transforming Cities	191,218	191,218	0	0
Total Expenditure	1,327,479	1,297,159	(30,319)	914,369
Gross Income				
LTP funding - TSU	(500,000)	(500,000)	0	(500,000)
LGF funding - TSU	(100,000)	(100,000)	0	(100,000)
LGF funding - TCF	(100,000)	(100,000)	0	0
LTP/Levy funding - TCF	(233,074)	(233,074)	0	0
Retained Transport Levy	(31,870)	(47,671)	(15,801)	(128,773)
External funding for specific	(139,102)	(149,598)	(10,598)	(129,023)

posts				
Total Income	(1,104,046)	(1,130,343)	(26,297)	(857,756)
Net	223,433	166,816	(56,617)	56,353
Use of Reserves to Fund Net Expenditure				
Transport Strategy Unit Reserves	(123,433)	0	123,433	(6,573)
Go Smarter legacy funds – Transforming Cities Fund	(100,000)	(100,000)	-	0
Go Smarter legacy funds - Other	0	(30,044)	(30,044)	(50,000)
Earmarked reserves – Transforming Cities Fund	0	(36,772)	(36,772)	0

- 2.48 The forecast outturn for salaries is significantly less than the original budget due to a number of vacancies in the team which have not yet been filled. These vacancies have offset a cost pressure for pension contributions which has arisen because the budget assumed that employees would all have transferred to the employment of NECA and associated pension savings would have been made. This transfer is unlikely to take place before 1 January 2020. By the end of October 2019, unbudgeted pension costs of £38,006 had been incurred.
- 2.49 An increase in forecast costs in relation to the Transport Plan is reflected in the 2019/20 outturn as a result of additional work on the Plan requested by the Joint Transport Committee. Following the last meeting of the Committee, the budget for 2020/21 has been increased by £35,000 to reflect the importance members place on this area of work. Go Smarter legacy funds will be used to fund these additional costs. The total budget for the Transport Plan is £120,000, the majority of which (£70,000) is forecast to be required this financial year. The balance of £50,000 is contained in the 2020/21 budget.
- 2.50 The original budget for the year contained a significant use of the general reserve which was built up through underspends on the budget in previous years. This is now not forecast to be required in 2019/20 due to anticipated in year savings - particularly in relation to salaries and through the identification of alternative resources to fund activity.
- 2.51 An earmarked reserve to part-fund the TCF bid work was established at the end of the 2018/19 financial year to ringfence an underspend in the contribution from the Transport levy and which was not included in the original budget.
- 2.52 The JTC holds reserves to fund future activity and to manage financial risk associated with its activities. A summary of the reserves forecast at 31 March 2020 is shown in the table below

Table 12: Summary of JTC Reserves 2019/20

	Actual 1 April 2019	Forecast 31 March 2020
	£000	£000
Tyne and Wear Transport	(630)	(659)
Tyne Tunnels	(21,150)	(17,961)
Metro Reinvigoration	(9,167)	(9,233)
Metro Fleet Renewal	(6,694)	(1,487)
TCF support	(37)	0
Go Smarter Legacy (within Grants unapplied)	(194)	(64)
Transport Strategy Unit (within Grants unapplied)	(125)	(125)
Total JTC Reserves	(37,997)	(29,529)

JTC Overview and Scrutiny Committee 7 November 2019

- 2.53 The JTC Overview and Scrutiny Committee met on 7 November, 2019 to consider the draft budget proposals. Members considered the reports presented to the JTC on 23 October along with the updated information around options for the Tyne and Wear levy and the updated Nexus position as set out in Appendices 1 and 2. Members were appreciative of the information provided which they felt gave them a better understanding of the Transport budgets and the proposals under consideration.
- 2.54 There were two main issues which the Overview and Scrutiny Committee wished the JTC to be mindful of in their consideration of the proposals for 2020/21 and future years' budgets:
- Whether there are opportunities for Invest to Save proposals, particularly to tackle fare evasion on Metro which would help maximise fare income;
 - Members were keen to ensure climate change and air quality issues were taken into account when setting budgets and in particular the importance of public transport in tackling these issues. The JTC wished the Committee to consider these issues when setting budgets and agreeing levies, particularly if there were any proposals to reduce services in the future.

3. Reasons for the Proposals

- 3.1 The proposals are presented here to update the JTC on the work on the preparation of the 2020/21 Transport Budget and continue the consultation process. The report provides updated forecasts based on the latest information available, scenario modelling in terms of the Tyne and Wear Levy and feedback from the JTC Overview and Scrutiny Committee.

4. Alternative Options Available

- 4.1 Option 1 – The North East Joint Transport Committee may accept the

recommendation set out in the report.

Option 2 – The North East Joint Transport Committee may suggest amendments or alternative proposals be considered.

5. Next Steps and Timetable for Implementation

- 5.1 Proposals are at a draft stage and still subject to consultation. Taking into account the results of consultation, firm recommendations will be presented to the JTC for formal agreement in January 2020. .

6. Potential Impact on Objectives

- 6.1 The budget presented in this report are aligned to the achievement of the Transport policy objectives of the Authority.

7. Financial and Other Resources Implications

- 7.1 The financial and other resource implications are summarised in detail in the body of the report where they are known. Further details which are developed as part of the budget development and consultation process will be identified in reports to the January 2020 meeting of the Committee.

8. Legal Implications

- 8.1 The JTC must ultimately approve the transport budget and levies unanimously.

