



## North East Joint Transport Committee

Tuesday, 16th November, 2021 at 2.30 pm

Meeting to be held in the Council Chamber - Civic Centre, Regent Street, Gateshead, NE8 1HH

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## AGENDA

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1. <b>Apologies for Absence</b>	
2. <b>Declaration of Interests</b>	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (and submit it to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
3. <b>Minutes of the meeting held on 26 October 2021</b>	3 - 6
4. <b>Transport for the North Update</b>	7 - 11
5. <b>Transport North East - Transport Plan Progress Report</b>	13 - 29
6. <b>Transforming Cities Fund - Tranche 2 Programme Update</b>	31 - 42
7. <b>Transforming Cities Fund Tranche 2 - Grant Funding Agreements</b>	43 - 48
8. <b>Discharge of Transport Functions by Northumberland County Council 2021/22</b>	49 - 59
9. <b>Revenue Budget Proposals 2022/23 and Updated Forecast of Outturn 2021/22</b>	61 - 83
10. <b>Forecast of Capital Outturn 2021/22 - Period to 30 September 2021</b>	85 - 98
11. <b>Exclusion of the Press and Public</b>	

The Joint Transport Committee may wish to exclude the press and public during consideration of items 12,13 and 14 by virtue of paragraphs 3 and 5 of Parts 1 and 3 of Schedule 12A of the Local Government Act.

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|-----|---|------------------|
| 12. | <b>Minutes of the Confidential Meeting held on 26 October 2021</b>                                  | <b>99-100</b>    |
| 13. | <b>Forecast of Capital Outturn 2021/22 - Period to 30 September 2021-<br/>Confidential Appendix</b> | <b>101 - 104</b> |
| 14. | <b>Tyne Tunnels Support Staffing</b>  | <b>105 - 111</b> |

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**NORTH EAST JOINT TRANSPORT COMMITTEE**

**DRAFT MINUTES FOR APPROVAL**

**DATE:** 26 October 2021

Meeting held: Council Chamber, Gateshead Civic Centre

**COMMITTEE MEMBERS PRESENT:**

Councillor: M Gannon (Chair)

Councillors: A Hopgood  
C Johnson  
G Miller  
G Sanderson  
J Foreman

**IN ATTENDANCE:**

Statutory Officers: P Darby (Chief Finance Officer)  
T Hughes (Managing Director, Transport North East)  
G Morton (Deputy Monitoring Officer - Transport)

Officers: G Bell, S Ramsey, D Wafer, G Mansbridge, R O'Farrell, E Goodman, A Graham, M Jackson, M Kearney, R Forsyth-Ward, E Gilliard, M Gilbert, K Purcell, J Sparks, B Clyde, J Morphet, L Kashouris, G Armstrong, J Bailes, D Shaw and P Morris

Others: Councillor G Bell and Mayor J Driscoll

**41. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors C Rowntree, E Scott, N Forbes and T Dixon.

**42. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **43. MINUTES OF THE LAST MEETING HELD ON 21 SEPTEMBER 2021**

The minutes of the last meeting were agreed as a correct record.

#### **44. NORTH EAST BUS SERVICE IMPROVEMENT PLAN**

The Committee received a report providing an update on the progress made to date delivering a Bus Service Improvement Plan (BSIP) and Enhanced Bus Partnership (EP) in the region. Appended to the report was a draft of the final BSIP.

The Committee were advised that the draft attached required some minor formatting amendments; it was noted that the very final version of the BSIP would be circulated to members following these changes. It was confirmed that there are no changes to be made to the content or intention of the document.

Tobyn Hughes advised the Committee that he wanted to pass on his thanks to the bus companies, Nexus and other stakeholders who had contributed to the BSIP. The Committee were joined by Martijn Gilbert who advised that the BSIP had been developed to ultimately meet the needs to service users; Martijn also noted that the outcome of the BSIP was important for economic recovery within the region.

The Committee acknowledged the great effort in compiling the BSIP; Cllr Sanderson noted that the plan was a good example of all stakeholders working together. Cllr Sanderson highlighted that Northumberland had put in a significant investment to the BSIP and that all partners must fight to get the investment required.

Mayor Driscoll noted that the BSIP and EP were fantastic pieces of work; particularly the lower region-wide multi-modal fares and idea of the 'taxi guarantee'. Mayor Driscoll also advised the Committee that it was important for transport providers to be ambitious in their plans.

Councillor Foreman noted concern on the sustainability of the plans, particularly in the current context of driver shortages. It was noted that the success of the proposed schemes is dependent on future investment in staffing and infrastructure.

#### **RESOLVED:**

- (i) The North East Joint Transport Committee agreed that the Bus Service Improvement Plan be published and submitted to the Department for Transport.

#### **45. DISCHARGE OF TRANSPORT FUNCTIONS BY DURHAM COUNTY COUNCIL**

The Committee received a report advising how Durham County Council has discharged the transport functions delegated to it by NECA for the 2020/21 year.

The Committee were advised that the report was for information only.

#### **RESOLVED:**

- (i) The North East Joint Transport Committee noted the report.

## **46. TRANSPORT NORTH EAST – TRANSPORT IMPROVEMENT PLAN**

The Committee received a report providing an update on progress made across a number of Delivery Plan categories in implementing the objectives of the North East Transport Plan and achieving the vision of ‘moving to a green, healthy, dynamic and thriving north east.’

It was reported that a number of significant new changes are taking place on the East Coast Mainline route in the near future. The Committee were advised that Transport for the north have also begun the process of developing a new Strategic Transport Plan which will be informed by an updated Northern Powerhouse Independent Economic Review.

It was highlighted from the report that progress is continuing with the Transforming Cities programme and, of the 19 Tranche 1 schemes, 17 are not complete and the other 2 are nearing completion.

The Committee were advised that work is continuing on the Zero Emission Vehicles policy following agreement on the principles of the policy and that engagement had taken place with all LA7 authorities. It was also reported that the Tyne Pass Scheme to introduce barrierless travel at the Tyne Tunnels is scheduled to launch in November.

The Committee were asked to agree a cost sharing arrangement with Network Rail and Transport for the North in respect of a Strategic Outline Business Case for the East Coast Mainline. It was noted that this would include placing an order with Network Rail for the study of £120,000 and entering into an agreement to recoup £60,000 from the TfN to be met from existing budgets.

**RESOLVED:**

The North East Joint Transport Committee:

- (i) Noted the report;
- (ii) Authorised the Managing Director, Transport North East, following consultation with the Chair of the Joint Transport Committee, to agree a cost sharing arrangement with Network Rail and Transport for the North (TfN), in respect of a Strategic Outline Business Case for the East Coast Main Line as described in paragraph 2.1(iv) including placing an order with Network Rail for the study for £120,000 and entering into an agreement to recoup £60,000 from TfN to be met from existing budgets.

## **47. CAPITAL PROGRAMME MANAGEMENT FRAMEWORK**

The Committee received a report providing an overview of a regional Capital Programme Management Framework and to seek approval from members for its adoption and implementation.

**RESOLVED:**

- (i) The North East Joint Transport Committee agreed to approve the Capital Programme Management Framework as outlined in Appendix 1 of the report.

#### **48. APPOINTMENT TO TRANSPORT FOR THE NORTH EAST GENERAL PURPOSES COMMITTEE**

The Committee received a report advising that Transport for the North had recently established a General Purposes Committee to provide direction in relation to any matter other than rail franchise matters which is not reserved to the Transport for the North Board. The Committee were asked to approve the appointment of representation to the General Purposes Committee.

##### **RESOLVED:**

- (i) The North East Joint Transport Committee agreed to nominate Cllr Martin Gannon as Member and Mayor Jamie Driscoll as Substitute Member to represent the regional group comprising NECA and NTCA on the Transport for the North General Purposes Committee.

#### **49. EXCLUSION OF PRESS AND PUBLIC**

##### **RESOLVED:**

- (i) The North East Joint Transport Committee agreed to exclude the press and public during items 11,12 and 13 by virtue of paragraphs 1,2,3, 4 and 5 of Parts 1 and 3 of Schedule 12A of the Local Government Act.

## North East Joint Transport Committee

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**Date:** 16 November 2021

**Subject:** Transport for the North update

**Report of:** Managing Director, Transport North East

### Executive Summary

Transport for the North (TfN) became England's first statutory Sub-national Transport Body in April 2018 with a range of powers to improve transport across the north, promote rail and highway investment and oversee Transpennine Express and Northern Rail services.

The North East is represented on the TfN Board by Cllr Martin Gannon (NECA) and Mayor Jamie Driscoll (North of Tyne CA).

There are a number of opportunities for the region arising from our involvement with TfN, including investment in strategic road and rail schemes and access to TfN's research and analytical resources.

A core element of TfN's work is the Northern Powerhouse Rail (NPR) programme, which is intended to radically improve east – west rail journeys across Northern England, with a business case that includes a major capacity upgrade to the East Coast Main Line including the full reopening of the Leamside line to freight services.

TfN are currently in the process of recruiting a new Chair, and have recently appointed a new Chief Executive, Martin Tugwell. Martin has kindly agreed to attend today's meeting to discuss priorities with members.

### Recommendations

The North East Joint Transport Committee is recommended to note this report.

## 1. Background Information

### 1.1 Introduction

The North East has participated in Transport for the North (TfN) since its creation – as an informal partnership at first and as a statutory body since 2018.

TfN is seeking to expand its role from one where it provides advice to Government on which schemes should be delivered by other agencies, to one where TfN itself has devolved powers and funding so that it can commission and deliver transport improvements based on agreed Northern priorities.

As an organisation, TfN is undergoing change with the search for a new Chair underway, and the recent appointment of a new Chief Executive, Martin Tugwell. Martin has kindly agreed to attend this meeting to discuss priorities with members.

### 1.2 What is Transport for the North?

Following approval from Parliament, Transport for the North (TfN) became England's first statutory Sub-national Transport Body in April 2018. Its current powers allow it to:

- Act as 'one voice' for the North, clearly providing statutory advice on the pan-Northern priorities to the Secretary of State for Transport;
- Co-ordinate and deliver smart ticketing systems across the North;
- Become a statutory partner in rail investment decisions through the Rail North Partnership;
- Oversee (jointly with the Department for Transport) rail services covering Northern and TransPennine Express operations;
- Promote highways improvements of Northern significance, with the agreement of Government and relevant local transport and highway authorities;
- Prioritise investment on the transport network

TfN's Strategic Transport Plan, published in 2019, sets out its vision and forms the basis of its advice to Government.

TfN last year produced a Northern Transport Charter that proposes an extension of TfN's devolved powers along with a Long-Term Northern Funding Settlement – essentially to allow TfN to become responsible for delivery of schemes. The Government has not responded to this proposal as yet.

The TfN Board is the highest tier of decision-making, a statutory meeting held in public (except for confidential matters) at which only named political representatives from each of its 20 constituent transport authorities have voting rights. Cllr Louise Gittins (Cheshire West and Chester Council leader) is Acting Chair of TfN Board and the North East is represented on the TfN Board by Cllr Martin Gannon (NECA) and Mayor Jamie Driscoll (North of Tyne CA).

However, TfN also acts as a partnership, with representation from LEPs and a number of national bodies including Network Rail, National Highways, HS2, and the TUC. Therefore, there is also a separate non-statutory TfN Partnership Board where matters of policy and strategy are discussed with all partners in the room. The Partnership Board is not required to meet in public.

TfN co-manages (with the Department for Transport) the Northern Rail and Transpennine Express rail operations. The co-management team is known as the “Rail North Partnership” and is overseen by the TfN Rail North Committee. Cllr Liam Robinson (Liverpool) is the chair of the TfN Rail North Committee, and Mayor Jamie Driscoll represents both North of Tyne CA and NECA.

### 1.3 Opportunities for the North East from working with TfN

Northern Powerhouse Rail (NPR): NPR aims to radically improve and speed up east – west rail journeys across Northern England in conjunction with delivery of HS2 Phase 2b. The business case for NPR includes a major capacity upgrade to the East Coast Main Line including the full reopening of the Leamside line to freight services. At present TfN is waiting for the Government to publish its Integrated Rail Programme (IRP) which is expected to clarify whether NPR will be taken forward and in what form.

Strategic road and rail schemes: The STP contains a long-list of transport schemes across the North, and work is underway to prioritise them. Although TfN itself does not have delivery powers, its support for schemes has a powerful influence when national agencies are compiling their own investment programmes and seeking Government approval for them. TfN has strong analytical capabilities and modelling tools which produce sound evidence. The region’s strategic road links (A1, A19, A66, A69) and rail routes (ECML, Tyne Valley Line, Durham Coast Line) all benefit from TfN’s support as do more locally focused schemes including the Northumberland Line and a number of road improvement projects.

Decarbonisation: TfN has recently finished consultation on a strategy that sets out the ambitious goal of achieving near-zero carbon emissions from surface transport by 2045. The North East can benefit from TfN’s research and co-ordination in this area.

Freight: Freight is a key sector for enabling economic growth in the North of England, reflecting the fact that over 33% of goods enter the UK through Northern ports, including our region’s ports. A new Freight and Logistics strategy will be published this autumn setting out how strengthening the freight sector across the north can assist in economic growth, whilst also encouraging more freight to move by rail and supporting the decarbonisation of road freight traffic.

Local Rail: Local rail services provided by Northern and Transpennine Express are of great importance to our area. The Joint Transport Committee is working on a new rail strategy for the North East, and we will need to work with the Rail North Partnership so that service specifications and infrastructure plans are aligned to our region’s needs.

## 2. **Proposals**

2.1 This report is for information. Members are asked to note the contents of the report.

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

3.1 This report is for information purposes.

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

4.1 Not applicable to this report.

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

5.1 The region will continue to work collaboratively with Transport for the North through the structures outlined in section 1.2 above.

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

6.1 Successful progress on the various schemes and programmes outlined in section 1.3 above will assist the JTC in delivering its objective to maximise the north east's opportunities and economic potential whilst contributing to the decarbonisation of the region's transport network.

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

7.1 There are no specific financial implications arising from this report.

### **8. Legal Implications**

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

### **9. Key Risks**

9.1 The key risk is that TfN may not secure sufficient government funding to deliver its transformational programme.

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

10.1 There are no known Equality and Diversity issues.

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

11.1 There are no Crime and Disorder impacts.

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

12.1 The various elements of TfN's work programme are subject to appropriate engagement and consultation. The Decarbonisation Strategy has recently been the subject of formal consultation.

**13. Other Impact of the Proposals**

13.1 Progress with Northern Powerhouse Rail will encourage more people and goods to travel by rail across the north, benefiting the environment and economy of this region through a green recovery and provision of attractive sustainable transport choices.

**14. Appendices**

14.1 None.

**15. Background Papers**

15.1 None.

**16. Contact Officers**

16.1 Tobyn Hughes, Managing Director, Transport North East  
Tobyn.hughes@nexus.org.uk

**17. Sign off**

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

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## North East Joint Transport Committee

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**Date:** 16 November 2021

**Subject:** Transport Plan Progress Report

**Report of:** Managing Director, Transport North East

### Executive Summary

This report provides an update on progress made across a number of Delivery Plan categories in implementing the objectives of the North East Transport Plan and achieving the vision of ‘moving to a green, healthy, dynamic and thriving north east.’

New Lumo services have been launched on the East Coast Main Line whilst work continues on the Rail and Metro Strategy for the region.

Progress continues with the installation of further electric vehicle charging infrastructure across the north east.

A funding announcement for the Active travel Fund is expected shortly after which a further report to this Committee will give details of our proposals.

Our Go Smarter, Go Active campaign has continued to encourage healthy active travel around the region during the recent autumn half-term.

The Bus Services Improvement Plan (BSIP) has now been submitted to government.

The Tyne Pass Scheme to introduce barrierless travel for Tyne Tunnel users was due to go live on 8<sup>th</sup> November 2021, bringing faster journeys on the A19, less congestion and reduced vehicle emissions.

### Recommendations

The Joint Transport Committee is recommended to note the contents of this report.

## 1. **Background**

1.1 The North East Transport Plan sets out a vision of 'moving to a green, healthy, dynamic and thriving north east' through the delivery of transport improvements under seven policy areas:

- Connectivity beyond our boundaries
- Making the right travel choice
- Active Travel
- Public transport: travelling by bus, ferry and on demand public transport
- Public transport: travelling by local rail and Metro
- Private transport: travelling by car and using road infrastructure
- Research, development and innovation

Progress under various categories is outlined below.

There are also five objectives, which are:



Carbon-neutral north east



Overcome inequality and grow our economy



Healthier north east



Appealing sustainable transport choices



Safe secure network

The symbols have been used below to denote how the listed schemes / actions contribute to the achievement of the various objectives

## 2.

### **Rail update**



### 2.1

The region has been calling for a commitment to invest in the capacity of the East Coast Main Line in the North East, including using the Leamside Line as an effective way to take freight trains off the fast passenger route to increase capacity on the existing line.

### 2.2

#### **East Coast Mainline Timetable Changes – update**

The Department of Transport and Network Rail have been investigating ways to mitigate the concerns raised by JTC regarding future changes to the ECML

timetable. The consulted proposal sought to increase the number of LNER services (from 2 to 3 trains per hour) but, as the route between Northallerton and Newcastle is already at capacity, this was proposed to be at the expense of a TPE service to Leeds and Manchester. As members will recall JTC sent a strong objection to this proposal. Whilst accepting the need to provide interventions to enable 7 trains per hour to run, these will take time to develop and deliver and thus other options within the limitations of the existing network are being explored for potential changes in May 2023.

It is understood that options will be presented at a forthcoming Rail North Committee briefing session to be arranged sometime in November. Whilst these will not deliver the full requirements, efforts are being made to improve on the previously consulted proposals.

#### Key milestones

A Rail North Committee is to be arranged during November to consider options to improve on the previously consulted May 2022 timetable changes.

#### Risk

There is a risk that the options put forward will not fully meet the needs of the North East and thus there is a need to see this as a step towards providing the 7<sup>th</sup> path in the short term (through physical interventions) whilst working towards greater connectivity in the longer term including the utilisation of the Leamside Line.

RAG



### 2.3 Restoring Your Railway Ideas Fund

Following the budget and spending review correspondence has been received from the Transport Minister informing that a number of the region's bids for government RYR ideas funding have been unsuccessful, with the exception of The Bishop Line and the Weardale Railway.

The unsuccessful bids were:

- To reinstate Bensham Curve and line to Team Valley (and potentially Chester le Street)
- To reinstate the Leamside Line for passenger services
- To reintroduce passenger services to former freight line along the Cobalt – Silverlink corridor
- To enhance services between Morpeth and Berwick
- To open a new station at Gilsland
- To open a new station to serve the village of Belford

Feedback was provided on each of the bids, which will be examined and a future report presented setting out the next steps.

There are currently no further Ideas Fund rounds planned for the foreseeable future.

### Milestones

A future report will be presented to JTC setting out the options to develop these proposals further.

### Risks

Although the rejection of the bids is very disappointing, JTC have set aside a budget to progress studies which will help strengthen the case for future funding bids for these important corridors.

RAG rating:



## 2.4 Lumo (First East Coast)

On Monday 25th October 2021, a new open access train operator launched on the East Coast Main Line. Led by First Group and branded as 'Lumo', five services per day run in each direction, calling at Edinburgh Waverley, Morpeth, Newcastle, Stevenage, and London King's Cross.



The five fully electric trains were manufactured at Hitachi in County Durham and each have a total seating capacity of 400 standard class only seats. Lumo is based near Newcastle Central Station, and around 100 new jobs have been created.

## 2.5 North East Rail and Metro Strategy

Development of a new North East Rail and Metro Strategy which links to the

Committee's long-standing ambition to improve rail infrastructure in the region is ongoing.

## 2.6 **Ferryhill Station and Stillington Line SOBC**

A strategic Outline Business Case has been submitted by Durham County Council as part of the Restoring your Railways (RYR) initiative. The key objectives of the SOBC are to enhance access to opportunity within the Tees Valley, reduce environmental impacts and improve air quality, provide a step change in connectivity to residents, businesses and visitors, to assist in accelerating investment in the local area, contribute in a reduction in levels of deprivation by offering access to higher value jobs and to promote the area as a place to live and work.

The SOBC is primarily focused on reopening Ferryhill railway station and reintroducing passenger services along the Stillington Freight only line to connect South Durham with Tees Valley. This could be phase one of a new passenger service connecting Tees to Durham, Wearside and Tyneside, with the Stillington Line connecting to the mothballed Leamside Line, which is the subject for a separate RYR Expression of Interest bid.

### Next milestones

- A draft copy of the North East Rail and Metro strategy will be presented to JTC in January 2022 seeking to go out to public consultation.
- Approval of Ferryhill and Stillington Line SOBC Quarter 1 2022
- Development of Outline Business Case / Financial Business Case Quarter 2 2021 to Quarter 4 2022

### Key risks

- If the Integrated Rail Plan does not adequately reflect the region's rail aspirations, the North East's rail connectivity will continue to be impaired to the detriment of our economy.
- Getting approval for Government funding to develop the Ferryhill and Stillington Line project to the next stage of development.

RAG rating



## 3. **Transport for the North (TfN) update**

3.1 Development work on the next version of Transport for the North's Strategic Transport Plan, due for publication in 2024, is under way.

TfN will shortly be publishing the results of a major study into Transport-Related Social Exclusion, taking into account comments from elected members across the north.

More comprehensive details of TfN's remit and current activities are provided in a separate report on the agenda, whilst TfN Chief Executive Martin Tugwell is also present at the meeting to answer questions.

## 4. Making the right travel choice

### 4.1 **Electric Vehicle charging infrastructure**



Alongside the continuing development of the Zero Emission Vehicle policy for the region, good progress is being made in the delivery of further Electric Vehicle charging infrastructure across the north east, using Local Growth Fund resources. Site surveys at a number of the specified locations were due to be carried out during the last week of October, to be followed by detailed designs. One site (Middleton in Teesdale) has been found to be unsuitable for technical reasons, and discussions are taking place with Durham County Council regarding an alternative location.

#### Next milestones

- All sites are due to be completed by the end of the current financial year.

#### Key risks

- Technical or operational issues affecting delivery of any of the proposed sites. Regular engagement is taking place with the contractor to mitigate this and, if necessary, agree alternative sites.

RAG rating:



### 4.2 **Go Ultra Low taxi project**

Eight of the ten dedicated chargers for the taxi and private hire industry (funded by the Office of Zero Emission Vehicles) are now live and operational. Engagement events to encourage the switch to EV in the taxi trade are planned for 2021 and 2022.

#### Next milestones

- Make final connections at the two remaining sites.
- Further workshops are to be organised with the taxi trade.

#### Key risks

- There are issues impacting on implementing the final two sites – legal constraints for Blandford Square in Newcastle, whilst the Coronation Street site in North Tyneside is currently being used as a Covid testing centre. Discussion are being held with the relevant authorities to seek to address these issues and bring the sites into use.

RAG rating:



### 4.3 **Transforming Cities Fund**

Work is now taking pace on site in respect of two major Transforming Cities Fund Tranche 2 schemes, the redevelopment of Sunderland Central Station and construction on the new Durham Bus Station. A separate agenda item provides a detailed update on the whole TCF programme.

## 5. **Active travel**

### 5.1 **Active travel fund**

A regional bid totalling £28.7m for Tranche 3 of the Active Travel Fund was submitted by Transport North East on the 9th of August. Schemes eligible for the third round of the Fund will be expected to be financially complete by 31st March 2023.

The Department for Transport have indicated a funding announcement is likely to be made in November, with grant determination letters to follow and release of funds likely to occur in December 2021. Upon confirmation of our regional allocation a report will be presented to this Committee with details of our delivery proposals.

#### Next milestones

A funding announcement is expected this month with release of funds likely to occur in December 2021.

#### Key risks

Tranche 3 is a competitive bidding process, therefore there is a risk of receiving a proportionately lower settlement than the regional bid.

Timescales for project delivery or the scope of schemes could be impacted if scheme designs require amendment or enhancement following consultation feedback.

Quantity of construction work on the network considering ATF timescales align with Transforming Cities Fund delivery timescales.

RAG rating



### 5.2 **Go Smarter, Go Active**

Our Go Smarter, Go Active days out guides and interactive cycling and walking maps have helped families to explore the North East during the recent autumn half-term holiday, and communications activities will continue to promote these until the end of the financial year.



**Explore the North East the active way**

Go Smarter Go Active

Introducing 16 NEW Go Smarter, Go Active days travel guides, providing inspiration for action-packed days out that can be explored on foot or by bike across Durham, Northumberland and Tyne and Wear this summer.

Featuring:

- Some of the region's most impressive landmarks, beaches, market towns and countryside
- Shorter, accessible routes for wheeled pedestrians and pushchairs

So grab your family and friends and get active!

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Introducing the NEW interactive Go Smarter, Go Active cycling and walking map, bringing routes from Durham, Northumberland and Tyne and Wear together, in one place!

Ideal for planning your every-day work commute as well as leisurely walks and bike rides with family and friends.

Download yours for free now at [www.gosmartergoactive.co.uk](http://www.gosmartergoactive.co.uk)

Map shows traffic free trails, cycleways and public transport links across the North East

- Promotion of Go Smarter, Go Active resources will continue to encourage more families to take advantage of the region's active travel opportunities.

Key risks

- N/A as key elements of the project have already been delivered.

**6. Public transport, travelling by bus, ferry and on demand public transport**

**6.1 Bus partnership development**



The Bus Services Improvement Plan (BSIP) has been submitted following approval at last month's JTC meeting. Full details of the Plan were set out in the report to last JTC, however some key proposals include:

- A single ticket capped at between £4 and £6.80 allowing daily unlimited travel across all bus, Metro and ferry services in Tyne and Wear, County Durham and Northumberland, plus rail services between Sunderland, Newcastle, the Metrocentre and Blaydon
- Cheaper tickets for under-19s, with a £1.20 fare for single tickets and a £2.50 region-wide cap
- Upgraded stations and shelters, with more real-time service updates and improved CCTV and lighting
- More early morning, evening and overnight services, and improved access to the most rural areas of County Durham and Northumberland
- New bus stations in Durham, Alnwick and Bishop Auckland as well as an additional Newcastle city centre bus station
- Buses given priority on the busiest routes in and out of city centres and to five new "major" out-of-town park-and-ride sites

### Next milestones

Following publication of the Plan at the end of October 2021, ongoing work will then be undertaken in the development of the Enhanced Partnership Scheme, which must be in place by 1 April 2022.

### Key risks

Failure to comply with the requirements of the National Bus Strategy would risk the removal of existing bus funding support and therefore potentially cause severe damage to the existing bus network within the region.

There are also risks in relation to the provision of future central government funds by not complying.

The actions and improvements proposed by the Bus Service Improvement Plan as well as the ongoing development of the Enhanced Partnership are intended to mitigate these risks.

RAG rating



6.2

### **Metro update**

DfT and HM Treasury have confirmed a £13.1m package of funding to support Metro until the end of the financial year. This will be the last package of funding available. Nexus are implementing a range of promotional and marketing initiatives to encourage patronage from returning and new customers, targeting returning commuters, leisure and Christmas markets.

Next milestone

- Budget setting January 2022

Key risks

- Patronage does not recover during 2021/22 to fully cover Metro's operational expenditure from the 1st April 2022 and service cuts are required.

RAG rating



## 7. Private transport: travelling by car and using road infrastructure

7.1

### Tyne Tunnel



In terms of traffic levels using the Tyne Tunnels, there is a continued improvement towards pre-Covid levels, but the situation remains unpredictable. During September 2021 traffic was back to normal levels, but October saw reduced traffic, most likely due to fuel prices and shortages.

The Tyne Pass Scheme to introduce barrierless open-road tolling for Tunnel users came into full operation on 8th November 2021. The new scheme will modernise the outdated payment system, bringing significant environmental benefits in terms of reduced vehicle emissions and improved air quality.

During September, October and November an extensive media and marketing campaign has taken place to let Tunnels users know of the changes and explain how to pay once the barriers are removed. This has included TV, radio and newspaper adverts, as well as a social media campaign, engagement with community groups and leaflets (see below) being handed out to businesses and to users at the tunnels.

### Tyne Cyclist and Pedestrian Tunnels (TCPT)

These historic listed tunnels were reopened to the public in August 2019 after several years of refurbishment. They have been modernised with new features such as LED lighting and CCTV, but retaining the original 1950's style and appearance.

They are proving more popular year on year with cyclist use in particular rising. They are now open 24/7 for cyclists and pedestrians with no charge for use, and their operation is funded from the Tyne Tunnels budget which comes from tolling the traffic tunnels.

#### Next milestones

- The Tyne Pass scheme was due go live on 8<sup>th</sup> November 2021. More details on the scheme are provided in regular reports to the JTC Tyne and Wear Sub-Committee.

#### Key risks

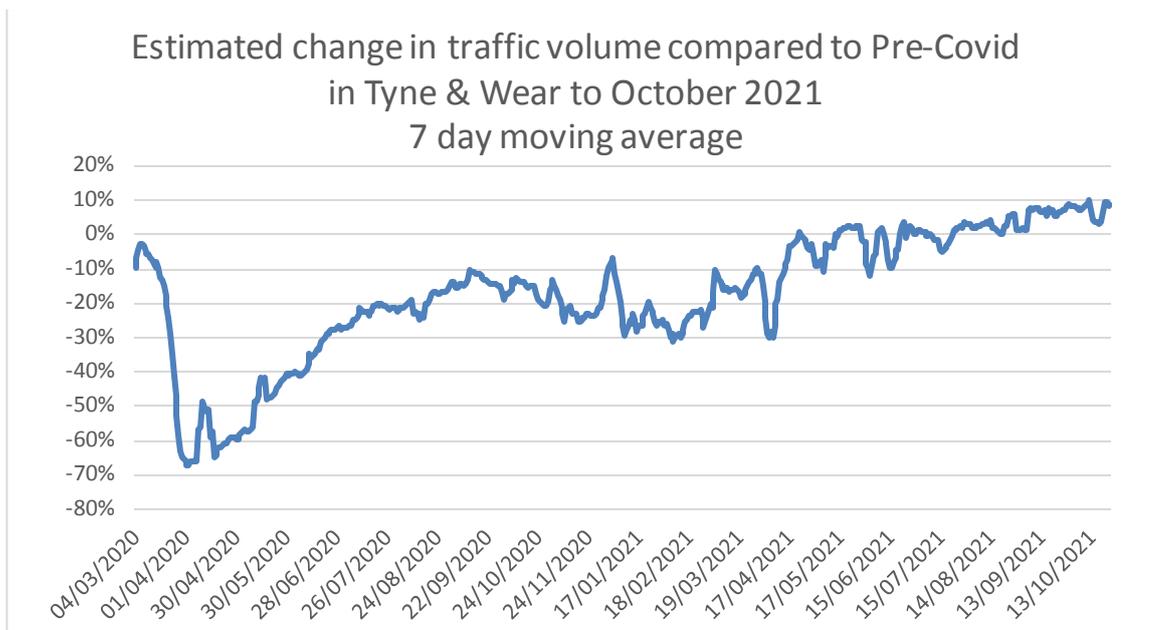
- There is a delivery and financial risk on the Tyne Pass Scheme, but that rests with TT2 who operate the Tunnels and who are responsible for implementation of the scheme and for enforcement of unpaid tolls.
- There will be a reputational risk to JTC if the Tyne Pass scheme is not delivered on time or produces adverse outcomes for users. Some users who have received an Unpaid Toll Charge Notice (UTCN) over the last few months under the interim Tyne Pass systems in place have been dissatisfied.
- It is therefore important that Transport North East continues to work with TT2 on clear messaging to users, distinctive signage and fair processes for UTCNs in order to provide customers with the best possible experience under the new Scheme. Officers will continue to work with TT2 towards these aims. Safeguards have been put in place via the Project Agreement with TT2 and via the processes for management of the Concession.

RAG rating:



## **8. Estimated Change in Traffic Flow in Tyne and Wear**

- 8.1 The following chart shows that at the start of the pandemic traffic levels dropped considerably but have now recovered significantly towards pre-covid levels and at times above.



**9. Proposals**

9.1 This report is for information. Members are asked to note the contents of the report.

**10. Reasons for the Proposals**

10.1 This report is for information purposes.

**11. Alternative Options Available**

11.1 Not applicable to this report.

**12. Next Steps and Timetable for Implementation**

12.1 Next steps are set out under each respective item.

**13. Potential Impact on Objectives**

13.1 Successful delivery of the various transport schemes and investment proposals outlined in this document will assist the JTC in delivering its objective to maximise the region’s opportunities and economic potential.

**14. Financial and Other Resources Implications**

14.1 The report provides an update and overview of progress against the seven Delivery Plan categories in implementing the objectives of the North East Transport Plan and achieving the vision of ‘moving to a green, healthy, dynamic and thriving north-east.’

14.2 The North East Transport Plan includes proposed / required investment totalling £7billion to achieve the aims and ambitions of the JTC, the majority of which is dependent on future funding decisions by central government. The financial and other resource implications aligned to the plan were agreed as part of the Transport Budget and Levies 2021/22 report to the JTC on 19 January 2021 and

in subsequent reports to augment and amend the budget as appropriate.

## **15. Legal Implications**

15.1 There are no legal implications arising directly from this report.

## **16. Key Risks**

16.1 Appropriate risk management arrangements are in place for each programme of work overseen by the delivery agencies responsible. Key risks are set out under each respective item.

## **17. Equality and Diversity**

17.1 Successful delivery of schemes to improve public transport, walking and cycling will help to address transport-related social exclusion and create a fairer society.

## **18. Crime and Disorder**

18.1 There are no specific crime and disorder implications associated with this report.

## **19. Consultation/Engagement**

19.1 Many of the schemes and proposals outlined in this report have been, or will be, the subject of engagement with appropriate stakeholders or the wider public.

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

20.1 No specific impacts.

## **21. Appendices**

21.1 1 - Progress on Key Performance Indicators.

## **22. Background Papers**

22.1 None.

## **23. Contact Officers**

23.1 Tobaugh Hughes, Managing Director, Transport North East  
[Tobaugh.hughes@nexus.org.uk](mailto:Tobaugh.hughes@nexus.org.uk)

## **24. Sign off**

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

**25. Glossary**

25.1 All abbreviations or acronyms are spelled out in the report.

## Appendix 1

### Progress on Key Performance Indicators

<u>KPI</u>	<u>Direction of travel</u>	<u>Key insight</u>
<p><u>Sustainable Travel</u></p> <p>33% of journeys made by public transport, walking and cycling.</p> <p>Data Source: DfT National Travel Survey 2019, published August 2020.</p>	Increase	<p>Data in the National Travel Survey for 2020 shows that 37% of journeys are made by public transport, walking and cycling, which is an increase on the previous year.</p> <p>Other data sources have Metro and bus use remaining below pre-covid levels even after restrictions have been lifted in 2021, however cycling numbers are up in many locations. For the 7 days commencing 9<sup>th</sup> October Metro was at 84% of typical journey numbers, and bus was at 76%</p>
<p><u>Public transport accessibility</u></p> <p>45% People within 25 minutes of key employment, education and retail sites by public transport.</p> <p>Data source: Commissioned analysis August 2020</p>	No Change	<p>Data is not yet available to update, however, there have been no major changes to infrastructure.</p>
<p><u>Climate action</u></p> <p>CO2 emissions per capita: 1.7 tonnes CO2 emitted per person annually using transport.</p>	No Change	<p>Figures for 2019 have been released and show no change in the amount of transport related CO2 emissions.</p>

<p>Data source: UK local authority and regional CO2 emissions statistics: 2019, Department for Business, Energy &amp; Industrial Strategy, published June 2021</p>		
<p><u>Take up of ultra-low emission vehicles (ULEVs)</u></p> <p>0.34% Proportion of licenced vehicles in our region that are classed as ultra-low emission (end of 2019)</p> <p>Data source: Department for Transport vehicle licensing statistics</p>	<p>Increase</p>	<p>0.48% of licenced vehicles in the region are classed as ultra-low emission (end of 2020). Data published May 2021.</p>
<p><u>Air quality</u></p> <p>For 2019, the highest, median, hourly nitrogen dioxide reading was 26.9ug/m<sup>3</sup> occurring in the morning traffic peak.</p> <p>Data source: Department for Environment Food &amp; Rural Affairs Automatic Urban and Rural Network (AURN)</p>	<p>Decrease</p>	<p>For 2020, the highest, median, hourly nitrogen dioxide reading was 20.1ug/m<sup>3</sup> occurring in the morning traffic, however this is expected to be unusually low due to lock down restrictions</p>
<p><u>Network performance</u></p> <p>In terms of efficiency, in 2019 our regional network scored 71.8%</p> <p>Data source: Department for Transport congestion data.</p>	<p>No Change</p>	<p>Data is not yet available to update</p>

<p><u>Motor vehicle traffic</u></p> <p>Estimated vehicle miles per head in our region in 2019 5,077</p> <p>Data source: Department for Transport National Travel survey, published August 2020</p>	<p>Decrease</p>	<p>In 2020 the estimated vehicle miles per head were 4,064. We can expect that 2020 will be unusually low.</p>
<p><u>Road safety: numbers killed and seriously injured</u></p> <p>Numbers killed and seriously injured (KSI) three year rolling average (2016-17 to 2018-19) 778</p> <p>Data source: Traffic Accident Data Unit</p>	<p>Decrease</p>	<p>In the three-year rolling average from 2017 to 2020 there were 704 KSI.</p>
<p><u>Road safety: number of slight injuries</u></p> <p>Number of slight injuries three year rolling average (2016-17 to 2018-19) 3,275</p> <p>Data source: Traffic Accident Data Unit</p>	<p>Decrease</p>	<p>In the three-year rolling average from 2017 to 2020 there were 2,934 slight injuries</p>

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## North East Joint Transport Committee

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**Date:** November 2021

**Subject:** Transforming Cities Fund Tranche 2 – Programme Update

**Report of:** Managing Director, Transport North East.

### Executive Summary

The purpose of this report is to provide members with an overview of the high-level risks and emerging concerns with regards to the delivery of the Transforming Cities Fund (TCF) Tranche 2 programme.

This report also seeks approval for advanced funding to be provided to two schemes: the regional Intelligent Transport Systems (ITS) scheme totalling £4.5m, and the North Shields Transport Interchange scheme totalling £3.24m – to enable both schemes to financially complete by the required programme deadline.