9. Key Risks

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

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

- 12.1 The NECA Constitution (in its role as accountable body for the JTC) requires that consultation on its budget proposals be undertaken at least two months prior to the budget being agreed.
- 12.2 The extent of public consultation will be proportionate to the impact that the proposals would have on services to the public. At this stage no significant service reductions or implications are expected in 2020/21, however, if the Tyne and Wear levies are frozen again in 2021/22 or reduced this will provide a challenge to Nexus. Proposals will be published on the website for comment and

included in any budget consultation undertaken by constituent authorities.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report.

14. Appendices

14.1 Appendix 1 - Tyne and Wear Levy Options 2020/21-2022/23
Appendix 2 – Modelled impacts on Nexus MTFP Forecasts 2020/21-2022/23

15. Background Papers

15.1 JTC Budget 2019/20 report 22 January 2019
JTC Initial Budget Proposals 2020/21 report 23 October 2019

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
Eleanor.goodman@northeastca.gov.uk, 0191 277 7518

17. Sign off

- The Proper Officer for Transport: ✓
- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

18. Glossary

DfT – Department for Transport
NECA – North East Combined Authority
NTCA – North of Tyne Combined Authority
TfN – Transport for the North
TSU – Transport Strategy Unit
TT2 – TT2 Ltd., Tyne Tunnels concessionaire

Appendix 1 - Tyne and Wear Levy Options 2020/21-2022/23

1. At the Joint Transport Committee on 23 October 2019, members requested some additional information about the impact of various options for the levy on the Tyne and Wear councils. The following scenarios have been modelled and are set out in the tables below:
 - a) A 2% increase in all three years 2020/21-2022/23
 - b) A 2% increase in 2020/21 with a cash freeze thereafter
 - c) A 1% increase in 2020/21 with a cash freeze thereafter
 - d) A cash freeze in all three years
 - e) A 1% reduction in 2020/21 and a cash freeze thereafter
 - f) A 2% reduction in 2020/21 and a cash freeze thereafter
2. Apportionment of the levy is based upon the 2018 ONS Mid-Year population estimates in 2020/21, as per the Transport Levying Bodies Regulations.
3. Since the populations in each council area change each year, the apportionment of the levy must be updated each year so there will be changes to the amounts payable by each individual council even in a cash freeze scenario.
4. For 2021/22 and 2022/23 the population figures are not yet available so the apportionment for these years is as per the 2018 Mid-Year figures.
5. The Retained Levy relates primarily to former Tyne and Wear Integrated Transport Authority (TWITA) costs (mainly historic financing charges) and contributions towards supporting the JTC including the Transport Strategy Unit (TSU). Any increase or decrease in the Retained Levy amount will be managed through the Tyne and Wear Transport reserve.

Modelling of Options

a) A 2% increase in all three years 2020/21-2022/23

	2019/20 Levy (£)	2018 Population	2020/21 Levy (£)	2021/22 Levy (£)	2022/23 Levy (£)
Gateshead	10,949,433	202,508	11,106,147	11,328,270	11,554,836
Newcastle	16,002,955	300,196	16,463,651	16,792,924	17,128,782
North Tyneside	11,060,540	205,985	11,296,836	11,522,773	11,753,229
South Tyneside	8,089,866	150,265	8,240,984	8,405,804	8,573,920
Sunderland	14,997,206	277,417	15,214,382	15,518,669	15,829,043
Tyne & Wear Total	61,100,000	1,136,371	62,322,000	63,568,440	64,839,810
Year on Year Increase / (Decrease)			1,222,000	1,246,440	1,271,370
Cumulative Increase / (Decrease)			1,222,000	2,468,440	3,739,810

Retained Levy	2,100,000		2,142,000	2,184,840	2,228,540
Grant to Nexus	59,000,000		60,180,000	61,383,600	62,611,270

b) A 2% increase in 2020/21 only and a cash freeze thereafter

	2019/20 Levy (£)	2018 Population	2020/21 Levy (£)	2021/22 Levy (£)	2022/23 Levy (£)
Gateshead	10,949,433	202,508	11,106,147	11,106,147	11,106,147
Newcastle	16,002,955	300,196	16,463,651	16,463,651	16,463,651
North Tyneside	11,060,540	205,985	11,296,836	11,296,836	11,296,836
South Tyneside	8,089,866	150,265	8,240,984	8,240,984	8,240,984
Sunderland	14,997,206	277,417	15,214,382	15,214,382	15,214,382
Tyne & Wear Total	61,100,000	1,136,371	62,322,000	62,322,000	62,322,000
Year on Year Increase / (Decrease)			1,222,000	0	0
Cumulative Increase / (Decrease)			1,222,000	1,222,000	1,222,000

Retained Levy	2,100,000		2,142,000	2,142,000	2,142,000
Grant to Nexus	59,000,000		60,180,000	60,180,000	60,180,000

c) A 1% increase in 2020/21 only and a cash freeze thereafter

	2019/20 Levy (£)	2018 Population	2020/21 Levy (£)	2021/22 Levy (£)	2022/23 Levy (£)
Gateshead	10,949,433	202,508	10,997,263	10,997,263	10,997,263
Newcastle	16,002,955	300,196	16,302,242	16,302,242	16,302,242
North Tyneside	11,060,540	205,985	11,186,083	11,186,083	11,186,083
South Tyneside	8,089,866	150,265	8,160,190	8,160,190	8,160,190
Sunderland	14,997,206	277,417	15,065,221	15,065,221	15,065,221
Tyne & Wear Total	61,100,000	1,136,371	61,711,000	61,711,000	61,711,000
Year on Year Increase / (Decrease)			611,000	0	0
Cumulative Increase / (Decrease)			611,000	611,000	611,000