A further recommendation is made to members to re-allocate, in total, £1.5m of TCF funds from the South Shields to Newcastle Bus Corridor scheme to the regional ITS scheme allocation, following a rescoping of the scheme, this will allow the ITS funding envelope to incorporate the delivery of rescoped works originally envisaged to be delivered by the South Shields to Newcastle Bus Corridor scheme within the regional ITS scheme.

### Recommendations

The North East Joint Transport Committee is recommended to:

- i. Agree and approve advanced funding for the regional ITS scheme, totalling £4.5m, and instruct officers to prepare and execute a Grant Funding Agreement with Newcastle City Council for these funds.
- ii. Agree and approve advanced funding for the North Shields Transport Interchange scheme, totalling £3.24m, and instruct officers to prepare and execute a Grant Funding Agreement with North Tyneside Council for these funds.

- iii. Approve the removal of the South Shields to Newcastle Bus Corridor scheme from the Transforming Cities Fund programme and reallocate £1.5m of TCF funds to the regional ITS scheme.
  
- iv. Acknowledge the Transforming Cities Fund programme update and provide any feedback on the contents of this report.

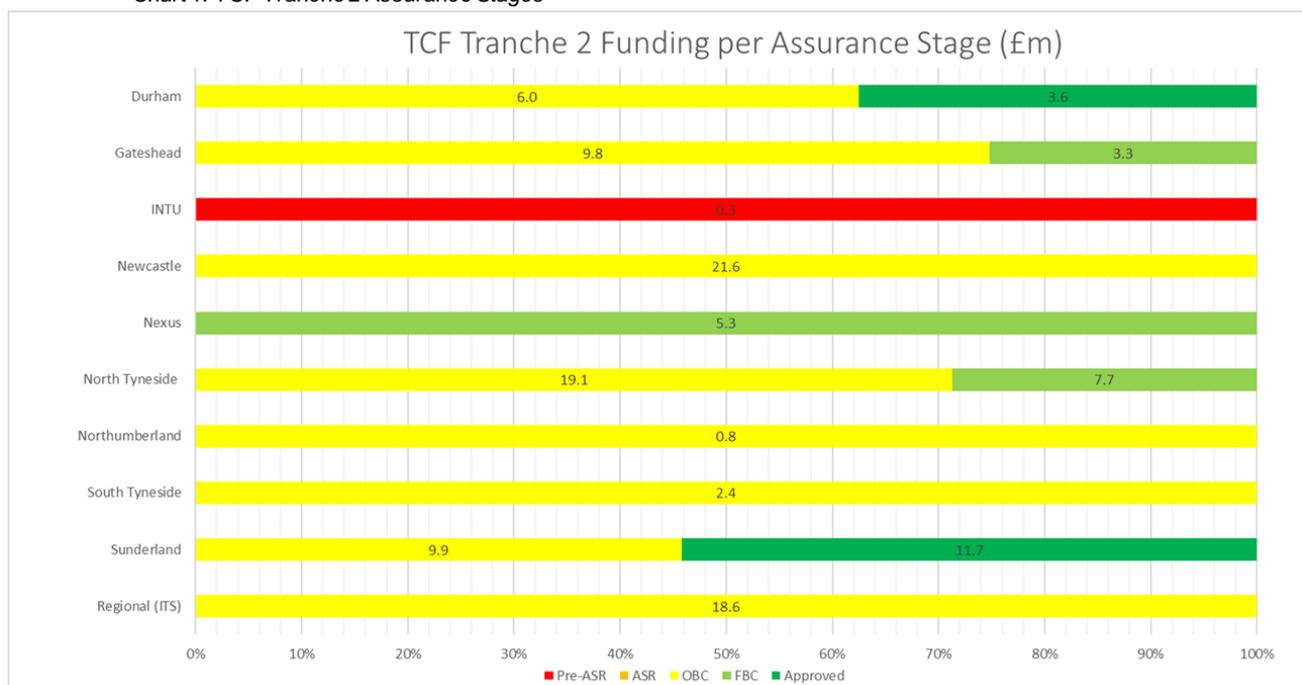
## 1. Background Information

- 1.1 In March 2020 the North East region was awarded £198m from the Government's Transforming Cities Fund (TCF) to aid the delivery of sustainable transport capital measures. In total, £94m of this funding is allocated to the Nexus led Metro Flow scheme, with the remaining £104m allocated to the region to spend on smaller sustainable transport schemes.
- 1.2 A programme of schemes was considered and approved by the Joint Transport Committee (JTC) in May 2020, and the local authority promoters of those schemes have since been advancing the design of their schemes and preparing business cases for investment.
- 1.3 The North East TCF programme, as stands, currently has £25m of over-programming, recognising that some schemes will encounter issues, and to ensure that the full impact of the funding is achieved in the TCF programme timeframe.
- 1.4 The current status of the TCF Tranche 2 Devolved Pot, excluding Metro Flow, is as follows:
- Total TCF Devolved Pot Funds: £103,797,542
  - Funds Committed to Date: £19,939,314
  - Remaining Devolved Pot: £83,858,228
  - Total TCF ask (including over-programming): £128,844,063
  - Over-programming: £25,046,521 (24.1%)
  - Months left for TCF Programme delivery: 17
- 1.5 The TCF programme has just 17 months left to deliver with financial completion of schemes required by the 31st March 2023, to date, the Department for Transport (DfT) have not given any indication that there will be likely to be any relaxation in the deadline for TCF programme delivery.
- 1.6 Taking the above into account, it is imperative that the region takes a delivery focused approach to the TCF programme, in order to ensure that schemes are able to deliver within the required programme timeframe, and all funds are fully incurred by the end of March 2023. This paper highlights key threats to programme delivery and proposes necessary mitigating actions to ensure the risk to the delivery of the TCF programme is minimised and required expenditure is met.

## 2. TCF Programme Update

- 2.1 As noted above, the relatively limited amount of time left in the regional TCF programme (17 calendar months) poses a significant delivery risk, this is exacerbated by the volume of schemes still at the Outline Business Case (OBC) stage of the regional Transport Assurance Framework. *Chart 1*, provides an overview of the amount of TCF funding per scheme promoter which is currently within each stage of the assurance process outlined within the Assurance Framework:

Chart 1: TCF Tranche 2 Assurance Stages



2.2 The chart shows that approximately 74% of the TCF Tranche 2 programme is at the OBC stage or below. This demonstrates that the vast majority of schemes within the TCF programme still require significant development work, including the production of a Full Business Case (FBC) and its subsequent appraisal, prior to schemes being able to commence their programmes of construction and delivery. To date only two schemes have progressed, in full, through the regional Transport Assurance Framework, have been approved for funding, and are in the delivery stage - Durham Bus Station and Sunderland Central Station.

2.3 Following discussions held at the Capital Programme Board and Strategic Heads of Transport, a formal request was issued to all scheme promoters in October, to provide Transport North East (TNE) with detailed information on their TCF schemes to assist in the assessment of the deliverability of schemes within the TCF programme timeframe. The following information was requested:

- **Construction programme** for the TCF scheme – as a minimum the start and end dates of construction
- **Spend profile** of the TCF scheme – providing updates to the profiles of expenditure which were provided to TNE in July. Including profiles (TCF and match spend) where this information has not previously been provided
- **Assurance milestones** for submission of key documents – providing an update to forecast OBC and FBC submission dates

2.4 The information provided by scheme promoters has enabled TNE to undertake an assessment of the likely delivery of each scheme within the TCF programme timeframe. A high-level Gantt Chart has been produced and is provided at **Appendix 1**, this visually demonstrates key assurance deliverables (production of

FBCs) and construction periods of each scheme within the TCF programme mapped against the TCF programme timeframe. Utilising this information, TNE has undertaken a RAG assessment of delivery risk, this is provided at **Appendix 2**.

2.5 The RAG assessment shows that of the 24 schemes within the regional TCF programme, eight have been assessed as Green (comparatively low level of delivery risk), 12 as Amber (requiring close monitoring to manage and mitigate risk) and 4 as Red (action required).

2.6 Schemes have been assessed Red where TNE are aware that a scheme is not deliverable, or cannot be assured that the scheme is deliverable, within the TCF programme timeframe. Schemes have been assessed as Amber where there are potential risks to the delivery, such as delays in providing the documents required for assurance, and minimal detail being provided on the programme of construction. Schemes which have been rated Red will be subject to further information requests from TNE, either to confirm deliverability, put in place an action plan or potentially discuss scheme removal from the TCF programme.

2.7 The estimated submission dates for key assurance documents are presented in *Table 1*, alongside the anticipated Capital Programme Board and JTC meeting dates. Some of the anticipated JTC dates for scheme approval are within the proposed timeframes for scheme construction. This presents some degree of concern as it could lead to scheme promoters potentially being required to start construction at risk to meet the TCF programme deadline and/or business cases needing to be expedited via delegated approvals.

*Table 1: TCF Tranche 2 Assurance Documents per Quarter*

Scheme Promoter	Q3 2021/22		Q4 2021/22		Q1 2022/23	Q2 2022/23
	OBC	FBC	OBC	FBC	FBC	FBC
Durham	1		1	2		
Gateshead	4	3		2		
Newcastle	4			2	2	
Nexus				1		1
Northumberland				1		
North Tyneside	1	1		2		
South Tyneside	1			1		
Sunderland				2	1	
Regional	1	1				
<b>Total</b>	<b>12</b>	<b>5</b>	<b>1</b>	<b>13</b>	<b>3</b>	<b>1</b>

2.8 There are notable risks with regards to the capacity of our Independent Review Consultants to undertake assurance reviews of Business Cases. At present, it is forecast that there will be up to five Full Business Cases for our Independent Review Consultants to review in Quarter 3 of this financial year, alongside 12 Outline Business Cases, and 13 Full Business Cases in Quarter 4. It is recommended that schemes with constrained delivery programmes take an iterative approach towards appraisal, submitting the individual cases of their Business Case early to help to expedite the review process and reduce the risk of the schemes being delayed in going forward for approval. It is imperative that our

retained Review Consultants can schedule in adequate time for appraisal in advance of submission dates. Delays in submissions could result in an appreciable delay in appraisal.

2.9 In addition to the risks noted above with regards to the delivery of schemes within TCF programme timeframes, there are significant capacity issues both internally within Local Authorities and also with external providers. There have been ongoing delays to the provision of a number of key assurance documents due to capacity issues within internal highways/design teams and there are market-based capacity constraints emerging with regards to the physical construction of schemes within the TCF deadline. This is coupled with macro-economic factors such as inflation and supply chain issues, potentially driving up material prices and availability which requires close attention and adequate risk provisions to be built into scheme costings.

2.10 At the October 26 meeting of the Joint Transport Committee a Capital Programme Management Framework was approved. The Programme Management Framework provides the region with a clear decision-making framework, enabling changes to be made to the TCF programme and to schemes which have previously been allocated funding, including the removal of schemes and the reallocation of funding. Potential alterations to the TCF Programme may be recommended at forthcoming meetings of the Joint Transport Committee, should the risks highlighted in **Appendix 2** continue to go unresolved. This will mitigate against the potential for TCF funds going unspent within the programme timeframe.

### 3. Proposals

3.1 Given the aforementioned time constraints associated with the programme of delivery for the regional TCF programme a number of mitigations are required in the immediate term, to ensure scheme delivery. This report recommends three specific actions be approved and implemented, to enable delivery and ensure the schemes in question can meet TCF deadlines.

3.2 The first two recommendations centres on providing advanced funding to two schemes within the TCF Programme: the regional Intelligent Transport Systems (ITS) scheme, led by Newcastle City Council, and the North Shields Transport Interchange scheme, led by North Tyneside Council

**Intelligent Transport Systems (ITS) scheme:** In total it is recommended that the Joint Transport Committee approve an early release of £4.5m of funds from the TCF allocation to the ITS scheme in advance of Business Case approval. The release of funding is required to meet the substantial development costs which are currently being borne by Newcastle City Council who are leading on the ITS scheme on behalf of the region. The proposed approach will actively reduce risks to scheme delivery by providing the funding required to place orders for materials ahead of Business Case approval in order to overcome lengthening delivery timescales. The programme for the delivery of the ITS scheme is on a critical path, construction works must start in January 2022, to allow an adequate construction period for works to complete within the TCF programme timescales and all expenditure associated with the scheme to be incurred. This programme of delivery

is currently at risk if Newcastle City Council are required to wait for Business Case approval to place orders for materials, as the lead in time for the supply of materials is lengthening, linked to outside factors raised in paragraph 2.9 – in some cases the lead in time has reached up to 16 weeks. Therefore, advanced funds are required to purchase required materials upon JTC approval of this request, in order to guarantee a start on site in January 2022. This start date is essential for the scheme to be capable of meeting TCF delivery and expenditure deadlines and will therefore mitigate and minimise delivery risk, including offsetting risks relating to costs increases relating to inflationary and supply pressures on materials.

**North Shields Transport Interchange scheme:** In total it is recommended that the Joint Transport Committee approve an early release of £3.24m of funds from the TCF allocation to the North Shields Transport Interchange scheme in advance of Business Case approval. The release of funding is required to allow site demolition, site clearance, survey work and requisite piling in good time to enable the scheme to meet TCF programme timescales. The significant development costs associated with the North Shields Transport Interchange scheme has required North Tyneside Council to commit all of its (£2.5M) match funding in the financial year 2021/22. The scheme has incurred costs well in excess of typical design and development costs, due to the need for property acquisition and significant pre-construction site feasibility work. To reduce the risk to the Council this would ordinarily be deferred until the Full Business Case was approved, but the timescales for delivery within the TCF programme don't allow this approach to be adopted. The Full Business Case for the North Shields Transport Interchange scheme is due to come forward for approval in March 2022, however, if required site demolition and pre-construction works were required to wait until Business Case approval then it would be unlikely that the scheme could complete within the required TCF programme timescales. Therefore, advanced funds are required to fund pre-construction and pre-demolition investigation work, demolition costs, initial site prelims and appoint a piling contractor (as referenced in paragraph 2.9, at present this has a 10-week lead-in time). It is essential that these works take place to ensure the scheme is capable of meeting TCF delivery and expenditure deadlines. If advanced funds are provided North Tyneside Council would be enabled to commence full construction works immediately upon approval of the Business Case, this approach will therefore mitigate and minimise delivery risk, ensuring TCF grant funding can be fully incurred within the TCF programme timescales.

3.3 A further recommendation is made to members to approve the removal of the South Shields to Newcastle Bus Corridor scheme from the Transforming Cities Fund programme and reallocate, in total, £1.5m of TCF funds to the regional ITS scheme.

3.4 South Tyneside Council was previously indicatively awarded £9.35m of TCF funds for the South Shields to Newcastle bus corridor scheme to deliver highway infrastructure improvements to alleviate congestion and improve journey times for public transport. The scheme included several junction upgrades introducing intelligent transport solutions to improve existing traffic signalised junctions and the construction of a road bridge which would have allowed for the closure of level crossings at Tiledshed and Boldon.

- 3.5 However, in March 2021, South Tyneside Council's Cabinet took a decision to pause the development of the road bridge, South Tyneside Council have since confirmed to TNE, the scheme as originally envisaged can no longer be delivered within TCF programme timescales. The traffic signal upgrades which formed part of the original scheme proposal are, however, considered to be both viable and deliverable. It is proposed to incorporate these signal upgrades into the regional ITS scheme, so the benefits to South Tyneside and the region are retained.
- 3.6 It is therefore proposed to re-allocate, in total, £1.5m of the TCF funds originally indicatively allocated to the South Shields to Newcastle Bus Corridor scheme to the regional ITS scheme allocation, this will allow the ITS funding envelope to incorporate the delivery of the signal upgrades within the original South Shields to Newcastle Bus Corridor proposal to be delivered within the regional ITS scheme.
- 3.7 In total, this would grow the ITS TCF funding allocation from £17,107,188 to £18,607,188. Following the removal of the South Shields to Newcastle Bus Corridor scheme from the regional TCF programme, it is recommended that the surplus £7,850,000 of TCF funds should reduce the TCF programme over-programming commitment bringing the level of over-programming within our TCF programme to £17,196,521 (16.5%).

#### **4. Reasons for the Proposals**

- 4.1 The recommendations outlined within this report will contribute to the delivery of the Transforming Cities Fund programme, which in turn will contribute to the delivery of the overarching regional objectives outlined in the North East Transport Plan. The proposals are fundamentally required to ensure the TCF programme can meet required levels of expenditure and delivery within the TCF programme deadline. The proposals outlined will ensure the works associated with the schemes in question can commence immediately upon Business Case approval which is vital if these schemes are to meet the required programme of construction and ensure both schemes can be delivered by the March 2023 deadline for TCF expenditure. In addition, the recommended re-allocation of £1.5m from the South Shields to Newcastle Bus Corridor scheme to the regional ITS scheme will ensure originally envisaged benefits from signals upgrades can be maintained, whilst the removal of the scheme from the TCF programme will reduce the regions overprogramming commitment by £7,850,000. These recommendations are made to ensure TCF delivery risk is mitigated appropriately.

#### **5. Alternative Options Available**

- 5.1 Two options are presented to the North East Joint Transport Committee.
- 5.2 Option 1 – The North East Joint Transport Committee accept the recommendations set out in this report and instruct officers to prepare and sign GFAs with Newcastle City Council, for advanced funds relating to the delivery of the regional ITS scheme, and with North Tyneside Council for advanced funds relating to the delivery of the North Shields Transport Interchange scheme.

Enabling both schemes to come forward within the TCF programme Timescales. In addition, the Committee will accept the removal of the South Shields to Newcastle Bus Corridor scheme from the TCF programme, re-allocating £1.5m to deliver signals works within the regional ITS scheme and reducing the regions over-programming commitment by £7.85m.

5.3 Option 2 - The North East Joint Transport Committee do not accept the recommendations set out in this report, in which case both the regional ITS scheme and the North Shields Transport Interchange scheme will not be able to deliver in line with the TCF programme timescales - associated benefits will not be realised and the TCF programme will be unable to meet required expenditure within the deadline for the programme.

5.4 Option 1, is the recommended option.

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

6.1 Subject to the approval of the recommendations of this report Grant Funding Agreements will be prepared by officers and subsequently agreed with both Newcastle City Council and North Tyneside Council, after which the activity outlined within the body of the report can commence and expenditure to facilitate scheme delivery can take place. TNE requires scheme promoters to provide quarterly monitoring update reports that will detail progress, expenditure and risks in order to draw down funding.

6.2 A further report will be brought to the next meeting of the Joint Transport Committee, providing a further update on the TCF programme including any further mitigating actions required to ensure the regional TCF programme meets delivery and expenditure deadlines.

## **7. Potential Impact on Objectives**

7.1 The Successful delivery of the transport schemes and investment proposals outlined in this report will assist the JTC in declaring its objective to maximise the region's opportunities and potential. The proposals outlined will contribute positively to the high-level strategic objectives in both the regional Strategic Economic Plan and the North East Transport Plan.

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

8.1 Should the recommendations of this report be approved, The financial summary for the TCF Devolved Pot can be updated, as follows:

- Total TCF Devolved Pot Funds (Exc. Metroflow): £103,797,542
- Funds Committed £19,939,314
- Advanced Funding Approved: £7,740,000
- Remaining Devolved Pot: £76,118,228
- Total TCF ask: £120,994,063
- Over-programming: £17,196,521 (16.5%)

- 8.2 In total, this report asks members to approve £7,740,000 of advance funds, the funds are to be provided to ensure both the regional Intelligent Transport Systems scheme (£4.5m) and the North Shields Transport Interchange scheme (£3.24m) can meet their respective programmes of construction within the required TCF programme deadline.
- 8.3 In addition, a further recommendation is proposed to remove the South Shields to Newcastle Bus Corridor scheme from the TCF programme, and reallocate £1.5m of TCF funds to the regional Intelligent Transport Systems scheme, this will allow the ITS funding envelope to incorporate the delivery of rescope works originally envisaged to be delivered by the South Shields to Newcastle Bus Corridor scheme within the regional ITS scheme. This programme change will reduce TCF overprogramming from £25,046,521 (24.1%) down to £17,196,521 (16.5%).

## **9. Legal Implications**

- 9.1 A Grant Funding Agreement is required for each scheme within the TCF programme to be signed following Committee approval, in order to enable scheme promoters to commence drawing down the funding allocation associated with their TCF scheme. Grant Funding Agreements are utilised to minimise any legal risks and ensure obligations (on behalf of the JTC) to the Department for Transport are met, these obligations are appropriately transferred to the scheme promoters through the Grant Funding Agreement. As such the funding mechanism included within the Grant Funding Agreement ensures that risks to the Committee are appropriately mitigated, transferred, and borne by the scheme promoter.
- 9.2 Grant Funding Agreements will be prepared by officers for both the advanced funding associated with the Intelligent Transport Systems scheme and the North Shields Transport Interchange scheme, once signed scheme promoters will be able to draw down advance funds. TNE will require that scheme promoters provide quarterly monitoring update reports that will detail progress, expenditure, and risks.

## **10. Key Risks**

- 10.1 The key risk for this Committee relates to the potential for the construction programmes of individual schemes within the TCF programme to run beyond the lifetime of the TCF programme, resulting in underspend and TCF funds going unspent within the region. In order to mitigate this risk a Capital Programme Management Framework was agreed at the October 26 meeting of the Joint Transport Committee. This framework provides the region with a clear decision-making framework, enabling changes to schemes which have previously been allocated funding. It mitigates against the high-level risks within the TCF programme providing the flexibility to manage our capital programme proactively, this report proposes mitigating actions which members are asked to support in order to ensure the construction programmes of schemes can be met and risks to TCF programme delivery are minimised.

## **11. Equality and Diversity**

11.1 There are no equality and diversity implications arising from this report. Individual schemes supported by the TCF programme will be designed to modern standards and be compliant with appropriate legislation, ensuring that any equality and diversity implications are minimised. In particular, schemes will take in to account the access needs of people with disabilities, and the safety and security needs of vulnerable people.

## 12. **Crime and Disorder**

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

## 13. **Consultation/Engagement**

13.1 This report has been shared with the Capital Programme Board and Transport Strategy Board, comments have been taken into account and integrated from both groups. The TCF programme is comprised of a number of schemes indicatively approved by the Joint Transport Committee in May 2020, each scheme will be subject to consultation before final approval from the Joint Transport Committee. Individual schemes are also subject to consultation at a local level appropriate to the specific project.

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

14.1 The delivery of the TCF programme will provide a significant beneficial impact on the businesses of transport operators, key employment sites and employers in the North East. In addition, it is likely that improved access to educational opportunities will be secured. Finally, greater use of sustainable and public transport modes facilitated through TCF investment will lead to improved health outcomes for people living and working in the North East.

## 15. **Appendices**

15.1 Appendix 1 – TCF Programme Gantt Chart  
Appendix 2 – TCF Programme RAG Risk Assessment

## 16. **Background Papers**

16.1 North East Transport Assurance Framework: [NORTH EAST JOINT TRANSPORT COMMITTEE \(transportnortheast.gov.uk\)](https://transportnortheast.gov.uk)

## 17. **Contact Officers**

17.1 Jonathan Bailes, Transport Programme Lead  
E-mail: [jonathan.bailes@transportnortheast.gov.uk](mailto:jonathan.bailes@transportnortheast.gov.uk)

## 18. **Sign off**

- The Proper Officer for Transport: ✓

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

## 19. **Glossary**

TCF – Transforming Cities Fund

JTC – Joint Transport Committee

TNE – Transport North East

DfT – Department for Transport

OBC – Outline Business Case

FBC – Full Business Case

TCF Devolved Pot – the Transforming Cities Fund allocation from DfT that is available to spend on the prioritised schemes identified in our November 2019 TCF Strategic Outline Business Case submission

Transport Assurance Framework – a framework for business case development and review that ensures good decision making, procurement and governance is in place for all projects, for schemes that can demonstrate good value for public money

## North East Joint Transport Committee

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**Date:** 16 November 2021

**Subject:** Transforming Cities Fund Tranche 2 – Grant Funding Agreements (ITS)

**Report of:** Managing Director, Transport North East.

### **Executive Summary.**

The purpose of this report is to seek delegated authority to approve and allocate funding from the Transforming Cities Fund (TCF) Devolved Pot to the regionwide Intelligent Transport Systems Scheme (ITS). A Business Case for the scheme is currently being considered in accordance with the region's Transport Assurance Framework with the scheme appraisal being conducted by Transport North East's retained independent consultants.

It is necessary to expedite approval of the scheme, given the need to start on site in January 2022, in order to meet the construction programme within TCF timelines. Given the lack of a Committee date in December delegated authority is sought from the Joint Transport Committee for the Transport North East Managing Director, in consultation with the Section 73 Officer and Monitoring Officer subject to successful appraisal of the scheme business case and due diligence in line with the Transport Assurance Framework to approve the ITS scheme and enter into a Grant Funding Agreement (GFA) with Newcastle City Council on behalf of the region.

### **Recommendations**

The North East Joint Transport Committee is recommended to:

- i. Delegate authority to the Transport North East Managing Director, in consultation with the Section 73 Officer and Monitoring Officer, to approve the release of £18,607,188 from the TCF Devolved Pot to the ITS scheme, subject to successful appraisal in line with Transport Assurance Framework.
- ii. Instruct officers to prepare and sign a Grant Funding Agreement with Newcastle City Council for the ITS scheme.

## 1. **Background Information**

1.1 In March 2020 the North East region was awarded £198m from the Government's Transforming Cities Fund to aid the delivery of sustainable transport capital measures. In total, £94m of this funding is allocated to the Nexus led Metro Flow scheme, with the remaining £104m allocated to the region to spend on smaller sustainable transport schemes.

1.2 A programme of schemes was considered by this Committee in May 2020, and the local authority promoters of those schemes have since been advancing the design of their schemes and preparing business cases for investment.

1.3 As they come forward, the business case for each scheme in the programme is considered using the regionally agreed Transport Assurance Framework and reviewed by an independent consultant retained by Transport North East (TNE) to ensure:

- the level of analysis undertaken by the scheme promoter is appropriate to the size of the scheme;
- the scheme gives good value for public money;
- the risks associated with delivery of the scheme have been identified and where possible mitigated; and
- the appropriate governance and procurement processes are in place to complete the scheme by March 2023, a key requirement of DfT's grant funding conditions.

1.4 The business case for the ITS scheme has now come forward and is currently being considered in accordance with the region's Transport Assurance Framework with the scheme appraisal being conducted by TNE's retained consultants.

## 2. **Proposals**

2.1 The ITS scheme entails the delivery of corridor-based efficiency improvements across the region which will also support other (non-ITS corridor) schemes in the Transforming Cities Fund programme. The ITS corridor efficiency scheme will provide bus priority on the highest service-frequency routes across the region, as identified by bus operators. In its most simple form, the scheme will provide extended green times at traffic signals for approaching buses that are late running, or alternatively, call on green time when approaching the lights on the red light stop phase. Where practicable, signals upstream and downstream will be coordinated to prevent start/stop bus movements.

2.2 The ITS scheme will deliver significant journey time benefits, impacting on most highway-based journeys across the region. The scheme provides the foundation for emerging future technologies, based on readily available data, to manage the network as areas, people and the transport network become inherently

interconnected and their interactions more intelligent. The ITS scheme will give greater control and coordination across the network. This will support network efficiency, resilience and allow traffic signal control and interventions, to response to emerging technologies, transport policy and changing transport demands.

2.3 In total, the ITS scheme will cost £20,560,756 of which £18,607,188 is provided by the TCF Devolved Pot with districts contributing the remaining £1,953,568 as local match funding contributions.

2.4 The programme for the delivery of the scheme is on a critical path, Newcastle City Council are leading on the delivery of the ITS scheme on behalf of the region, works must start in January 2022, to complete within the TCF Programme timescales. A programme has been developed in order to ensure that all ITS associated improvements throughout the region will be completed by 31 March 2023. However, this programme of delivery would be at risk if swift approval of the ITS business case is not forthcoming and the construction start date is pushed back.

2.5 Given the aforementioned time constraints associated with the programme of delivery for the scheme and the lack of an available Committee date in December, delegated authority is sought to approve the scheme business case subject to a positive appraisal outcome. It is vital that the decision-making process required to enable Newcastle City Council and NECA to enter into a Grant Funding Agreement (GFA) can be expedited so as not to forestall critical stages of delivery.

2.6 It is recommended that the Committee confer delegated authority to the TNE Managing Director, in consultation with the S73 Officer and the Monitoring Officer, to prepare and sign a GFA with Newcastle City Council subject to a successful independent appraisal of the scheme in line with the agreed regional Transport Assurance Framework. This Agreement will provide Newcastle City Council, as scheme promoter, on behalf of the region, with permission to draw down funding from the TCF Devolved Pot which is held by NECA on behalf of the JTC and meet the deadline for TCF scheme completion, March 2023

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

3.1 The scheme proposals will contribute to the delivery of the Transforming Cities Fund programme, which in turn will contribute to the delivery of the overarching regional objectives outlined in the North East Transport Plan. The proposed approval route for the scheme is recommended to ensure that construction can commence in January 2022. This start date is essential for the scheme to meet the programme of construction and ensure the overall scheme can be delivered by the March 2023 deadline for TCF expenditure.

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

4.1 As part of the business case development for the ITS scheme a range of delivery options were assessed against value for money, risk and deliverability considerations. A preferred option was selected and progressed on the understanding that the approach offered the best mix of benefits offset against a comparably lower level delivery risk. The business case demonstrates why the

chosen solution provides the best option in terms of meeting passenger needs whilst also providing value for public money.

- 4.2 Two options are presented to the North East Joint Transport Committee.
- 4.3 Option 1 – The North East Joint Transport Committee accept the recommendations set out in this report, and confer delegated authority to the TNE Managing Director, in consultation with the S73 Officer and the Monitoring Officer, to prepare and sign a GFA with Newcastle City Council subject to a successful appraisal in line with the agreed regional Transport Assurance Framework, enabling the ITS scheme to deliver with TCF programme timescales.
- 4.4 Option 2 - The North East Joint Transport Committee do not accept the recommendations set out in this report, in which case the ITS scheme will not be able to deliver in line with the TCF programme timescales and the passenger benefits outlined within the Business Case of the scheme will not be realised.
- 4.5 Option 1, is the recommended option.

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

- 5.1 A Grant Funding Agreement will be prepared by officers subject to successful appraisal and will be subsequently agreed with Newcastle City Council, after which construction can commence. TNE will require that the Council provides quarterly monitoring update reports that will detail progress, expenditure and risks

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

- 6.1 The proposal will contribute positively to the high-level strategic objectives in both the regional Strategic Economic Plan and the North East Transport Plan.

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

- 7.1 The TCF allocation proposed in this report amounts to £18,607,188, this TCF allocation takes into account the re-allocation of £1.5m from the South Shields to Newcastle Bus Corridor scheme to the ITS scheme recommended in the Transforming Cities Fund Tranche 2 – Programme Update paper. The financial summary for the TCF Devolved Pot can be updated as follows:

- Total TCF Funds (Exc Metroflow): £103,797,542
- Funds Committed (inc. ITS scheme): £38,546,502
- Remaining Devolved Pot: £65,251,040
- Total TCF ask: £120,994,063
- Over-programming: £18,196,521

- 7.2 There are no Human Resources or ICT implications arising from the recommendations of this report.

## **8. Legal Implications**

- 8.1 A Grant Funding Agreement is required in order to enable the scheme promoter to commence drawing down the funding allocation associated with the ITS scheme. A standard Grant Funding Agreement template has been prepared for all TCF schemes that is utilised to minimise any legal risks and ensure NECA's obligations (on behalf of the JTC) to the Department for Transport in regards to the TCF devolved funding, these obligations are appropriately transferred to the scheme promoters through the Grant Funding Agreement.

## **9. Key Risks**

- 9.1 The key risk for this Committee relates to the potential for the construction of this scheme to be delayed or overspent. The funding mechanism included within the Grant Funding Agreement ensures that risks to the Committee are appropriately mitigated, transferred, and borne by the scheme promoter.

## **10. Equality and Diversity**

- 10.1 The scheme will be designed to modern standards and compliant with appropriate legislation, ensuring that any equality and diversity implications are minimised. In particular, the scheme will take account of the access needs of people with disabilities, and the safety and security needs of vulnerable people.

## **11. Crime and Disorder**

- 11.1 The scheme will be designed to modern standards, appropriate consultation with statutory consultees has taken place through the design of the scheme, ensuring that any crime and disorder implications will be minimised.

## **12. Consultation/Engagement**

- 12.1 This report has been shared with the Capital Programme Board and Transport Strategy Board, comments have been taken on board from both groups. The scheme promoter has managed all consultation requirements pertaining to the scheme itself.

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

- 13.1 The ITS scheme will afford extensive traffic signal control over the busiest transport corridors across the region and also within city and town centres. This enables traffic signal interventions to be made to improve efficiencies and focus on providing benefits for the sustainable modes of transport. This scheme will support many others within the TCF Tranche 2 programme, it will achieve improved journey times and reliability to city centres and employment sites. The scheme supports economic growth by keeping people moving and connecting people with opportunities, jobs, industry, leisure, and education. The scheme will also benefit from the use of extra low voltage (ELV) installations reducing energy

costs.

## 14. Appendices

14.1 Not Applicable. (include Business Case – if available.)

## 15. Background Papers

15.1 ITS, Outline Business Case, prepared on behalf of Newcastle City Council – this document has informed this Committee report. (if available)

## 16. Contact Officers

16.1 Jonathan Bailes, Transport Programme Lead

E-mail: [jonathan.bailes@transportnortheast.gov.uk](mailto:jonathan.bailes@transportnortheast.gov.uk)

## 17. Sign off

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

## 18. Glossary

- DfT – Department for Transport
- TCF Devolved Pot – the Transforming Cities Fund allocation from DfT that is available to spend on the prioritised schemes identified in our November 2019 TCF Strategic Outline Business Case submission
- Transport Assurance Framework – a framework for business case development and review that ensures good decision making, procurement and governance is in place for all projects, for schemes that can demonstrate good value for public money



## North East Joint Transport Committee

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**Date:** 16 November 2021

**Subject:** Discharge of Transport Functions by Northumberland County Council

**Report of:** Interim Executive Director: Regeneration, Northumberland County Council

### Executive Summary

Under the Constitution of the Combined Authority, and in accordance with an Operating Agreement between the Constituent Authorities, certain functions have been delegated to the Executive of the two Constituent County Councils, being Durham and Northumberland.

This report provides an update on the discharge of delegated functions by Northumberland County Council for the financial year 2020/21.

### Recommendations

It is recommended that the Committee note the transport responsibilities of Northumberland County Council and the activities undertaken in 2020/21.

## **1. Background Information**

- 1.1 The Combined Authority Orders of 2014 and 2018 transfer to the Combined Authorities transport functions previously carried out by Northumberland and Durham County Councils under parts 4 and 5 of the Transport Act 1985 and functions under part 2 of the Transport Act 2000.
- 1.2 Under the Constitutions of the Combined Authorities and the Standing Orders of the Joint Transport Committee, and in accordance with an Operating Agreement between all the Constituent Authorities, transport functions have been delegated to the Executive of the two Constituent County Councils, being Durham and Northumberland.

## **2. Proposals**

- 2.1 Members are requested to note the contents of the report.

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

- 3.1 Under protocols agreed between the Constituent Authorities, it was planned for Northumberland County Council to report to the North East Joint Transport Committee on the manner in which the transport functions have been discharged including how they have been discharged in accordance with any performance management criteria.

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

- 4.1 Under protocols agreed between the Constituent Authorities, Northumberland County Council will provide an update report to the North East Joint Transport Committee on an annual basis.

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

- 5.1 The tasks reported in this document support the objectives of creating the best possible conditions for growth in jobs, investment and living standards, to make the North East an excellent location for business, to prioritise and deliver high quality infrastructure and to enable residents to raise their skill levels and to benefit from economic growth long into the future.

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

- 6.1 For 2020/21, the funding for Transport functions in Northumberland County Council was transferred into the Combined Authority, and the Combined Authority in turn delegated the funding to the Council to cover the discharge of its transport functions.

## **7. Legal Implications**

- 7.1 The 2018 Order requires that the two Combined Authorities establish a joint committee for the discharge of their transport functions. In accordance with its

powers as set out within the 2018 Order, the Joint Transport Committee has determined that a number of transport functions exercisable within the two county council areas are delegated to those councils. Responsibility for the functions, however, remains with the Joint Transport Committee; therefore, in accordance with the Joint Transport Committee's Standing Orders, the county councils are required to report to the Joint Transport Committee, on an annual basis, how they have delivered the transport functions delegated to them.

## **8. Key Risks**

8.1 There are no specific risk management issues arising from this report.

## **9. Equality and Diversity**

9.1 There are no specific equality and diversity issues arising from this report.

## **10. Crime and Disorder**

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

## **11. Consultation/Engagement**

11.1 There are no specific consultation/community engagement implications arising from this report.

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

12.1 There are no other impacts arising from this report.

## **13. Appendices**

13.1 Appendix A – North East Combined Authority (NECA) - Northumberland County Council Transport Activity Report 2020/21

## **14. Background Papers**

14.1 The North East Combined Authority and North of Tyne Combined Authority Constitutions

Deed of Cooperation relating to the Transport Joint Committee and the North East LEP dated 31 March 2020.