Retained Levy	2,100,000
Grant to Nexus	59,000,000

2,121,000	2,121,000	2,121,000
59,590,000	59,590,000	59,590,000

d) A cash freeze in all three years

	2019/20 Levy (£)	2018 Population	2020/21 Levy (£)	2021/22 Levy (£)	2022/23 Levy (£)
Gateshead	10,949,433	202,508	10,888,380	10,888,380	10,888,380
Newcastle	16,002,955	300,196	16,140,834	16,140,834	16,140,834
North Tyneside	11,060,540	205,985	11,075,330	11,075,330	11,075,330
South Tyneside	8,089,866	150,265	8,079,396	8,079,396	8,079,396
Sunderland	14,997,206	277,417	14,916,061	14,916,061	14,916,061
Tyne & Wear Total	61,100,000	1,136,371	61,100,000	61,100,000	61,100,000
Year on Year Increase / (Decrease)			0	0	0
Cumulative Increase / (Decrease)			0	0	0

Retained Levy	2,100,000
Grant to Nexus	59,000,000

2,100,000	2,100,000	2,100,000
59,000,000	59,000,000	59,000,000

e) A 1% reduction in 2020/21 and a cash freeze thereafter

	2019/20 Levy (£)	2018 Population	2020/21 Levy (£)	2021/22 Levy (£)	2022/23 Levy (£)
Gateshead	10,949,433	202,508	10,779,496	10,779,496	10,779,496
Newcastle	16,002,955	300,196	15,979,426	15,979,426	15,979,426
North Tyneside	11,060,540	205,985	10,964,576	10,964,576	10,964,576
South Tyneside	8,089,866	150,265	7,998,602	7,998,602	7,998,602
Sunderland	14,997,206	277,417	14,766,900	14,766,900	14,766,900
Tyne & Wear Total	61,100,000	1,136,371	60,489,000	60,489,000	60,489,000
Year on Year Increase / (Decrease)			(611,000)	0	0
Cumulative Increase / (Decrease)			(611,000)	(611,000)	(611,000)

Retained Levy	2,100,000
Grant to Nexus	59,000,000

2,079,000	2,079,000	2,079,000
58,410,000	58,410,000	58,410,000

f) A 2% reduction in 2020/21 and a cash freeze thereafter

	2019/20 Levy (£)	2018 Population	2020/21 Levy (£)	2021/22 Levy (£)	2022/23 Levy (£)
Gateshead	10,949,433	202,508	10,670,612	10,670,612	10,670,612
Newcastle	16,002,955	300,196	15,818,017	15,818,017	15,818,017
North Tyneside	11,060,540	205,985	10,853,823	10,853,823	10,853,823
South Tyneside	8,089,866	150,265	7,917,808	7,917,808	7,917,808
Sunderland	14,997,206	277,417	14,617,739	14,617,739	14,617,739
Tyne & Wear Total	61,100,000	1,136,371	59,878,000	59,878,000	59,878,000
Year on Year Increase / (Decrease)			(1,222,000)	0	0
Cumulative Increase / (Decrease)			(1,222,000)	(1,222,000)	(1,222,000)

Retained Levy	2,100,000
Grant to Nexus	59,000,000

2,058,000	2,058,000	2,058,000
57,820,000	57,820,000	57,820,000

Appendix 2 – Nexus MTFP Forecasts – Updated November 2019

a) Levy increase of 2% across all 3 years

Scenario: Levy +2% (all 3 years) / 9.3% Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-2.18	0.24	1.86		
Movement in reserves		-4.40	2.18	-0.24	-0.93		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	0.93		
Savings required		0.00	0.00	0.00	-0.93	-0.93	
Remaining reserves	16.0	11.60	13.78	13.53	12.60		79%

Scenario: Levy +2% (all 3 years) / Stepped Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-2.18	0.71	2.80		
Movement in reserves		-4.40	2.18	-0.71	-1.40		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	1.40		
Savings required		0.00	0.00	0.00	-1.40	-1.40	
Remaining reserves	16.0	11.60	13.78	13.07	11.67		73%

b) Levy increase of 1% and 2% in 2020/21

Scenario: Levy +2% / 9.3% Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-2.18	1.42	4.22		
Movement in reserves		-4.40	2.18	-1.42	-2.11		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.11		
Savings required		0.00	0.00	0.00	-2.11	-2.11	
Remaining reserves	16.0	11.60	13.78	12.35	10.24		64%

Scenario: Levy +2% / Stepped	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-2.18	1.89	5.16		
Movement in reserves		-4.40	2.18	-1.89	-2.58		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.58		
Savings required		0.00	0.00	0.00	-2.58	-2.58	
Remaining reserves	16.0	11.60	13.78	11.89	9.31		58%

Scenario: Levy +1% / 9.3% Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-1.59	2.01	4.81		
Movement in reserves		-4.40	1.59	-2.01	-2.41		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.41		
Savings required		0.00	0.00	0.00	-2.41	-2.41	
Remaining reserves	16.0	11.60	13.19	11.17	8.77		55%

Scenario: Levy +1% / Stepped	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-1.59	2.48	5.75		
Movement in reserves		-4.40	1.59	-2.48	-2.87		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.87		
Savings required		0.00	0.00	0.00	-2.87	-2.87	
Remaining reserves	16.0	11.60	13.19	10.71	7.83		49%

c) Levy freeze in 2020/21

Scenario: Levy Freeze / 9.3% Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-1.00	2.60	5.40		
Movement in reserves		-4.40	1.00	-2.60	-2.70		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	2.70		
Savings required		0.00	0.00	0.00	-2.70	-2.70	
Remaining reserves	16.00	11.60	12.60	9.99	7.29		46%