## **15. Contact Officers**

15.1 **Rick O'Farrell**  
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**16. Sign off**

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

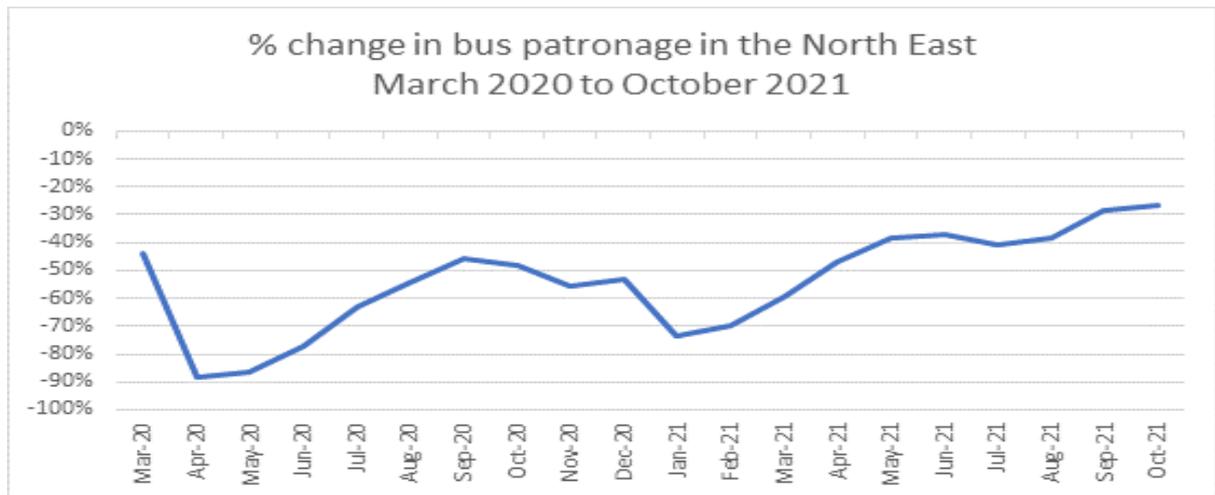
# North East Combined Authority (NECA) Northumberland County Council Transport Activity Report 2020/21

## Introduction

1. This report covers the discharge of transport duties delegated to Northumberland County Council (NCC) for the period 1<sup>st</sup> April 2020 to the 31<sup>st</sup> March 2021.

## Bus Service Network

2. Northumberland has a diverse geography, including large areas of rurality, creating complex travel demands, which highlights the importance of public transport across our rural County. The local bus network plays a key role in the ambitions for Northumberland County Council in terms of providing essential access to employment, education, healthcare and service centres.
3. Most bus routes operating in Northumberland are run commercially without any input, subsidy or support from Northumberland County Council. This commercial network which covers approximately 80% of all services covers those routes that are profitable. The remaining 20% of services are either fully or partially subsidised by Northumberland County Council, these services would not operate without the ongoing support of the council.
4. The supported services comprise approximately 40 routes, or parts of routes, that cover mainly rural areas of Northumberland. These supported services include instances of services running commercially at popular/peak times, but where support is given to maintain journeys at other times (early morning and late evening for example). They also include support the County Council gives to key tourist services that help boost the local economy and safeguard the environment by ensuring that people can visit notable locations without needing a car. All supported routes are shown on Map 1.
5. The 2020/21 financial year has been unprecedented in the challenges faced in discharging NCC's transport duties and meeting the needs of bus users. The Covid-19 pandemic has had a major impact on both the supported and commercial bus services network throughout the whole of the financial year, with huge reductions in patronage due to the national lockdowns, the related change in demand for journeys, and government messaging discouraging the use of public transport.
6. The following graph tracks bus patronage from March 2020 to October 2021 when compared with pre Covid levels of patronage. The graph illustrates the effect of both the first and second lockdown on bus patronage and the subsequent recovery phases. The graph also highlights the issues the industry is facing in attracting users back to the bus with patronage down 60% at March 2021.



7. The 2020/21 financial year began with the UK in lockdown which came into force on the 26<sup>th</sup> March 2020, together with the associated instruction to avoid unnecessary contact and travel. The lockdown led to a significant reduction in public transport provision across the County, in most cases at very short notice, during this period NCC worked extensively with operators to ensure that essential public transport links were maintained and that the reduced and simplified network still met the essential needs of bus users and that these changes were effectively communicated to users.
8. Following the lifting of the first lockdown and with confirmation regarding funding for the public transport industry in the form of Covid Bus Services Support Grant (CBSSG), operators in Northumberland were able to return to a largely normal network albeit with some reduced evening and weekend offerings, together with some modest frequency reductions along high frequency corridors. These reductions were largely attributable to the absence of demand associated with an evening economy and in part to a reduction in driver availability due to sickness and staff being advised to isolate as per government advice.
9. Post lockdown CBSSG funding, effectively allowed operators to claim lost revenue on services at pre-pandemic levels, this funding allowed for a return to pre-covid timetables, and whilst patronage dropped to around 10% of pre-pandemic levels during the initial lockdown and was around 50% of pre-pandemic levels by the March 2021
10. Linked to CBSSG Northumberland County Council also administered the Department for Transport (DfT) Local Transport Authorities Covid Bus Services Support Grant (LTA CBSSG) this funding was aimed at those services secured by the local authority and in common with CBSSG it primarily provided funding to transport authorities to offset the reduction in farebox revenue resulting from the significant reduction in patronage. In practice all of Northumberland supported service contracts have been let on a minimum subsidy basis whereby the revenue risk sits with the operator, as such LTA CBSSG was calculated and distributed to operators of supported services in line with DfT guidance.
11. Historically, criteria for subsidising bus services has been based on maximum subsidy per passenger and where these figures are exceeded the service concerned should not be de-registered. A more considered approach has now been implemented that looks at accessibility, integration and procurement to ensure

services deliver the maximum accessibility from the given budget. This approach has allowed us to realise substantial savings over the last five years with minimal disruption to the supported bus network.

	Supported Services Budget
Supported Bus Services Gross Expenditure 2020/2021	£1.3m* (Incl. £500k BSOG)
Funding available as of the 1 <sup>st</sup> April 2021	£1.3m

\*In addition to the stated expenditure additional funding is provided by partner organisation to support specific services and a significant recharge from home to school transport for those elements of the supported bus network that are used to carry scholars.

Map 1: Bus services that are fully or partly subsidised by Northumberland County Council

### Northumberland Public Bus Service Route Lines

— subsidised by NCC



Published January 2015. Scale: 1:525,000  
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**Northumberland**  
Northumberland County Council

### Home to School Transport

12. Northumberland County Council have experienced an incredibly challenging year trying to provide home to school transport because of the COVID-19 pandemic. At the beginning of the pandemic, we were forced to completely revisit the way that the policy and conditions of contract were implemented across the whole of the network as we had a key objective to provide home to school transport to all keyworkers / vulnerable children and ensure government guidelines regarding social distancing had been followed while school transport was operated. During this pandemic NCC have received £1.1m grant funding from the DfE (Department for Education) to provide more dedicated home to school and college transport and ensure pupils attend school and college safely and on time.
13. Northumberland County Council provides free home to school transport for 7,302 eligible children attending mainstream and Special Educational Needs (SEN) schools at an annual cost of over £15.8m (£10.0m mainstream & £5.8m SEN). Home to school transport policy is restricted to statutory criteria but free provision is made for children to enable them to attend a particular school on grounds of religion or belief. The school transport network covers all of Northumberland and substantial use is made of “feeder” transport (operated mainly by taxis) connecting into “trunk” services (operated by buses) at village hubs etc. A rolling programme of “clean sheet” area route review activity is undertaken on an annual basis which involves a complete re-design of the school transport network before a re-tendering exercise is undertaken. The order in which routes reviews are being undertaken at present is being dictated by school reorganisations. Historically, the County had a three-tier system of education in place, but this is evolving, and a substantial number of schools and academies have elected to transition to a two-tier system of primary & secondary schools. This has a major impact on the school transport network. Northumberland County Council continues to provide free post-16 transport after it was re-introduced in 2018/19 on the basis that a student is attending their local high school or FE college. Free travel continues to be available for Post 16 students with special needs.

<b>Transport by Category</b>	<b>Pupils</b>
Pre 16 mainstream	5,459
Post 16 mainstream	779
Pre 16 SEN	918
Post 16 SEN	146

2020/2021 Mainstream home to school transport spend (Post & Pre 16) **£10,018,091**  
 2020/2021 SEN home to school transport spend (Pre & Post 16) **£5,814,947**

### **Concessionary Travel Scheme**

14. Northumberland County Council participates in the government’s English National Concessionary Travel Scheme (ENCTS). The national scheme entitles pass holders who are resident in England to free off-peak travel (after 09:30) on local bus services throughout England. This scheme covers both disabled people and eligible older people.
15. In addition to the national scheme entitlements, Northumberland County Council also provides a number of local enhancements to the scheme. For example, pass

holders can travel from 09:00 onwards on journeys beginning in Northumberland. Northumberland is also one of a few Councils to provide companion passes to eligible disabled persons. Companion passes allow an additional person to travel for free when accompanying a companion pass holder.

16. The cost of providing this scheme was £4.618m for 2020/21. This represents an underspend of £194k for the year, with outturn at the same level as 2019/20. Whilst ENCTS patronage was significantly reduced due to the introduction of the Government's lockdown policy in response to the Covid-19 outbreak. Northumberland County Council has continued to reimburse operators at pre-pandemic levels to ensure the viability of routes and operators are maintained, in line with the Cabinet Office Procurement Note 02/20 - Supplier relief due to Covid-19, which advised local transport authorities to maintain payments at pre covid levels.
17. As of the 31<sup>st</sup> March 2021 Northumberland County Council had a total of 63,809 live ENCTS passes in circulation, this represented a reduction when compared to the previous year and is attributable to the expiration of passes and the failure to renew passes, which in part is linked to the reduction in ENCTS journeys during the Covid-19 pandemic and the associated government messaging around only using public transport for essential journeys.

Type of pass	Number
Senior	58,686
Disabled	3,910
Disabled with Companion	1,213

## Community Transport

18. Community transport has a key role to play in the mix of transport solutions for Northumberland. Community transport is about providing flexible and responsive solutions to unmet local transport needs and often represents the only way in which particular user groups can access a range of essential services. Because community transport is regulated under different rules from 'conventional' bus services, it is particularly well placed to offer innovative solutions where commercial services are not available. As a result, it can provide the connectivity needed to get to a range of destinations for otherwise isolated or excluded groups of people, helping to develop sustainable communities and contributing to social inclusion.
19. There are a range of Community Transport operators in Northumberland, some offering services without subsidy and support from the Council and others contracted by Northumberland County Council to deliver specific activities. Community Transport providers in Northumberland who currently deliver services under contract with Northumberland County Council:
  - Adapt (North East), Burn Lane, Hexham
  - NEED Ltd, Fire Station Houses, Alnwick

- WATBus Community Transport, Wansbeck Workspace, Ashington
  - UCCT (Upper Coquetdale community Transport)
20. As the commercial bus network continues to diminish in rural parts of Northumberland, more emphasis will be given towards Community Transport solutions. Users of community transport include people of all ages, disabled people, unemployed people, people in communities that don't have access to conventional public transport, children and young people as well as older people. Because community transport is embedded in the communities in which it operates, it is well placed to focus on specific local needs and on one-to-one help, providing both choice and quality of service.
21. The Community Transport sector in Northumberland has experienced a very difficult year, dealing with Covid-19 restrictions, most normal community transport operators were either suspended or operating at a significantly reduced level, during the various staged of lockdown, with a return to normal services not seen until early 2021.

### **Passenger Information Services**

22. Since April 2016 Northumberland County Council has been in partnership with Nexus for the provision of passenger information services. As part of this agreement Nexus has delivered printed timetable information at over 850 stops in Northumberland, alongside a fully managed digital information offering. This digital offering includes:
- LiveTravel Map in Northumberland to deliver Real time via smart devices and a direct link through from the QR / NFC tags installed in Northumberland.
  - Journey Planner and NaPTAN stop information will also be fully managed by Nexus on behalf of NCC.
  - This partnership also allows NCC to benefit from any enhancements to Nexus systems in future months and years.
23. By entering into a partnership with Nexus we are delivering accuracy and consistency of information, especially on cross boundary trips between Northumberland and Tyne & Wear, whilst also delivering a vast improvement on the previous NCC offering. In particular, the inclusion of the Live Travel Map web-app where passengers can benefit from real time information at their fingertips is a step-change in passenger information delivery. This three-year contract which expired in May 2020 has been extended by a further twelve months, to ensure continuity during the Covid-19 pandemic.

### **Passenger Focus**

24. The planned further round of surveys in Autumn 2020, which monitor passenger satisfaction, was not undertaken due to the Covid-19 pandemic. We expect this work will continue to be a key indicator that will resume when possible.

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## North East Joint Transport Committee

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**Date:** 16 November 2021

**Subject:** Updated Forecast of Outturn 2021/22 and Revenue Budget Proposals 2022/23

**Report of:** Chief Finance Officer

### Executive Summary

This report provides the North East Joint Transport Committee (JTC) with an updated forecast of outturn for the transport revenue budgets for 2021/22, based on the position to 30 September 2021 and a summary of the draft transport budget and levies for 2022/23.

The transport levies and grants to Durham, Northumberland and Nexus are fixed for the current year so the outturn is in line with the original budget allocations.

Durham County Council are currently forecasting an overspend against their grant of £0.048m due to increases in costs of subsidised services. Budgets for 2022/23 are still being developed by Durham County Council but an initial estimate of £15.583m has been included in this report, representing a year-on-year increase of £0.116m.

Northumberland County Council are forecasting an underspend against their grant of £0.319m due mainly to savings on Concessionary Travel. Budgets for 2022/23 are still being developed by Northumberland County Council but an initial estimate of £6.357m has been included in this report, representing a year-on-year increase of £0.029m.

As previously reported to this committee, for Nexus, the impact of Covid-19 has been profound. The drop in passenger revenue on Metro has been managed in 2021/22 through the provision of grant support from government, and the updated forecast for 2021/22 indicates a deficit of £1.728m after receipt of Covid-19 funding, to be funded from reserves, an improvement of £0.952m against the original budget for the year agreed by the JTC.

The government has advised that for Covid-19 funding for Metro operations will be withdrawn at the end of 2021/22 but patronage on the Metro will not have returned to pre-pandemic levels by that point and this leads to a major financial challenge. Whilst the Joint Transport Committee may wish to make further representations to government, the budget

strategy contained in this report sets out the measures that are proposed in the absence of a positive response to those representations in order to set a balanced budget next year.

These measures include: a reduction of £7.5m in the budget used to fund Concessionary bus travel reimbursement in Tyne and Wear; efficiency savings and additional stretched income targets for Nexus of £3.6m and the use of £5.6m of Nexus' reserves; and, as a last resort, a a levy for 2022/23 for Tyne and Wear of £65.225m, representing an increase of 6.75%, or £4.125m year on year increase. The alternative to the increased levy would be cuts to Nexus services to the value of £4.125m. These proposals will be revised to reflect any new grant funding announcements and any increases in patronage on Metro beyond the latest estimates.

The forecast for Transport North East is for expenditure to total £9.018m against the original budget of £2.660m, with the increase being due to the continuation of various Covid-19 grants paid to the local authorities and Nexus, the inclusion of Active Travel Fund revenue activity and the Bus Services Improvement Plan and Enhanced Partnership Development work. In the main Transport North East budgets there is a small underspend forecast on staffing as a result of vacancies in the team during the year.

A breakeven position is forecast on the Tyne Tunnels in 2021/22 and again in 2022/23, with a rise in the tolls for Class 3 vehicles built into the budget proposals for next year as a result of the levels of Retail Price Index inflation. This will be subject to confirmation by the Tyne and Wear Sub Committee in January.

It is proposed to continue the contribution of £10,000 per authority towards Transport North East which is retained from the Durham and Northumberland levies and which funds the work of the JTC accountable body role, and contributions to the post of Managing Director, Transport North East, and the wider Transport Strategy Unit. The contribution from the Tyne and Wear levy to fund central activity next year will be £2.1m (in line with current allocations), which is mainly used to meet costs relating to the former Tyne and Wear Integrated Transport Authority, namely charges for historic debt.

It is proposed that, as a minimum, funding for Transport North East from the Local Transport Plan Integrated Transport Block is continued at £500,000 (£62,500 per council and Nexus). This does not preclude growth in this budget being agreed and further proposals may be presented at a later stage.

## **Recommendations**

The North East Joint Transport Committee is recommended to:

- Receive the report for information and comment;
- Note the updated forecast of outturn for the 2021/22 Transport budget as set out in the report;
- Agree to write to the government, formally requesting that Covid-19 support for the Tyne and Wear Metro be continued over at least the next financial year;
- Consider the budget assumptions/proposals set out in the report, forming the basis of consultation on the 2022/23 Transport budget:

- a. That £5.6m of Nexus' reserves are utilised in 2022/23 to help balance the budget next year;
  - b. That the Nexus budget for bus concessionary travel reimbursement in Tyne and Wear is reduced by £7.5m next year in line with government guidance, with funding redirected towards Nexus to help offset funding pressures with the Metro;
  - c. That Nexus be tasked with achieving efficiency savings of £2.4m and additional income of £1.2m to assist in balancing the budget in 2022/23;
  - d. That as a last resort the 2022/23 Transport Levy for Tyne and Wear is indicatively to be set at £65.225m, which represents an increase of £4.125m compared with the current year, but subject to a positive response to from the government in relation to Covid-19 support, and subject to further revision should passenger numbers on the Tyne and Wear Metro improve beyond forecast levels;
  - e. That the revenue grant to Nexus for 2022/23 is indicatively proposed to be set at £63.125m which represents an increase of £4.125m compared with the current year;
  - f. That the alternative to an increased Tyne and Wear levy would be cuts to other Nexus services to the value of £4.125m;
  - g. That a minimum contribution of £500,000 to Transport North East be top sliced from the Local Transport Plan Integrated Transport Block grant received by the JTC in 2022/23;
  - h. That the JTC Tyne and Wear Sub Committee give consideration to increasing the Tyne Tunnels tolls for Class 3 vehicles next year in line with Retail Price Index inflation as set out in the concession contract and the agreed approach to the funding of the Tyne Tunnels (Note: the final decision will be taken by the Tyne and Wear Sub Committee in January 2022);
- Note that the budget proposals for Transport will be subject to a consultation process including reports to the JTC Overview and Scrutiny Committee, relevant officer groups and the Leadership Board of NECA and the NTCA Cabinet;
  - Note the intention to approve the budget and agree the Transport levies at the meeting of the JTC on 18 January 2022, after considering any comments received on the proposals and decisions reached by the Tyne and Wear Sub Committee in January 2022.

## **1. Background Information**

- 1.1 The Joint Transport Committee (JTC) 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 central strategic support provided by Transport North East.
- 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 provides an update on the budget assumptions and proposals for the levies and other budgets relating to the JTC and sets out initial proposals for these budgets in 2022/23. The proposals contained in this report are in lieu of lobbying of government in terms of funding for the continued impacts of Covid-19 beyond April 2022.
- 1.4 The budget proposals will be further developed and consulted upon in the coming months, and decisions on the levies and other aspects of the Transport budget for 2022/23 will be taken by the JTC on 18 January 2022. Decisions on the Tyne Tunnels tolls will be taken by the Tyne and Wear Sub Committee (TWSC) in January 2022.

## **2. Proposals**

### **Transport Levies 2021/22 and Indicative Levies 2022/23**

- 2.1 As the transport levies and revenue grants are normally fixed for the year there is no change in the levies payable and the 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 to meet historic costs relating to the former Tyne and Wear Integrated Transport Authority (TWITA). This area of the budget is expected to underspend slightly in the current year due to interest costs on historic TWITA debt decreasing over time and the forecast underspend will be transferred to the JTC unallocated reserve at the year end.
- 2.3 The updated forecast of outturn for the current year, together with the initial budget proposals for 2022/23 are set out in table 1 below, with further explanations provided in the sections that follow.