Scenario: Levy Freeze / Stepped Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-1.00	3.07	6.34		
Movement in reserves		-4.40	1.00	-3.07	-3.17		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.17		
Savings required		0.00	0.00	0.00	-3.17	-3.17	
Remaining reserves	16.00	11.60	12.60	9.53	6.36		40%

d) Levy reduction of 1% and 2% in 2020/21

Scenario: Levy -1.0% / 9.3% Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-0.41	3.19	5.99		
Movement in reserves		-4.40	0.41	-3.19	-3.00		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.00		
Savings required		0.00	0.00	0.00	-3.00	-3.00	
Remaining reserves	16.00	11.60	12.01	8.81	5.82		36%

Scenario: Levy -1.0% / Stepped Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	-0.41	3.66	6.93		
Movement in reserves		-4.40	0.41	-3.66	-3.46		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.46		
Savings required		0.00	0.00	0.00	-3.46	-3.46	
Remaining reserves	16.00	11.60	12.01	8.35	4.88		31%

Scenario: Levy -2.0% / 9.3% Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	0.18	3.78	6.58		
Movement in reserves		-4.40	-0.18	-3.78	-3.29		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.29		
Savings required		0.00	0.00	0.00	-3.29	-3.29	
Remaining reserves	16.00	11.60	11.42	7.63	4.34		27%

Scenario: Levy -2.0% / Stepped Pension	Reserves as at 31/03/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total Savings £m	Reserves as at 31/03/23 %
Deficit/(Surplus)		4.40	0.18	4.25	7.52		
Movement in reserves		-4.40	-0.18	-4.25	-3.76		
Deficit/(Surplus) after use of reserves		0.00	0.00	0.00	3.76		
Savings required		0.00	0.00	0.00	-3.76	-3.76	
Remaining reserves	16.00	11.60	11.42	9.29	3.41		21%



Joint Transport Committee – Audit Committee

Date: 18 December 2019

Subject: Joint Transport Committee Strategic Risk Register

Report Of: Senior Manager – Assurance, Sunderland City Council

Executive Summary

The purpose of this report is to provide members with an up to date assessment of the strategic risks the North East Joint Transport Committee (JTC) faces as it seeks to achieve its objectives.

The JTC strategic risk register contains eight risks which were previously reported to the JTC Audit Sub-Committee during September 2019.

Seven of the strategic risks have remained stable with no changes reported since the previous update to the Sub-Committee in July 2019. The exception relates to the risk that sources and levels of funding available to the JTC to develop the North-East region's transport infrastructure within the region may reduce. The risk score has increased from 8 to 12 moving the risk level from 'amber' to 'red'.

The reason for the change in risk level is due to the continued uncertainty around possible future changes in UK government policy which may impact on economic and transport developments and the needs of the North-East region. While the JTC is taking action to mitigate the risk, the source of the risk is external to the organisation and as such is beyond its control.

Recommendations

The Audit Committee is asked to consider the strategic risk register and comment on its content.

Background Information

- 1.1 The North East Combined Authority (NECA) was established in April 2014 and brought together seven councils within the North East. As a result of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 ('the Order') the North of Tyne Combined Authority (NoTCA) was created, and the boundaries of NECA changed on the 2 November 2018. NECA now covers the local authorities of Durham; Gateshead, South Tyneside and Sunderland; and NoTCA covers Newcastle, North Tyneside and Northumberland.
- 1.2 The two Combined Authorities have responsibility for transport; however, as the former Tyne & Wear passenger transport authority area (and its passenger transport executive, Nexus) straddle the two combined authorities, the Order also provided that they must establish a joint transport committee to exercise all transport functions. Hence the JTC was created.
- 1.3 The JTC defines its strategic risks as those matters which, if they were to occur, could have a material adverse impact upon the achievement of the JTC's objective to provide integrated, affordable, attractive, reliable, safe, healthy transport choices in the North East (LA7) area which meets the needs of businesses, residents and visitors, supports economic activity whilst enhancing the environment.
- 1.4 This report offers the JTC's Audit Committee the opportunity to consider the nature and level of risk the JTC faces in seeking to achieve its overall objective. The strategic risk register has been updated in light of the content of recent reports considered by the JTC Committee and its sub-committees and discussions with NECA and JTC officers.

2. Proposals

- 2.1 The Register identifies eight strategic risks. These are:
 - a) Sources and levels of funding available to the JTC to develop the North-East region's transport infrastructure within the region may reduce.
 - b) Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North-East region.
 - c) Funding secured for transport initiatives within the North-East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.
 - d) The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.

- e) The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.
- f) Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.
- g) Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.
- h) Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.

2.2 The 'Strategic Risks Summary' at Appendix 1 shows the eight risk areas and for each risk provides a current RAG rating to provide a guide as to the level of risk the JTC currently faces for that risk. The direction of travel is also recorded together with reason for any changes to risk levels.

Appendix 2 'Strategic Risk - Details' provides a detailed description of the nature of each risk together with the relevant controls in place and controls and milestones.

Appendix 3 'Risk Analysis Toolkit' shows the risk scoring matrix that has been applied to assess the level of risk for each of the JTC strategic risks.

The Strategic Risk Register for regional transport will continue to be reviewed to records, monitor and report the strategic risks to the Audit Committee on a quarterly basis, with support from officers. Where appropriate, the risks will also be provided to NECA's Audit and Standards Committee and NoTCA for information.

3. Reason for the Proposals

3.1 The Audit Committee continues to fulfil an ongoing review and assurance role in relation to the governance, risk management and internal control issues of the JTC.

4. Next Steps and Timetable for Implementation

4.1 The Strategic Risk Register will be regularly reviewed. Update reports will be provided to the JTC Audit Committee.

5. Potential Impact on Objectives

5.1 The development of the Strategic Risk Register will not impact directly on the JTC's objectives, however the approach to strategic risk management will support the JTC by acknowledging the most significant threats to the achievement of its objectives and putting plans in place to manage them.

6. Finance and Other Resources Implications

6.1 There are no financial implications arising from this report.

7. Legal Implications

7.1 There are no legal implications arising specifically from this report.

8. Key Risks

8.1 The report identifies what are considered to be the key strategic risks to the achievement of the JTC's overall objectives.

9. Equalities and Diversity

9.1 There are no equalities and diversity implications arising from this report

10. Crime and Disorder

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

11. Consultation /Engagement

11.1 The Head of Paid Service, Monitoring Officer, Chief Finance Officer and the JTC's Proper Officer for Transport have been consulted on the Strategic Risk Register.

12. Other Impact of the Proposals

12.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

13. Appendices

Appendix A – 'Risks Summary' shows the JTC's strategic risks and the level of risk associated with each.

Appendix B – 'Strategic Risks – Details' provides a detailed assessment of the JTC's and actions identified to reduce the overall risk exposure.

Appendix C – Risk Analysis Toolkit determines the level of risk attached to each Risk.

14. Background Documents

14.1 The latest [Nexus Corporate Risk Register](#) can be found on the NECA website as part of the North East Joint Transport Committee, Tyne and Wear Sub-Committee, which focuses on transport issues for both NECA and the North of Tyne Combined Authority within the Tyne and Wear Area.

15. Contact Officers

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.

Tracy.Davis@sunderland.gov.uk

Telephone - 0191 5612861

16. Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓
- Proper Officer for Transport ✓

Strategic Risks - Summary			
Risk Title & Description	Risk Level (RAG Rating)	Direction of Travel	Notes

JTC Strategic Risks			
<u>1 Future Availability of Funding</u> Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.	Red 12	Increasing	Change due to continued uncertainty over future funding available to JTC and key partners e.g. Nexus
<u>2 Funding Opportunities</u> Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North-East region.	Amber 8	Static	N/a
<u>3 Use of Funding and Resources</u> Funding secured for transport initiatives within the North-East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.	Amber 8	Static	N/a
<u>4 Governance Arrangements</u> The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives	Amber 8	Static	N/a
<u>5 Operational Capacity and Resourcing</u> The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.	Amber 8	Static	N/a
<u>6 Delivery of Transport Improvement Projects/Programmes</u> Projects which are funded through the JTC are delayed, are significantly overspent or do not	Amber 8	Static	N/a

deliver the intended product to meet the identified transport need.			
<u>7 Transport Infrastructure Assets</u> Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.	Green 6	Static	N/a
<u>8 Service Delivery</u> Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.	Green 6	Static	N/a

Strategic Risks - Details

1 <u>Future Availability of Funding</u> Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.	<u>Risk Owner</u> Head of Paid Service
	<u>Risk Score</u>
	Red 12
	Likelihood – Medium 3 Impact – Critical 4
Possible Cause(s): 1 A downturn in the UK economy may result in reduced funds available for investment. 2 A change in future UK government policy may impact on economic and transport developments and needs of the North-East region. This may have an adverse effect on the achievement of goals in the North East e.g. investment and infrastructure funding to be concentrated in only certain geographic areas excluding the North East or certain types of schemes which may not be in line with NECA plans e.g. Strategic Economic Plan (SEP).	
Potential Impact/Consequence: The JTC would not able to deliver projects to either maintain infrastructure to ensure adequate public transport services are maintained or to improve infrastructure to enhance transport services. This would hinder future economic growth within the region.	
<u>Controls (already in place)</u> <ul style="list-style-type: none"> JTC members, NECA officers supporting the JTC and partners of the JTC e.g. local councils continue to lobby and engage with the UK government at national and subnational level i.e. Transport for the North (TfN) to: <ul style="list-style-type: none"> a) ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and b) persuade government to make transport funding a priority. JTC work with other potential partners to identify new non-government funding sources which may help to progress the delivery of the JTC transport plans. 	
Further Mitigating Actions	Lead Officer(s)
A review is to be carried out to produce and publish an updated transport vision and transport plan which is evidence based and sets out how transport needs will be addressed taking into account relevant government policies.	Tobyn Hughes Managing Director, North East

2 <u>Funding Opportunities</u> Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.	<u>Risk Owner</u> Head of Paid Service
	<u>Risk Score</u>
	Amber 8
	Likelihood – Low 2 Impact – Critical 4
Possible Cause(s): <ol style="list-style-type: none"> 1. Funding opportunities are missed due to lack of awareness or missing relevant deadlines. 2. Poor quality of funding applications made by JTC 3. Funding may be made available through a competitive process. Strong applications from funding competitors may result in any funding application not being successful at all or only a proportion of the funds applied for being awarded. 	
Potential Impact/Consequence: If opportunities are missed or not maximised by the JTC then progression of plans to deliver the transport improvements required by the region will be significantly delayed. Consequently, the benefits associated with the transport will not be fully realised or delayed e.g. supporting economic growth.	
<u>Controls (already in place)</u> <ul style="list-style-type: none"> • JTC officers' horizon scan to identify upcoming funding opportunities. • JTC are in regular contact with the UK government and other funding bodies to identify funding opportunities early. • JTC has established relationships with other bodies at a sub national (e.g. TfN) and local level e.g. councils, universities etc to allow the JTC to work in partnership, where applicable, to exploit funding opportunities by submitting bids for transport funding to benefit the region. • JTC and its partners lobby relevant government bodies to persuade transport infrastructure schemes required for the North East to be included in key government schemes. • The Managing Director, Transport North East and officers of the Transport Strategy Unit (TSU) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bids and the process to go through. • All projects included in a bid are subject to scrutiny using the TSU's 'Transport Assurance Framework' to ensure the proposed projects are in line with the JTC objectives and plans and meet the bid criteria. • During any application process the TSU liaises with the provider to understand clearly what it is looking for. 	
Further Mitigating Actions	Lead Officer(s)
A review is to be carried out to produce and publish an updated transport vision and transport plan which is evidence based and sets out how projects will be delivered to meet transport needs with a strong business case.	Tobyn Hughes Managing Director, North East