Table 1: 2021/22 Forecast and Indicative 2022/23 Transport Levies and Grants

	2021/22 Original Budget	Spend to date (to 30 Sept 2021)	2021/22 Forecast Outturn	2021/22 Forecast Variance	2022/23 Initial Draft Budget
	£m	£m	£m	£m	£m
Total Levy Income	<b>(82.895)</b>	<b>(41.448)</b>	<b>(82.895)</b>	<b>0.000</b>	<b>(87.165)</b>
Grant to Durham	15.457	7.734	15.467	0.000	15.573
Grant to Northumberland	6.318	3.164	6.328	0.000	6.347
Grant to Nexus	57.813 <sup>1</sup>	28.907	57.813	0.000	63.125
Nexus contribution to Metro Futures Planning Studies budget (2021/22 only)	1.187	1.187	1.187	0.000	0.000
Retained levy budget	2.120	1.001	2.015	(0.105)	2.120
<b>Total Expenditure</b>	<b>82.895</b>	<b>41.993</b>	<b>82.790</b>	<b>(0.105)</b>	<b>87.165</b>
<b>Contribution (to) / from JTC reserves</b>	<b>0.000</b>	<b>0.545</b>	<b>(0.105)</b>	<b>(0.105)</b>	<b>0.000</b>

### Tyne and Wear Levy

- 2.4 The majority of the Tyne and Wear levy is paid as a revenue grant to Nexus for the delivery of public transport services. Initial budget proposals include an increase in the levy on Tyne and Wear Councils from £61.100m to £65.225m, an increase of £4.125m or 6.75%. This would increase the grant paid to Nexus for the provision of public transport services from a baseline of £59.000m to a proposed £63.125m. The centrally retained budget of £2.100m – retained to fund Tyne and Wear transport costs (primarily relating to the former TWITA) and contribute to the central TNE budget would be held at the current level.

### Nexus Revenue Budget

#### Updated Forecast of Outturn 2021/22

- 2.5 The 2021/22 budget was set using pre-Covid service levels on the basis that government support would continue in the form of Light Rail Revenue Restart Grant (LRRRG) and Local Authority Coronavirus Bus Services Support Grant (LACBSSG). The original budget included £21.944m of Covid support with the remaining shortfall between income and expenditure of £2.680m being funded

<sup>1</sup> The base grant of £59.000m agreed for 2021/22 was reduced on a one-off basis by £1.187m to affect the transfer to Transport North East of remaining budget relating to Metro and Local Rail Studies.

from reserves.

- 2.6 In July 2021 the DfT confirmed that a final tranche of LRRRG support would be available to the end of the financial year and then it would be discontinued. LRRRG is now expected to be in excess of the original budget and is currently envisaged to be sufficient in order to cover Metro's expected fare and commercial revenue losses over the remainder of the current year.
- 2.7 Elsewhere within the budget, there are positive vacancies which means that the call on reserves is currently forecast to be £0.952m better than the original budget. A summary of the forecast outturn is set out below:

*Table 2: Nexus summary of forecast outturn 2021/22*

	<b>2021/22 Original Budget</b>	<b>Spend to date (to Period 6)</b>	<b>2021/22 Forecast Outturn</b>	<b>2021/22 Forecast Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Travel	38.604	17.274	37.792	(0.812)
Subsidised Bus Services	14.833	7.083	14.790	(0.043)
Metro	24.103	11.764	24.530	0.427
Other	4.897	2.163	4.780	(0.117)
Projected COVID-19 Support	(21.944)	(10.938)	(22.351)	(0.407)
Transport Levy Grant	(57.813)	(27.085)	(57.813)	(0.000)
	<b>2.680</b>	<b>0.261</b>	<b>1.728</b>	<b>(0.952)</b>
<b>Reserves</b>	<b>(2.680)</b>	<b>(0.261)</b>	<b>(1.728)</b>	<b>0.952</b>

### **Metro**

- 2.8 The fare and commercial revenue that has been generated to the end of P6 is £13.443m, which represents a 56% recovery rate (against an evenly profiled pre-COVID budget).
- 2.9 In addition, investment income to the end of P6 is £0.035m which is a shortfall on budget of £0.060m. There were also Covid costs of £0.086m in relation to PPE, cleaning materials, IT equipment and licences incurred during this period.
- 2.10 The total LRRRG required to balance the Metro budget to the end of P6 is £10.378m.
- 2.11 Energy markets are in a very volatile position at the present time, with significant increases in energy prices and demand being higher than expected, green energies not producing at expected levels over recent months and increased international demand for gas. All these factors are distorting the market and

resulting in high price increases for both gas and electricity.

- 2.12 NEPO advise that the average price of HV Power could be up to 20% higher than budget provision. At this stage the market remains unstable, and prices could still increase further. The estimated budget pressure is currently being worked through but given the size of this budget, it is likely to be in excess of £1.0m. In the current year, this will be accommodated from within the overall Metro operating budget.

### **Concessionary Travel**

- 2.13 In line with government supplementary guidance, bus operators were given notice that from 19 July 2021, concessionary fares would be reimbursed based on the number of services operating, rather than at pre-COVID budgeted levels. To the end of period 6, service levels have been on average around 7% less than pre-COVID and deductions amount to £0.812m. Given the uncertainty around levels of service provision, the forecast for the year at this stage assumes no further deductions although to the extent that services do not recover to pre-COVID levels, further savings in this budget may be possible.

### **Bus Services**

- 2.14 Commercial revenue on Nexus' secured bus services to the end of P6 is £1.082m which is £0.412m higher than budget. The LACBSSG required was budgeted to be £0.511m to the end of P6, however as revenue is £0.412m higher than budget, this brings the fare loss support required to £0.099m.
- 2.15 The bus shuttle service to the Nightingale vaccination centre in the Sunderland area is set to run until 19 October. The costs to date are £0.227m and as this service is a direct result of Covid-19 the costs will be claimed from LACBSSG.
- 2.16 Covid costs of £0.004m in relation to IT licences have been identified year to date. In addition, £0.358m has been claimed as a pass-through, on behalf of small operators who do not have access to LACBSSG funding.
- 2.17 This brings the total LACBSSG required to support Bus Services to £0.688m.
- 2.18 Additional scholars' services for the summer term (April to July) cost £0.741m and have been funded from a specific grant made available by the Department for Education. At this time there are no further additional services arranged for the new school term.
- 2.19 Taxi Card membership continues to be lower than budget with net savings of £0.043m identified to the end of period 6.

### **Other**

- 2.20 Ferry revenue to the end of period 6 is £0.161m which is £0.049m higher than budget but remains £0.032m (21%) lower than pre-covid levels. The MHCLG scheme is available for the first quarter of the financial year and a claim has been prepared which is expected to be in the region of £0.030m. Thereafter, any revenue shortfall will be borne by Nexus, which is reflected in the forecast in the

table below.

- 2.21 Salary savings from vacancies are currently forecasting a positive variance of £0.140m in 2021/22 which is reflected in the forecast under the category 'Other'.

### **Nexus Budget Proposals 2022/23**

#### **The Impact of Covid-19**

- 2.22 The Covid-19 pandemic has had a hugely detrimental effect on Nexus' financial situation. The nationwide lockdown in March 2020 led to patronage on the Tyne and Wear Metro immediately declining by around 95%. Following the lifting of the national lockdown, customers started to gradually return to the Metro from summer of 2020, however, the reimposition of lockdown restrictions in early 2021, coupled with government messaging to continue working from home where possible with social distancing requirements remaining in place until July 2021, has meant that as we have only now rebegun the gradual recovery. Metro patronage is (YTD) around one-third less than its pre-pandemic levels.
- 2.23 More than £50m of government financial support, the main beneficiary of which has been the Tyne and Wear Metro, has been provided between March 2020 and March 2022 to ensure Nexus' services have continued to operate. In July 2021, Nexus was advised that the major component of this emergency support, Light Rail Revenue Restart Grant (LRRRG) for Metro operations, will be withdrawn at the end of 2021/22.
- 2.24 The recovery plan for Metro that Nexus was required to produce in January 2021 emphasised the fact that growing the customer base back to pre-pandemic levels is the best way of achieving recovery and that the introduction of the new fleet of Metrocars and the delivery of the Metro Flow project are instrumental to this.
- 2.25 However, the profound changes in society brought about by the pandemic are likely to prevent customer journeys returning to pre-pandemic levels, certainly in the short-term / immediate aftermath of the pandemic. This makes balancing the budget over the medium term a significant challenge and based on the Medium-Term Financial Plan agreed by the Committee in January 2021, assuming Metro revenues recover to 80% of pre-pandemic levels next year, means a deficit of £19.2m was initially being forecast for 2022/23, with the impact disproportionately greater in Metro operations than other parts of Nexus' budget, because of the significant reliance Metro places on customer revenues.
- 2.26 In essence, Nexus' significant financial challenges are because of the Covid pandemic and are clearly exacerbated by government Covid-19 support being withdrawn before recovery is complete. Various representations have been made to the government on an informal basis, but it is proposed that the Joint Transport Committee formally writes to Ministers to make the point in the clearest possible terms that it is essential for the Tyne and Wear Metro to continue to receive Covid-19 support through the next financial year, in order to avoid cuts to public transport services and an increased financial burden on local authorities.

2.27 A combination of interventions was discussed with the Joint Transport Committee in September 2021, including use of reserves as a temporary measure, the delivery of further efficiency savings, a redirection of the concessionary fares budget to compensate revenue losses and an increase in the Tyne and Wear transport levy.

2.28 Without these interventions, sizeable reductions in service provision will be necessary, although given the scale of the financial challenge, cuts of the magnitude required in Metro services will be wholly counterproductive. By way of example, a reduction of timetabled services by 40% would achieve a limited saving of around £3.7m, but would lead to revenue losses of more than the amount saved. Reducing services in this way would therefore require additional subsidy or in all likelihood, lead to the closure of the system.

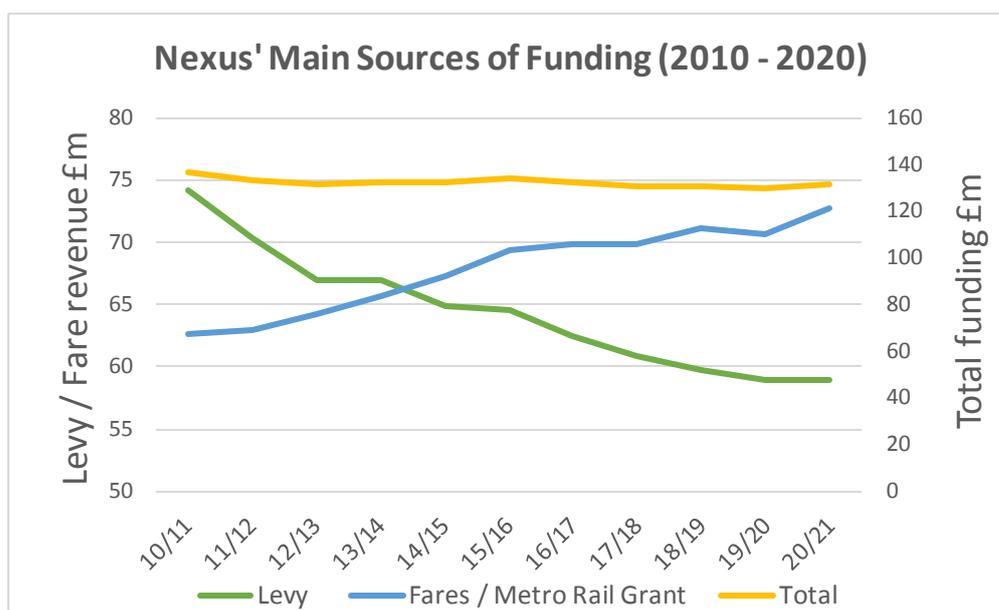
### **Financial Context pre-Covid**

2.29 Nexus' main sources of funding have reduced by £5.1m, from £136.0m to £130.9m between 2010 and 2020 (in real terms, this reduction is estimated at around £45.0m):

- The Tyne and Wear transport levy has reduced from £74.2m to £59.0m (£15.2m or 20%; had it increased in line with inflation, it would now be more than £100.0m);
- By contrast, funding for Tyne and Wear Metro has increased, although not by enough to fully compensate for the reduction in the levy. In the decade prior to Covid, Metro fare revenue had grown by £8.6m (or 23%) whilst Metro Rail Grant (MRG) from the Department for Transport (DfT) had increased by £1.5m (or 6%). Consequently, by 2020, only £3.3m of Nexus' Tyne and Wear transport levy funding was directed towards meeting Metro's operating costs, even though Metro's gross budget is in the order of £115.0m.

2.30 The support for Metro provided by the levy effectively compensates for revenue forgone in the provision of the Gold Card. However, previous estimates show that £3.3m is only around half of what would be required under the 'no better, no worse' requirement for reimbursing third parties i.e., commercial bus operators. Whilst Nexus has maintained non-Metro services during this period, it is fair to say that the relative buoyancy of Metro's funding has been a contributory factor in enabling this to happen.

2.31 The following graph illustrates Nexus' change in funding since 2010:



2.32 As previously indicated, over this time, Nexus has not reduced its service output. Moreover, it has had to contend with significant financial pressures on services that are funded in their entirety by the Tyne and Wear transport levy e.g., growth in concessionary fares reimbursement, and secured bus service contractual inflation.

2.33 In terms of Metro, investment in upgrading the infrastructure has led to an increase in certain costs, especially following the introduction of digital assets e.g., new ticket vending machines, gatelines and smartcard technology, a new rail traffic management system (RTMS), and a new radio system. Recently, funding has also been required to invest in a revised Train Crew Agreement, necessary because of the introduction of another replacement asset i.e., the new fleet (although addressing significant attrition in the driver establishment was also a factor). In addition, measures to extend gate line operations to address anti-social behaviour and ticketless travel have recently been introduced.

2.34 Against a backdrop of shrinking levy funding and growth in Metro funding (but which has been re-invested to meet increasing costs) Nexus has also:

- Reduced headcount by 20% (a saving of 200 posts, reducing the employee cost base by around £10.0m per annum);
- Reduced external debt, despite unprecedented investment in its asset base, by £26m (over 40%) since 2010, which has led to a reduction of £2.0m per annum in debt charges;
- Provided a £3.2m 'rebate' to Tyne and Wear Councils (£2.0m in 2013/14 and £1.2m in 2021/22) in lieu of the levy being frozen (not cut) in those years;
- Set aside £25.0m to provide the local contribution required by DfT for the new fleet; and
- Increased usable reserves by over £10.0m since 2014, which are available to support frontline services.

## **Budget Preparation 2022/23 to 2024/25**

- 2.35 The table at paragraph 2.41 outlines the latest forecast for 2022/23. It demonstrates that, unless the government continues to provide Covid-19 support to the Tyne and Wear Metro through the next financial year, in order to balance the budget in 2022/23 it will be necessary to apply a reduction of £7.5m in the budget used to fund Concessionary bus travel reimbursement in Tyne and Wear; efficiency savings and additional stretched income targets for Nexus of £3.6m and the use of £5.6m of Nexus' reserves; and, as a last resort, a levy for 2022/23 for Tyne and Wear of £65.225m, representing an increase of 6.75%, or £4.125m year on year increase. The alternative to the increased levy would be cuts to Nexus services to the value of £4.125m. These proposals will be revised to reflect any new grant funding announcements and any increases in patronage on Metro beyond the latest estimates.
- 2.36 The position presented to the Committee in September 2021 used the budget estimates included within year 2 of the medium-term financial plan that was presented to the Committee in January 2021, updated to reflect the full withdrawal of central government emergency support for Covid and a revised estimate of Metro revenue (expressed as a percentage of the revenue generated in the last full year before the Covid pandemic). It has been necessary to make an adjustment to the estimate of Metro revenue since this was reported to the Committee, because the last full year before Covid had disruptions to the revenue generated by Metro both in terms of Covid itself (lockdown commenced in mid-March 2020), industrial action that was taken during December 2019 and two major overhead line failures. Accordingly, the estimate for Metro revenue has been revised upwards by £0.8m (but is still referred to as 80% of the pre-Covid revenue).
- 2.37 Since the development of the medium-term financial plan, it is evident that a range of unforeseen pressures have arisen. These include inflationary pressures over and above those previously anticipated e.g., in employers' national insurance contributions (for the social care levy), high voltage power, the Metrocar fleet maintenance contract, construction materials, general utilities and secured bus contracts. In addition, with interest rates remaining at record lows, investment income is now forecast to be less than previously estimated. Taking these additional pressures into account means that the deficit for 2022/23 is now forecast at £20.8m, an increase of £1.6m on that previously notified to the Committee in September 2021.
- 2.38 The proposals submitted by Nexus would fully protect the services it provides and proposals require a combination of further efficiency savings, funded from a pay freeze in the current year, renegotiating key contracts and containing other cost pressures from within existing budgets.
- 2.39 In addition, Nexus proposes a redirection of concessionary fares funding to underwrite its revenue losses. There has been a significant reduction in concessionary pass holders using the English National Concessionary Travel Scheme (ENCTS), with uptake only recovering to circa 60% at this point. Despite this, and in line with government policy, Nexus has continued to reimburse

commercial bus operators at pre-Covid levels. This means that an estimated £40.0m overpayment will have been made by Nexus during 2020/21 and 2021/22. Whilst this has helped ensure the viability of the bus network in Tyne and Wear during the pandemic, the withdrawal of Covid emergency support from government from next April means that Nexus can no longer justify making these payments at pre-Covid levels.

2.40 Nexus is therefore proposing a redirection of £7.5m (20%) of this budget. This measure will likely affect commercial bus routes, and the Committee need to be cognisant of this. Further work will be necessary to assess the impact and whether there are knock-on effects for the bus services that Nexus secures. In addition, the Bus Service Improvement Plan (BSIP) being developed by Transport North East on behalf of the region has made the case for additional subsidy in order to compensate. In this regard, it is worth noting that such an invidious policy choice does not exist in travel concession authority areas that do not operate light rail systems.

2.41 Given the magnitude of the financial challenge, Nexus is also proposing that £5.6m of reserve funding is used in 2022/23 to help underpin the revenue budget. This, alongside setting a stretch target to achieve an additional 2.5% of Metro revenue in 2022/23 (expressed as a percentage of pre-Covid revenue and amounting to an additional £1.2m) will still leave a funding shortfall of £4.1m, which if fixed through the Tyne and Wear transport levy will require a 6.75% uplift on the 2021/22 level (after adjusting for changes in population estimates). The following table shows the budget position outlined above in summary form:

*Table 3: Nexus levy requirement 2022/23*

	£m	£m
<b>MTFP position for 2022/23 (with removal of Covid support)</b>		<b>19.200</b>
Income Adjustment: Metro Fare Revenue at 80% of pre-Covid levels		(0.800)
		<b>18.400</b>
<b>Cost pressures not previously recognised in MTFP:</b>		
NIC for social care	0.400	
HV Power	0.900	
Investment income	0.200	
Other inflation	0.900	2.400
<b>2022/23 revised position</b>		<b>20.800</b>
<b>Options to eradicate 2022/23 deficit:</b>		
Efficiency savings	(2.400)	
Redirection of concessionary fares funding	(7.500)	
Reserves	(5.600)	
Metro revenue (target increasing to 82.5% of pre-Covid levels)	(1.200)	(16.700)
<b>2022/23 revised position</b>		<b>4.100</b>
<b>Increase in Tyne &amp; Wear transport levy (6.75%)</b>		<b>(4.100)</b>

2.42 The table below shows the impact on the Tyne and Wear Councils from a proposed 6.75% increase in the levy:

*Table 4: Tyne and Wear Levy Apportionment 2022/23*

	<b>2020 Population</b>	<b>Levy (after population change)</b>	<b>Proposed Increase (6.75%)</b>	<b>2022/23 Proposed Levy</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
Gateshead	201,950	10.761	0.726	11.487
Newcastle	306,824	16.350	1.104	17.454
North Tyneside	208,871	11.130	0.751	11.881
South Tyneside	151,133	8.053	0.544	8.597
Sunderland	277,846	14.806	1.000	15.806
<b>Total</b>	<b>1,146,624</b>	<b>61.100</b>	<b>4.125</b>	<b>65.225</b>

2.43 Further work is being undertaken in relation to the development of budgets for 2023/24 and 2024/25 and these will be brought to the Committee for consideration in January 2022. It is anticipated that further increases in the Tyne and Wear transport levy in both 2023/24 and 2024/25 will be required given Nexus cannot place reliance on reserves indefinitely. Whilst Nexus will be able to use an additional £2.6m of reserves in 2023/24 as part of the medium-term financial plan, at this point it will have reduced the level of reserves earmarked to help underpin the revenue budget to £1.5m, leaving very little scope for addressing any additional budgetary pressures that might arise.