3 <u>Use of Funding and Resources</u> Funding secured for transport initiatives within the North-East region by the JTC and its partners may not be able to be used on a timely basis, not be sufficient to complete intended projects.	<u>Risk Owner</u> Head of Paid Service
	<u>Risk Score</u>
	Amber 8
	Likelihood – Low 2 Impact – Critical 4
Possible Cause(s): <ol style="list-style-type: none"> 1 Poor project management. 2 Inaccurate assessment of projects costs when submitting funding bids. 3 Delays and costs for a project due to unforeseen events. 4 Lack of understanding of funding conditions including timescales. 5 Insufficient capacity and skills to manage projects. 6 Fraud and corruption. 	
Potential Impact/Consequence: <ol style="list-style-type: none"> 1 Transport projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may result in intended benefits not being realised and damage to the reputation of the JTC. 2 If the funding is not used by a deadline then funding may be lost. 3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans. 	
<u>Controls (already in place)</u> <ul style="list-style-type: none"> • The Managing Director, Transport North East and officers of the Transport Strategy Unit (TSU) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bids and the process to go through. • All projects included in a bid are subject to scrutiny using the TSU's 'Transport Assurance Framework' to ensure the proposed projects is in line with the JTC objectives and plans and meets the bid criteria. • Projects delivered by the JTC directly are managed using recognised project management principles. The TSU has the experience and skills to manage projects. • Where projects are delivered by the JTC's partners e.g. Nexus, the JTC has arrangements in place to gain assurance that the projects are progressing as expected and where not, corrective actions are being taken to effectively manage the key issues e.g. regular reporting by partners. • Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process. • Where funding is provided through the JTC to third parties to deliver a transport project all third parties have a funding agreement in place which includes the need for the third party to 	

<p>provide details as to progress regarding costs and progress of the project. JTC officers monitor progress on an ongoing basis.</p> <ul style="list-style-type: none"> • Funding providers provide clear conditions as to the use of funds which is published to all relevant stakeholders. • JTC officer are subject to relevant codes of conduct 	
Further Mitigating Actions	Lead Officer(s)
<p>Delivery plans and programmes are to be kept under review in light of any issues which may affect funding secured to be used on a timely basis or may mean secured funding may not be sufficient to deliver the intended programmes. Appropriate prompt action is taken to address issues which may arise.</p>	<p>Tobyn Hughes (Managing Director, North East) John Hewitt (NECA Finance Officer)</p>

4 <u>Governance Arrangements</u> The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives	<u>Risk Owner</u> Head of Paid Service
	<u>Risk Score</u>
	Amber 8
	Likelihood – Low 2 Impact – Critical 4
Possible Cause(s): New organisational arrangements have been put in place as a result of the North East Combined Authority's decision not to proceed with a Mayoral Combined Authority in September 2016 and the withdrawal of the devolution deal. Two new Combined Authorities have been established together with the North-East Transport Committee being responsible for regional transport which is accountable to the new Combined Authorities. As a result, new governance arrangements may not be effective due to: <ul style="list-style-type: none"> • Lack of capacity to support the governance arrangements • Lack of clarity of roles and responsibilities • Lack of development of new working arrangements or delays in implementing proposed changes • Priorities not aligned to new arrangements. 	
Potential Impact/Consequence: Poor decisions may be made which are not in the interest of the North-East region. Decisions may be delayed, not taken at the appropriate level or not based on the correct information. Lack of clarity of roles and responsibilities may lead to the JTC not adequately fulfilling its statutory functions adequately, not monitoring its finances, having a lack of clarity over its objectives, not ensuring adequate transport services delivered to the public and improvements in transport infrastructure not being delivered. This may lead to having a poor reputation, losing out on funds, poor value for money being achieved and poor transport service provision.	
<u>Controls (already in place)</u> <ul style="list-style-type: none"> • The seven Local Authorities have approved a Deed of Cooperation which sets out operational working between the 7 Local Authorities and the two Combined Authorities. • The Combined Authorities Reconfiguration Programme (CARP) is overseeing the transformation including data/asset transfers, service and employee changes, updating legal documentation and financial transfers affecting each body including those affecting the JTC. • The Statutory Order provides for the existence of the JTC and specifies its current membership and functions. • Formal decision-making committees including Joint Transport Committee and sub-committees are operational. • The 7 LAs continue to work together using agreed joint working arrangements i.e. regular officer meetings of Chief Executives, Finance Directors, Monitoring Officers and Heads of Transport, plus formal Transport and Governance Committees. • All 7 LAs continue to support the JTC and its activities. • The JTC has its own Standing Orders outlining its functions and that of its sub committees, its rules of procedure and the roles of statutory officers. Decisions at committee meetings are based on a majority vote basis although the aim is to have a consensual approach whereby 	

all committee members agree on any decision.

- The statutory role of 'Proper Officer for Transport' was established by the Statutory Order. A job description has been developed which clarifies the role including leading the Transport Strategy Unit. The post incorporates not only the role of Proper Officer for Transport accountable to the JTC but also the Director General of Nexus, a key deliverer of transport policy and services in the region.

Further Mitigating Actions	Lead Officer(s)
The Combined Authorities Reconfiguration Programme (CARP) will continue to oversee the development of the arrangements within the combined authorities. The two combined authorities and the JTC are working together to implement the changes. This work will continue throughout 2019.	Martin Swales (NECA, Head of Paid Service)
Review of the powers delegated by the JTC to officers supporting its work e.g. statutory officers including Proper Officer for Transport; NECA, Transport Strategy Unit officers.	Tobyn Hughes (Managing Director Transport North East) Mike Harding (NECA Monitoring Officer)
Review of roles, responsibilities, and arrangements regarding the activities of the Transport Strategy Unit including business planning, performance management, project assurance, overseeing of delivery programmes etc. and implementation of revised arrangements.	Tobyn Hughes (Managing Director Transport North East) Mike Harding (NECA Monitoring Officer)

<p>5. <u>Operational Capacity and Resourcing</u></p> <p>The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the Committee's objectives and plans.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Amber 8</p>
	<p>Likelihood – Low 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <p>Due to two Combined Authorities operating within the North-East region rather than one, by statutory order the JTC was formed to carry out the transport function responsibilities of the two Combined Authorities. NECA is the accountable body for the new JTC and has extra responsibility for implementing the decisions of the JTC, providing support to the JTC committees and managing the JTC's finances. It is uncertain how much resource will be needed by NECA officers and committee members moving forward therefore the current budget may be insufficient.</p> <p>Statutory officers to NECA, the accountable body for the JTC, need to carry out duties for their main employer in addition to their roles in NECA which may result in capacity issues. Likewise, the Managing Director, Transport North East fulfil two roles, one for the JTC and one for Nexus. Support services provided to NECA and the JTC are provided from Council's which are part of NECA</p>	
<p>Potential Impact/Consequence:</p> <p>Decisions may be delayed, or incomplete information provided as part of the decision-making process. Functions may not be carried out as quickly or as fully as they should be leading to loss of money, incorrect decisions, and loss of credibility of JTC.</p>	
<p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • All statutory officers in NECA, accountable body for the JTC are in place. Deputy statutory officers are also in place for NECA. • The 'Proper Office for Transport' to the JTC is in place. • Representatives from the 7 councils in the North-East area have been appointed to the JTC and the Tyne Wear Sub Committee. Deputies have also been appointed. • The JTC have adopted a budget for 2019/20 to deliver JTC activities. • The Transport Strategy Unit, made of seconded officers from Councils and Nexus, is in place to support the delivery of the JTC objectives. • Partners continue to provide input to the work of the JTC via, for example, Council transport leads. • Where appropriate, external consultants, are employed to provide specialist expertise to support the work of the JTC and to protect its interests e.g. advice in respect of possible changes to the contract to manage and operate the Tyne Tunnel services. • A further finance officer has been employed by NECA to help meet the extra demands of NECA as the Accountable Body for the JTC. 	

Further Mitigating Actions	Lead Officer(s)
As part of a current review of roles, responsibilities, and arrangements regarding the activities of the Transport Strategy Unit an assessment is being made of its role and the capacity and skills required to meet the role.	Tobyn Hughes (Managing Director Transport North East)
As the new JTC arrangements are embedded a review is to be made of the effectiveness of the support provided to the JTC to ensure they are adequate.	John Hewitt (NECA Finance Officer) Tobyn Hughes (Managing Director Transport North East) Mike Harding (NECA Monitoring Officer)

<p>6 <u>Delivery of Transport Improvement Projects/Programmes</u></p> <p>Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Amber 8</p>
	<p>Likelihood – Low 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <ol style="list-style-type: none"> 1 Poor project management. 2 Inaccurate assessment of projects costs when submitting funding bids. 3 Delays and costs for a project due to unforeseen events. 4 Insufficient capacity and skills to manage projects. 5 Fraud and corruption. 	
<p>Potential Impact/Consequence:</p> <ol style="list-style-type: none"> 1 Transport projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may results intended benefits not being realised and damage to the reputation of the JTC. 2 If the funding is not used by a deadline then funding may be lost. 3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans. 	
<p><u>Controls (already in place)</u></p> <ul style="list-style-type: none"> • The Managing Director, Transport North East and officers of the Transport Strategy Unit (TSU) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bid and the process to go through. • All projects included in a bid are subject to scrutiny using the TSU's 'Transport Assurance Framework' to ensure the proposed projects is in line with the JTC objectives and plans and meets the bid criteria. • Projects delivered by the JTC directly are managed using recognised project management principles. The TSU has the experience and skills to manage projects. • Where projects are delivered by the JTC's partners e.g. Nexus, the JTC has arrangements in place to gain assurance that the projects are progressing as expected and where not, corrective actions are being taken to effectively manage the key issues e.g. regular reporting by partners. • Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process. • Where funding is provided through the JTC to third parties to deliver a transport project all third parties have a funding agreement in place which includes the need for the third party to provide details as to progress regarding costs and progress of the project. JTC officers 	

monitor progress on an ongoing basis. <ul style="list-style-type: none"> • Funding providers provide clear conditions as to the use of funds which is published to all relevant stakeholders. • JTC officers are subject to relevant codes of conduct 	
Further Mitigating Actions	Lead Officer(s)
Monitoring of the delivery of the overall JTC programme of projects should be carried out on a regular basis.	Tobyn Hughes (Managing Director Transport North East)