2.44 In relation to the +2.5% stretch target for Metro revenue, it should be noted that Nexus' assessment of its ability to generate revenue at this level reflects how successful it has been in attracting customers back to the Metro and the fact that to date, it has outperformed other light rail operators elsewhere. Should Nexus outperform this target, any decision to increase the levy in 2022/23 (and any subsequent increases thereafter) would necessarily be revisited.

### **Durham**

2.45 The Q2 forecast of outturn for 2021/22 shows a projected overspend of £0.048m when compared with the budget. Any projected over or underspend at the year-end will be retained by Durham County Council.

2.46 *Table 5: Durham County Council Forecast of Outturn 2021/22 and Initial Draft Budget 2022/23*

	<b>2021/22 Original Budget</b>	<b>Spend to Date (to Sept 2021)</b>	<b>2021/22 Forecast Outturn</b>	<b>2021/22 Forecast Variance</b>	<b>2022/23 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	11.932	1.329	11.932	0.000	11.889
Subsidised Services	2.556	1.725	2.671	0.115	2.688
Bus Stations	0.177	0.903	0.078	(0.099)	0.177
Bus Shelters	0.019	0.029	0.066	0.047	0.019
Passenger Transport Information	0.088	0.020	0.074	(0.014)	0.088
Staffing	0.685	0.343	0.685	0.000	0.712
Share of NECA Transport Costs	0.010	0.000	0.010	0.000	0.010
<b>Net Expenditure</b>	<b>15.467</b>	<b>4.349</b>	<b>15.516</b>	<b>0.049</b>	<b>15.583</b>

2.47 The projected outturn for 2021/22 is largely in line with the budget, with a small overspend of £0.049m forecast. Additional costs of £0.115m are forecast on Subsidised Services, projected to begin from September. There is a forecast saving of £0.099m on Bus Stations due to the closure of Durham Bus Station for redevelopment work. There have been additional maintenance costs on Bus Shelters largely offset by additional advertising income but leading to a net overspend forecast of £0.047m.

2.48 Proposals for 2022/23 are currently being developed and indicative estimates are shown in the table above.

### **Northumberland**

2.49 The forecast outturn position for 2021/22 is currently estimated to be a £0.319 million underspend. Further guidance is awaited from the Department for Transport on ongoing payments to operators at pre-pandemic levels and if any post Covid-19 recovery funding will be made available to both operators and local transport authorities.

2.50 In common with Northumberland's approach to funding supported services in 2020/21, Northumberland has continued to fund supported services at pre-Covid-19 levels with the majority of these services now returning to pre-Covid-19 frequency having operated at reduced frequency. These supported services include instances of services running commercially at popular and peak times, but where support is given to maintain journeys at other times for example early mornings or late evenings.

2.51 Northumberland County Council also makes payments to operators under the Government's English National Concessionary Travel Scheme (ENCTS) which

entitles pass holders to free off-peak travel after 9.30 on local bus services. ENCTS scheme journeys are still significantly reduced due to the ongoing implications of the Covid-19 pandemic and subsequent messaging regarding only travelling for essential purposes. During the early part of 2021/22 the Council has reduced payments to those operators not running pre Covid mileage in line with government advice, those operators are currently being reimbursed based on the proportion of mileage currently being operated when compared with pre covid mileage, any shortfall is claimable by operators as part of the commercial CBSSG claim, which means despite the reduction in concessionary travel payment operators are no worse off.

2.52 All other operators continue to be reimbursed at pre-pandemic levels to ensure the viability of routes and operators is maintained, in line with the Cabinet Office Procurement Policy Note 02/20 – Supplier Relief due to Covid-19, for at least the period of the outbreak to enable the resumption of socially necessary services afterwards.

2.53 The draft budget and levy for public transport activity in Northumberland is £6.357m for 2022/23. This compares with a budget of £6.328m for 2021/22. The reason for the small increase is due to an allowance for some inflation. The Council is currently developing its 2022/23 budget proposals, and these will be included in the report to the JTC in January 2022. Initial estimates are shown in the table below.

2.54 *Table 6: Northumberland County Council Forecast of Outturn 2021/22 and Initial Draft Budget 2022/23*

	<b>2021/22 Original Budget</b>	<b>Spend to Date (to Sept 2021)</b>	<b>2021/22 Forecast Variance</b>	<b>2021/22 Forecast Variance</b>	<b>2022/23 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	4.903	1.594	4.613	(0.290)	4.932
Subsidised Services	1.230	0.297	1.201	(0.029)	1.230
Bus Services	0.026	(0.002)	0.026	0.000	0.027
Passenger Transport Information	0.025	0.000	0.025	0.000	0.025
Staffing	0.134	0.067	0.134	0.000	0.133
Share of NECA Transport Costs	0.010	0.000	0.010	0.000	0.010
<b>Net Expenditure</b>	<b>6.328</b>	<b>1.956</b>	<b>6.009</b>	<b>(0.319)</b>	<b>6.357</b>

### **Transport North East**

2.55 Since its creation in 2018 the Transport North East (TNE) team has been working at capacity to develop and lead on the delivery of a very broad and

ambitious transport programme on behalf of the region. NECA and NTCA together form one of the largest areas in the county by both population and geographical size. TNE acts as the strategic transport body that supports both Combined Authorities (via the JTC).

- 2.56 Forecast expenditure for TNE in 2021/22 is estimated to be £9.018m compared with the original budget of £2.66m, primarily as a result of the additional costs of the Bus Services Improvement Plan and Enhanced Partnership Development (£1.646m), Covid-19 grants payable to constituent local authorities and Nexus, and additional Active Travel funding from the government (£2.477m). Since the last budget report to the committee, funding from DfT to support the development of the EP has been confirmed and the local authority funding which had been agreed is no longer required and will not be drawn down. The work will be funded through DfT grant (£1.413m) and the contribution from JTC unallocated reserves previously agreed.
- 2.57 The TNE team is funded through contributions from the Transport Levies which are retained to support JTC activity and a top slice of the Local Transport Plan Integrated Transport Block grant which is awarded to the JTC plus external contributions to fund specific posts and external grants for specific pieces of work.
- 2.58 Following initial discussions with constituent local authorities, at this point in time estimates for 2022/23 assume that contributions from the levies and LTP are held at the same level as 2021/22. An initial budget of £2.681m would allow business-as-usual activity to continue during 2022/23 but will not address existing issues around capacity and short-term funding streams. The ability of the team to attract future grant funding through competitive bidding processes will be limited. The initial draft budget on the employee costs line is lower for 2022/23 as certain posts are now shown in the Metro Futures Planning Studies and Rail Development lines. Higher expenditure than in the current year is forecast for TCF Programme Management due to the likely timing of work in finalising grant funding agreements and business cases review, as well as a higher volume of claims and quarterly monitoring reports to be managed.
- 2.59 *Table 7: Transport North East Forecast of Outturn 2021/22 and Initial Draft Budget 2022/23*

	<b>2021/22 Original Budget</b>	<b>Spend to date (to 30 Sept 2021)</b>	<b>2021/22 Forecast Outturn</b>	<b>2021/22 Forecast Variance</b>	<b>2022/23 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Employee costs	0.758	0.379	0.637	(0.121)	0.579
Transport Plan / Strategy Work	0.070	0.000	0.051	(0.019)	0.050
Research and Development	0.100	0.023	0.039	(0.061)	0.030
Travel and Miscellaneous	0.013	0.012	0.017	0.004	0.021
IT / Equipment /	0.011	0.002	0.009	(0.002)	0.011

Accommodation					
	<b>2021/22 Original Budget</b>	<b>Spend to date (to 30 Sept 2021)</b>	<b>2021/22 Forecas t Outturn</b>	<b>2021/22 Forecas t Varianc e</b>	<b>2022/2 3 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Go Ultra Low – Revenue	0.000	0.002	0.002	0.002	0.000
TCF Tranche 2 programme management	0.361	0.096	0.270	(0.091)	0.621
Covid-19 grants	0.000	3.022	3.022	3.022	0.000
Active Travel Planning	0.000	0.221	2.477	2.477	0.000
Metro Futures Planning Studies	1.187	0.123	0.581	(0.606)	1.133
BSIP/ Enhanced Bus Partnership	0.160	1.094	1.646	1.486	0.000
Rail Development	0.000	0.072	0.222	0.222	0.236
Zero Emission Bus Regional Areas (ZEBRA) bid	0.000	0.000	0.045	0.045	0.00
<b>Total Expenditure</b>	<b>2.660</b>	<b>5.046</b>	<b>9.018</b>	<b>6.358</b>	<b>2.681</b>
LTP funding - TSU	(0.500)	(0.250)	(0.500)	0.000	(0.500)
Retained Transport Levy	(0.187)	(0.187)	(0.187)	0.000	(0.187)
External funding for specific posts	(0.216)	(0.029)	(0.155)	0.061	(0.166)
Go Ultra Low – Revenue grant	(0.000)	(0.002)	(0.002)	(0.002)	(0.000)
TCF Tranche 2 income	(0.361)	(0.096)	(0.270)	0.091	(0.621)
Covid-19 grants	(0.000)	(3.022)	(3.022)	(3.022)	(0.000)
Government grants – other	(0.000)	(0.221)	(2.477)	(2.477)	(0.000)
BSIP DfT grant	(0.000)	(1.094)	(1.406)	(1.406)	(0.000)
Metro Futures contribution	(1.187)	(0.126)	(0.581)	0.606	(1.133)
Rail Administration Grant	(0.000)	(0.072)	(0.256)	(0.256)	(0.236)
<b>Total Income</b>	<b>(2.451)</b>	<b>(5.099)</b>	<b>(8.856)</b>	<b>(6.405)</b>	<b>(2.843)</b>
<b>Net Expenditure to be funded from Reserves</b>	<b>0.209</b>	<b>(0.053)</b>	<b>0.162</b>	<b>(0.047)</b>	<b>(0.162)</b>
<b>Use of Reserves</b>					
JTC unallocated reserves	(0.160)	0.053	(0.162)	(0.002)	0.000
Regional Transport Team reserves	(0.005)	0.000	0.000	0.005	0.162
Go Smarter legacy funds –	(0.044)	0.000	0.000	0.000	0.000

Transport Plan					
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## Tyne Tunnels

- 2.60 The Tyne Tunnels are accounted for as a ring-fenced account within the JTC budget, meaning that all costs relating to the tunnels are wholly funded from toll income received and Tyne Tunnels reserves, with no call on the levy or other local or national government funding.
- 2.61 The JTC receives all the toll income from the vehicle tunnels, and a payment under the contract with TT2 Ltd (the concessionaire) is determined based on traffic levels. The balance retained by the JTC is to meet other costs associated with the 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.
- 2.62 The 2021/22 tolls income budget included an increase in tolls for Class 2 vehicles to £1.90. This was applied in May 2021.
- 2.63 Traffic flows through the Tyne Tunnels are reviewed daily by TT2 and TNE. Following a significant reduction in traffic using the tunnels in March 2020 during the first Covid-19 lockdown, for the rest of 2020 and early 2021, traffic levels were around 60/70% of normal expected levels. This means that for most of the last 18 months traffic and toll revenue has been significantly below pre-pandemic levels. TT2 has suffered borne the loss from the reduced toll income rather than the JTC, as the JTC share of income is protected by the nature of the Project Agreement which sees JTC retain the first share of traffic income while TT2 takes its income from the additional traffic over that level. This means that TT2 takes the main financial risk on any reduction in traffic levels.
- 2.64 During July and August 2021 traffic had been gradually increasing and just tipped above expected levels in September due to Great North Run traffic, however during October, traffic levels have dropped down again slightly to around 95% of pre-pandemic levels. This seems to have been a direct result of the fuel shortage and increase in fuel prices which has resulted in reduced journey numbers.
- 2.65 The forecast outturn position for the Tyne Tunnels includes updated forecasts of tolls income and payments to TT2 taking into account traffic levels to date and forecasts for the remainder of the financial year.
- 2.66 Taking into account the latest published RPI data (September 2021) an increase in the tolls for Class 3 vehicles to £3.90 is possible next year, which would be applied at the beginning of the 2022/23 financial year. The indicative budget for 2022/23 is shown in the table below and includes an assumed increase in Class 3 tolls to £3.90 and an increase in the 'shadow toll' payment to TT2 Ltd (which is also in line with inflation but calculated on a slightly different basis in line with the Project Agreement) to £2.00 from 1 January 2022.
- 2.67 The position in relation to Class 2 vehicles will be kept under review and proposals brought to the Tyne and Wear Sub Committee once an increase is

possible. This may be during 2022/23 as inflation levels are currently higher than they have been for many years.

2.68 *Table 8: Tyne Tunnels Forecast of Outturn 2021/22 and Indicative 2022/23 Budget*

	<b>2021/22 Original Budget</b>	<b>Spend to date (to 30 Sept 2021)</b>	<b>2021/22 Forecast Outturn</b>	<b>2021/22 Forecast Variance</b>	<b>2022/23 Initial Draft Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Tolls Income	(30.004)	(16.460)	(29.091)	0.913	(31.499)
TT2 Contract	21.707	9.337	21.642	(0.065)	24.322
Employees	0.093	0.034	0.110	0.017	0.142
Pensions	0.054	0.025	0.050	(0.004)	0.050
Premises	0.021	0.000	0.021	0.000	0.014
Support Services	0.129	0.004	0.155	0.026	0.155
Supplies & Services	0.095	0.019	0.086	(0.009)	0.195
Financing Charges	8.195	0.000	7.333	(0.862)	6.926
Interest /Other Income	(0.050)	(0.008)	(0.050)	(0.000)	(0.065)
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	(0.240)	0.000	(0.240)
<b>(Surplus)/Deficit on Tyne Tunnels revenue account</b>	<b>0.000</b>	<b>(7.289)</b>	<b>0.016</b>	<b>0.016</b>	<b>0.000</b>

### **JTC Reserves**

2.69 The JTC holds reserves to fund future activity and to manage financial risk associated with its activities. A summary of the reserves as of 1 April 2021, forecast to 31 March 2022 and the estimated position to 31 March 2023 is shown in the table below.

2.70 *Table 9: Summary of JTC Reserves*

	<b>1 April 2021</b>	<b>Forecast 31 March 2022</b>	<b>Movement in Year 2021/22</b>	<b>Forecast 31 March 2023</b>	<b>Movement in Year 2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
JTC unallocated	(0.833)	(0.776)	0.057	(0.776)	0.000
Tyne Tunnels	(9.222)	(8.422)	0.800	(8.422)	0.000
Metro Reinvigoration	(9.271)	(8.071)	1.200	(8.071)	0.000

Metro Fleet Renewal	(10.127)	(10.127)	0.000	(10.127)	0.000
Go Smarter legacy	(0.044)	(0.044)	0.000	(0.044)	0.000
	<b>1 April 2021</b>	<b>Forecast 31 March 2022</b>	<b>Movement in Year 2021/22</b>	<b>Forecast 31 March 2023</b>	<b>Movement in Year 2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Regional Transport Team	(0.141)	(0.141)	0.000	(0.303)	(0.162)
Metro and Local Rail Studies	(0.754)	(1.360)	(0.606)	(0.227)	1.133

2.71 The JTC unallocated reserve is forecast to reduce by £0.057m, being the net of the surplus of £0.105m forecast on the retained levy budget and the contribution to the Bus Partnership development work of £0.162m. The Tyne Tunnels reserve is forecast to reduce by £0.800m as contributions are made to fund capital works on the Tyne Pedestrian and Cycle Tunnels. The Metro Reinvigoration reserve will reduce by £1.200m as the planned one-off rebate from Nexus was made earlier this financial year. The Regional Transport Team reserve is forecast to increase in 2022/23 with the funds held to support activity in future years when temporary grant funding sources have ended. The Metro and Local Rail Studies reserve will increase by £0.606m this year being the net of the £1.187m contribution from Nexus and the costs incurred in year of £0.581m. The majority of the reserve is forecast to be drawn down in 2022/23 to support work in this area.

2.72 The level of reserves forecast to 31 March 2022 and 31 March 2023 is considered to be prudent to manage risk associated with the activities of the JTC, taking into account that separate reserves are held by Nexus as set out in section 2.42 and that any under or overspends by Durham and Northumberland against their transport grant are managed through their own reserves.

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

3.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The information included in this report is presented to update the JTC on the preparation of the 2022/23 Transport budgets. The report also provides updated forecasts for the current year based on the latest information available.

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

4.1 The updated forecasts and indicative budget proposals presented in this report are intended to inform the JTC of work on the preparation of the 2022/23 Transport budget and begin the formal budget consultation process in line with the process set out in the NECA constitution in its role as Accountable Body for Transport.

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

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

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

5.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The draft proposals will be subject to consultation with the Overview and Scrutiny Committees, relevant officer groups and constituent councils. Comments raised as part of the consultation process will be considered in the preparation of the final reports. Feedback from the JTC Overview and Scrutiny Committee that took place on 16 October 2021 is included in paragraphs 12.3 to 12.5.

5.2 Proposals are at an initial stage and work will be ongoing in developing these further over the coming weeks. Decisions on the levies and other aspects of the Transport budget will be taken by the JTC on 18 January 2022.

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

6.1 The budgets 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 the January 2022 report to the Committee.

## **8. Legal Implications**

8.1 The JTC must approve the transport budget and levies unanimously. It will be recommended to make this decision at its meeting in January 2022.

## **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. Proposals will be published on the website for comment and included in any budget consultation undertaken by constituent authorities.
- 12.3 The JTC Overview and Scrutiny Committee met on 14 October 2021 to consider the report presented to the JTC on 21 September 2021. Members recognised that current forecasts of deficits in the Nexus budget arising from the removal of emergency Covid-19 support from April 2022 resulted in a serious position for the JTC and a set of stark choices around service reductions or levy increases. The Committee would welcome further engagement on detailed proposals.
- 12.4 Members expressed concerns about the impact of any reduction in public transport on the green agenda, noting that this was a priority for the authority which must be taken into account in making any decisions.
- 12.5 Members also requested further engagement on the impact of any proposals for reductions in funding to bus operators as a result of lower concessionary pass usage, and how this would impact on services provided.