7 <u>Transport Infrastructure Assets</u> Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained	<u>Risk Owner</u> Head of Paid Service
	<u>Risk Score</u>
	Green 6
	Likelihood – Low 2 Impact – Significant 3
Possible Cause(s): 1 Lack of awareness of the existence of the asset. 2 Lack of clarity as to who has responsibility for the management and maintenance of the assets. 3 Lack of clarity as to standards required. 4 Lack of resources to maintain the assets.	
Potential Impact/Consequence: 1 Greater financial resources may be needed to rectify faults arising from poor maintenance. 2 Failures in transport infrastructure assets may affect services delivered to transport users leading to disruption and complaints and a drop in usage. If the funding is not used by a deadline then funding may be lost. 3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans.	
<u>Controls (already in place)</u> 1 JTC's constitution makes it clear it has overall responsibility and oversight for transport infrastructure assets owned by NECA and North of Tyne Combined Authority. 2 The JTC holds a record of assets it is responsible for. 3 Responsibility for the maintenance of assets and the standards required are included in the relevant agreements with third party providers e.g. TT2 Ltd. As part of the agreement reports need to be submitted to JTC to gain assurance the relevant maintenance is being carried out.	
Further Mitigating Actions	Lead Officer(s)
As part of a current review of roles, responsibilities, and arrangements regarding the activities of the JTC and the Transport Strategy Unit an assessment is being made of the capacity and skills within the JTC to carry out its contract management responsibilities.	Tobyn Hughes (Managing Director Transport North East)

8 <u>Service Delivery</u> Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.	<u>Risk Owner</u> Head of Paid Service
	<u>Risk Score</u>
	Green 6
	Likelihood – Low 2 Impact – Significant 3
Possible Cause(s): 1 Lack of clarity as to the responsibilities and duties regarding the oversight of public transport services within the region. 2 Failure to appreciate the impact of maintaining adequate levels of transport services on the economic well-being and reputation of the region. 3 Lack of resources and/or expertise to put in place effective arrangements to ensure adequate levels of transport services are provided.	
Potential Impact/Consequence: 1 Loss of confidence by stakeholders, e.g. government in the JTC's ability to meet its responsibilities. 2 Loss of confidence by users of services. 3 Without oversight by the JTC, public transport providers e.g. Nexus, may not provide the required services resulting in less use of public transport and greater congestion on the roads, which is contrary to the aims and objectives of the JTC.	
<u>Controls (already in place)</u> 1 JTC's constitution makes it clear it has overall responsibility and oversight for certain statutory public transport services. 2 JTC committees i.e. Leadership Board and Tyne Wear Sub Committee receive regular reports as to the level of public transport services provided by the JTC's partners e.g. Nexus, Durham County Council, Northumberland County Council.	
Further Mitigating Actions	Lead Officer(s)
An assessment needs to be made by the JTC of its arrangements to gain assurance that issues with transport service delivery causing poor service to the public faced by transport providers e.g. Nexus, are being addressed effectively.	Tobyn Hughes (Managing Director Transport North East)

Risk Analysis Toolkit

Determine the risk priority					
Likelihood	Impact				
		Insignificant	Minor	Significant	Critical
	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 event occurring	
High	Risk will almost certainly occur
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

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper	<ul style="list-style-type: none"> Over half the objectives/programmes affected More than one critical objective affected Partners do not commit to the Shared vision 	<ul style="list-style-type: none"> Significant change in partner services Relationship breakdown between major partners and stakeholders Serious impact on delivery of key transport related investment plans Unplanned major re-prioritisation of resources and/or services in partner organisations Failure of a delivery programme/major project Serious impact on public transport services provided to users 	<ul style="list-style-type: none"> Inability to secure or loss of significant transport funding opportunity (£5m) Significant financial loss in one or more partners (£2m) Significant adverse impact on transport budgets (£3m)) 	<ul style="list-style-type: none"> Adverse national media attention External criticism (press) Significant change in confidence or satisfaction of stakeholders Significant loss of community confidence
Significant	<ul style="list-style-type: none"> One or more objectives/programmes affected One or more partners do not commit to shared vision Significant environmental impact 	<ul style="list-style-type: none"> Partner unable to commit to joint arrangements Recoverable impact on delivery of key transport related investment plans Major project failure Impact on public transport services provided to users 	<ul style="list-style-type: none"> Prosecution Change in notable funding or loss of major transport funding opportunity (£2m) Notable change in a Partners contribution Notable adverse impact on transport budget (£0.5m-£1.5m) 	<ul style="list-style-type: none"> Notable external criticism Notable change in confidence or satisfaction Internal dispute between partners Adverse national/regional media attention Lack of partner consultation Significant change in community confidence
Minor	<ul style="list-style-type: none"> Less than 2 priority outcomes adversely affected Isolated serious injury/ill health Minor environmental impact 	<ul style="list-style-type: none"> Threatened loss of partner's commitment Minor impact on public transport services provided to users 	<ul style="list-style-type: none"> Minor financial loss in more than one partner Some/loss of transport funding or funding opportunity threatened 	<ul style="list-style-type: none"> Failure to reach agreement with individual partner Change in confidence or satisfaction Minor change in community confidence
Insignif.	<ul style="list-style-type: none"> Minor effect on priorities/service objectives Isolated minor injury/ill health No environmental impact 		<ul style="list-style-type: none"> Isolated/minor financial impact in a partner organisation 	

Glossary of Terms

RAG – Red/Amber/Green (denoting an assigned performance status)

Strategic Risk - relates to those factors that might have a significant effect on the successful delivery of the JTC's objectives, plans, 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.

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 actions and arrangements 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.

Lead Officer(s) – given 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.

This page is intentionally left blank