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

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

## **14. Appendices**

- 14.1 None

## **15. Background Papers**

- 15.1 JTC Budget 2021/22 – Report to JTC 19 January 2021 ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 19/01/2021 14:30](#) ([northeastca.gov.uk](http://northeastca.gov.uk))

## **16. Contact Officers**

- 16.1 Eleanor Goodman, NECA Finance Manager,  
[eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk), 0191 433 3860

## **17. Sign off**

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

## 18. Glossary

CBSSG – Coronavirus Bus Services Support Grant

DfT – Department for Transport

ENCTS – English National Concessionary Travel Scheme

JTC – Joint Transport Committee

LRRRG – Light Rail Revenue Restart Grant

LTP – Local Transport Plan

MHCLG – Ministry of Housing, Communities and Local Government

MRG – Metro Rail Grant

NECA – North East Combined Authority

NTCA – North of Tyne Combined Authority

RPI – Retail Price Index

TCA – Travel Concession Authority

TCF – Transforming Cities Fund

TfN – Transport for the North

TSU – Transport Strategy Unit

TT2 – TT2 Ltd, Tyne Tunnels Concessionaire

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## North East Joint Transport Committee

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**Date:** 16 November 2021

**Subject:** Forecast of Capital Outturn 2021/22 (Period to 30 September 2021)  
and 2022/23 Capital Programme Planning Assumptions

**Report of:** Chief Finance Officer

### Executive Summary

This report provides the North East Joint Transport Committee (JTC) with details of the 2021/22 capital programme, together with expenditure to date and forecasts to year end based on the position at the end of September 2021 (Quarter 2).

The Transport capital programme encompasses a wide range of capital schemes, mainly delivered by the constituent local authorities and Nexus, but also investment in the two Combined Authorities' own assets, including the Tyne Tunnels.

The report identifies that total capital expenditure on Transport schemes is forecast to be £157.510m, against the revised programme budget of £162.337m, a forecast underspend of £4.827m to year end, largely due to lower than forecast expenditure in year on the Metro Asset Renewal Plan and Metro Flow projects, offset by increased forecast expenditure on Metro Fleet Replacement and on the Tyne Tunnels.

Actual expenditure incurred to the end of September 2021 totalled £50.172m, 31.8% of the forecast total capital expenditure forecast for the year.

An increase of £0.400m in the budget for the Tyne Pedestrian and Cycle Tunnels refurbishment is included in the forecasts, funded from Tyne Tunnels reserves. The increased budget is required to meet the additional expenditure on the door parts, operating mechanisms, and cabin, which need to be replaced and fitted by the specialist lift engineers that have been engaged to finalise this project. The need to replace these parts and undertake these works was not anticipated at the start of the works but has been necessary to make the lift safe and fully operational to open to the public.

Most of the capital investment that will be incurred during the year will be funded by government grants (£153.499m – 97.5% of total forecast capital expenditure) with elements of the Nexus capital programme and the Tyne Pedestrian and Cycle Tunnels works funded

by earmarked reserves (£4.011m - 2.50% of total forecast capital expenditure) held specifically for these purposes.

The report includes an update on assumptions being applied in the development of the capital programme 2022/23 and for future years which will be presented to the JTC in January 2022.

## **Recommendations**

The North East Joint Transport Committee is recommended to:

- i. Note the updated forecast of capital outturn for 2021/22;
- ii. Agree the £0.400m increase in the budget for the Tyne Pedestrian and Cycle Tunnels refurbishment project as set out in section 2.34, to be funded from Tyne Tunnels reserves.

## 1. Background Information

- 1.1 In January 2021, the JTC approved the initial capital programme of £152.674m. The capital programme was subsequently updated to take account of adjustments for slippage in the 2020/21 outturn and new developments in 2021/22. The revised updated budget approved by JTC in July 2021 is £162.337m.

## 2. Proposals

- 2.1 A summary of the Transport capital programme for 2021/22, together with forecast outturn position and details of actual expenditure to 30 September 2021 is set out in the table below, with further details provided in the sections that follow.

2.2 *Table 1: Capital Forecast of Outturn 2021/22 to 30 September 2021*

	<b>2021/22 Original Budget</b>	<b>2021/22 Revised budget</b>	<b>2021/22 Forecast</b>	<b>2021/22 Forecast Variance</b>	<b>Actual Expenditure to Q2</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Transforming Cities Fund Tranche 1	0.248	1.046	0.931	(0.115)	0.672
Transforming Cities Fund Tranche 2 (Excluding Metro Flow)	34.735	30.180	30.916	0.736	0.018
Active Travel Fund – Tranche 2	7.239	6.977	6.977	0.000	0.043
Electric Vehicle Charging Infrastructure	0.000	0.127	0.127	0.000	0.000
Ultra-Low Emission Vehicles – Taxi Project	0.000	0.033	0.049	0.016	0.000
Metro Asset Renewal Plan	19.222	23.609	19.310	(4.299)	5.534
Metro Fleet Replacement	63.069	64.215	65.227	1.012	33.143
Nexus non-Metro Programme	8.252	3.379	3.549	0.170	0.661
Metro Flow	8.100	20.632	17.885	(2.747)	5.121
Tyne Tunnels	0.500	0.800	1.200	0.400	0.317
Local Transport Plan <sup>1</sup>	11.309	11.339	11.339	0.000	4.663
<b>Total Capital</b>	<b>152.674</b>	<b>162.337</b>	<b>157.510</b>	<b>(4.827)</b>	<b>50.172</b>

<sup>1</sup> Excludes amounts for local contribution to Metro ARP, shown within Nexus capital programme lines.

<b>Programme</b>					
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## **Transforming Cities Fund (TCF) – Tranche 1 and Tranche 2**

- 2.3 The North East was awarded £208m of capital grant from the Transforming Cities Fund (TCF), of which £10m was for Tranche 1 and £198m was for Tranche 2. Within the Tranche 2 schemes, £104m is for schemes where the decision making on funding is devolved to the region, and the remaining £94m is for the Metro Flow scheme managed by Nexus, where the decision making on the funding is retained by the Department for Transport (DfT).
- 2.4 There are 19 schemes within the TCF Tranche 1 programme, of which 12 have been fully claimed and audit statements submitted which have released the retention held by NECA. There are a further five schemes where the final claim has been submitted, but where an audit statement is awaited to release the retention. The remaining two schemes are Barras Bridge (Newcastle City Council) and New Road to Lingley Lane (Gateshead Council) which are due to complete by the end of 2021.
- 2.5 A comprehensive update on the TCF Tranche 2 programme is included as a separate report elsewhere on the agenda.
- 2.6 At the time of preparing this report, the DfT Q2 return is being finalised, following a request to all scheme promoters to provide the updates and the latest information on their schemes. This included any amendments to previously supplied spend profiles and assurance milestones, alongside a construction programme. Q2 monitoring returns and claim forms were also requested for the two Tranche 2 schemes in the delivery phase – Durham Bus Station and Sunderland Central Station Redevelopment.
- 2.7 Approximately £2.4m of the total grant allocation for the North East region has been spent to 30 September 2021, which represents 2.3% of the overall programme. However, this is expected to start increasing significantly in Q3 as both Durham Bus Station and Sunderland Station schemes have been approved and works are underway. These schemes account for 19.2% of the total £103.8m Devolved Pot. In 2021/22 so far £0.018m payments from the Devolved Pot have been made. Claims for Q2 are due to be paid following the end of October and this will increase the total expenditure to date. There is a rapid acceleration in the anticipated spend over 2021/22 forecast, which is based on the anticipated milestones provided to TNE. This requires a number of business cases to come forward for approval during this financial year, with £30.916m of expenditure forecast for 2021/22.

## **Active Travel Fund – Tranche 2**

- 2.8 In November 2020, the North East region was allocated £9.049m of grant funding from Tranche 2 of the Active Travel Fund (ATF) (£7.239m capital and £1.810m revenue). £0.262m of the capital funding was utilised in 2020/21.
- 2.9 Ten Active Travel schemes across the seven Local Authorities have been

allocated £6.808m from the remaining £6.978m. At present there has been no grant funding paid to scheme promoters due to no Grant Funding Agreements (GFA) being finalised to date. For a GFA to be set up and claims to be processed for schemes, TNE has requested that an Assurance Statement and a Monitoring and Evaluation Plan is submitted by each scheme promoter for each scheme. This is additional to the DfT requirement to submit a letter confirming the outcomes of public consultation activities. These documents have started to come through and GFAs will begin to be issued, including one for the Durham County Council scheme which is due to start on site next month.

### **Electric Vehicle charging infrastructure**

- 2.10 Following the completion of the Go Ultra Low project earlier this year, good progress is being made in the delivery of further Electric Vehicle charging infrastructure across the north east, using Local Growth Fund resources. Site surveys at a number of the specified locations were due to be carried out during the last week of October, to be followed by detailed designs. One site (Middleton in Teesdale) has been found to be unsuitable for technical reasons, and discussions are taking place with Durham County Council regarding an alternative location. All sites are due to be completed by the end of the current financial year.

### **Ultra-Low Emission Vehicles – Taxi Project**

- 2.11 Eight of the ten dedicated electric vehicle charges for the taxi and private hire industry (funded by the Office of Zero Emission Vehicles) are now live and operational. Engagement events to encourage the switch to electric vehicles in the taxi trade are planned for 2021 and 2022. There are issues impacting on implementing the final two sites – legal constraints for Blandford Square in Newcastle, whilst the Coronation Street site in North Tyneside is currently being used as a Covid testing centre. Discussions are being held with the relevant authorities to seek to address these issues and bring the sites into use.

### **Nexus Capital Programme**

- 2.12 The JTC approved Nexus' Capital Programme for 2021/22 to 2023/24 in January 2021. The programme is sub-divided into the following sections:
- i. Metro Asset Renewal Programme (MARP);
  - ii. Fleet Replacement Programme (FRP);
  - iii. Other Capital Projects (OCP); and
  - iv. Metro Flow (MFL)

### **Total Nexus Capital Programme Summary**

- 2.13 Nexus' revised capital programme for 2021/22, provides for gross expenditure of £111.835m. The updated forecast of capital outturn, based on the position to Period 6 (expenditure to 18 September 2021), stands at £105.971m, with total actual programme spending of £44.459m, compared to a profiled expected spend of £48.340m.

2.14 The 2021/22 forecast outturn shows a £5.864m net underspend to year end against the revised budget of £111.835m. The is detailed below.

2.15 *Table 2: Nexus Capital Programme Forecast 2021/22*

	<b>2021/22 Original Budget £m</b>	<b>2021/22 Revised Budget £m</b>	<b>2021/22 Forecast Outturn £m</b>	<b>2021/22 Forecast Variance £m</b>
Cumulative to Period 6				
Metro Asset Renewal Programme		5.705	5.534	(0.171)
Fleet Replacement Programme		36.361	33.143	(3.218)
Other Capital Projects		0.950	0.661	(0.290)
Metro Flow		5.324	5.121	(0.203)
		<b>48.340</b>	<b>44.459</b>	<b>(3.882)</b>
Outturn				
Metro Asset Renewal Programme	19.222	23.609	19.310	(4.299)
Fleet Replacement Programme	63.069	64.215	65.227	1.012
Other Capital Projects	8.252	3.379	3.549	0.170
Metro Flow	8.100	20.632	17.885	(2.747)
	<b>98.643</b>	<b>111.835</b>	<b>105.971</b>	<b>(5.864)</b>

2.16 £58.479m of capital grant funding has been claimed from the Department for Transport (DfT) to date this year. This includes both the MARP, FRP and MFL. The actual amount claimed in total was 99.8% of the forecast expenditure and is within DfT tolerance levels of +/- 5%.

### **Metro Asset Renewal Programme (MARP)**

2.17 Actual spend at the end of Period 6 was £5.534m against the revised budgeted profile of £5.705m. The £0.171m underspend relates to reduced use of contingency than forecast during the period.

2.18 Forecast outturn for 2021/22 is £19.310m (including a risk contingency of £0.695m) against a revised budget of £23.609m. The £4.299m net decrease in expenditure forecast is mainly as a result of £1.914m of project spend being deferred into 2022/23 (Tanners Bank, OHL, Battery Loco replacement and Relay Rooms), plus net savings of £0.765m (Tyne Dock track works and Heworth to South Shields plain line renewal). There has also been a review of capital contingencies, which has resulted in a reduction in the contingency provision held of £1.620m. The lack of long-term surety is now severely impacting on delivery of the MARP because future projects aren't sufficiently developed in the life cycle and therefore incapable of being brought forward to mitigate slippage in the current year's programme.

2.19 The September grant claim was £1.146m, compared to the forecast £1.100m and therefore within the +/- 5% DfT target.

- 2.20 Total grant claimed to date is £5.391m and MRG capital grant of £16.000m is forecast to be received. The forecast outturn is currently £0.669m above the minimum spend target and will be carefully monitored across the remainder of the year to ensure that the minimum spend is achieved.
- 2.21 The remaining £3.310m of forecast spend will be funded from £2.891m of local funding (LTP and Reserves), plus £0.419m Highways Challenge Fund grant for Tanners Bank.

### **Fleet Replacement Programme (FRP)**

- 2.22 Actual spend to date was £33.143m against the revised budget profile of £36.361m. The majority of the £3.218m underspend relates to less contingency being applied than budgeted and a realignment of contractor activities on the Gosforth Depot project. None of this is expected to delay the depot completion date.
- 2.23 Forecast outturn for 2021/22 is £65.227m (including a risk contingency of £2.477m) against a revised budget of £64.215m. The forecast overspend of £1.012m relates to an acceleration of Work in Progress in manufacture of the new trains.
- 2.24 The September grant claim is 101.2% of the forecast. The £65.227m forecast outturn is expected to be funded from the £54.100m DfT Fleet Replacement grant available in 2021/22. With the balance funded from the local contribution of £11.127m.

### **Other Capital Projects (OCP)**

- 2.25 In 2021/22 Other Capital Projects have a revised budget of £3.379m comprising of £1.322m Transforming Cities car park projects, £1.226m Ferry North Landing relocation, £0.515m Ferry vessels and infrastructure and £0.316m non-Metro digital projects.
- 2.26 Actual spend at the end of Period 6 was £0.661m against the revised budgeted profile of £0.950m, a £0.289m underspend. This is mainly as a result of delays in the Ferry North Landing relocation project. The timescales for the designer have been pushed back further and there have been delays to issuing the tender for the GI works.
- 2.27 Forecast outturn for 2021/22 is £3.549m (including a risk contingency of £0.909m) against an approved budget of £3.379m. The £0.170m forecast overspend is in respect of £0.414m overspend on Ferry vessels offset against a £0.244m forecast underspend on the North Landing Relocation project due to the programme delays. The net increase is offset against the £0.150m additional NELEP grant approved in Period 4.

### **Metro Flow (MFL)**

- 2.28 Actual spend at the end of Period 6 was £5.121m against an expected cumulative spend of £5.324m, resulting in a £0.203m underspend. The variance

relates to contractor delays to undertaking planned surveys and reduced spend on PM time and de-vegetation works.

- 2.29 Forecast outturn for 2021/22 is £17.885m (including a risk contingency of £1.807m) against a revised budget of £20.632m. The £2.747m underspend is due to deferred contractor programme £0.858m, a reduction in internal team costs £0.373m and a £1.516m reduction of forecast contingency usage.
- 2.30 The project is 100% TCF capital grant funded in 2021/22 and £20.100m of TCF capital grant funding was received during Period 4. TCF Grant conditions allow grant, already received, to be deferred into 2022/23 to reflect the forecast underspend. The funding must be fully utilised by the end of 2022/23.
- 2.31 In relation to the match funding (£8.5m Metro Rail Grant and the £4.9m to acquire Network Rail infrastructure) a letter of comfort was received from DfT in August 2021, which has enabled the award of both the contracts for the 4 additional trains to Stadler and the main works contract to Buckingham Group. Full confirmation of the ongoing funding package is expected to be announced as part of the Government Spending Review 2021.

### **Tyne Tunnels**

- 2.32 It was anticipated at the time of setting the 2021/22 budget that works on the inclined lifts in the Tyne Pedestrian and Cycle Tunnels (TPCT) would be completed by December 2021, and that the TPCT would be handed over to the operation of TT2 this financial year. Works on the inclined lifts have progressed well since July 2021 with specialist engineers on site daily working on the lifts. In particular the electrical wiring, counterweight and track works have all been completed successfully on both the north and south lifts. However, there are further components relating to the doors, the operating mechanisms and the cabin which are required from specialist suppliers. These are bespoke parts have a supplier lead time of 14 weeks, therefore the lifts will not be brought into full operation until 2022.
- 2.33 Until the works are completed, and the tunnels can be handed over to TT2, additional operational costs will be incurred to keep the Tunnels open to the public. These costs include onsite security, maintenance contracts, cleaning and utilities. There is also further expenditure required on the door parts, operating mechanisms and the cabin which need to be fitted by the specialist engineers. It was unclear at the start of the current works whether some existing parts could be used or required replacement, however it has been assessed that whilst some can be reused there are also new parts required to make the lifts safe and fully operational to open to the public. Regular updates on the works will continue to be provided to the Tyne & Wear Sub Committee.
- 2.34 An increase in the budget of up to £0.400m is requested to enable completion of the inclined lift works and to enable handover to TT2. This will be funded from the Tyne Tunnels reserve which totalled £9.222m at 31 March 2021. Should the additional amount required reduce following negotiations with contractors, the requirement from the Tyne Tunnels reserve will be reduced. Capital expenditure to 30 September is £0.317m. Forecast capital expenditure to the financial year-

end is expected to be up to £1.200m compared with the original budget of £0.800.

### Local Transport Plan

- 2.35 Local Transport Plan (LTP) Integrated Transport Block funding is made available by the DfT to the whole JTC area. This block is allocated between the JTC constituent authorities on a locally agreed basis with an allocation to Nexus (mainly used to provide the match funding needed for the Metro ARP capital programme. The LTP block allocation is also used to contribute to the costs of the Transport Strategy Unit (TSU) and, in Tyne and Wear, to the Urban Traffic Management and Control (UTMC) centre. Quarter one and two payments have been made to the authorities following receipt of the grant from DfT and expenditure to 30 September 2021 is £4.663m.

### Overall Capital Programme Financing

- 2.36 Forecast Capital Expenditure for the year will be financed as follows:

*Table 3: Capital Programme Financing 2021/22*

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Revised Forecast	2021/22 Variance Revised Forecast vs Revised Budget
	£m	£m	£m	£m
Government grants	147.174	147.133	153.499	6.366
Earmarked Reserves	5.500	15.204	4.011	(11.193)
<b>Total Funding</b>	<b>152.674</b>	<b>162.337</b>	<b>157.510</b>	<b>(4.827)</b>

### Capital Programme 2022/23 and future years

- 2.37 The capital programme for 2022/23 and future years is still under development and pending government funding announcements. The 2022/23 capital programme will be presented to the JTC in January 2022 for approval. Some of the assumptions in the drafting of the programme are set out below.

### Transforming Cities Fund

- 2.38 All works on Tranche 1 to be complete by the end of the current financial year. In relation to Tranche 2, a significant level of grant expenditure is expected to be incurred in 2022/23, which represents the final year of the programme.
- 2.39 Updated forecasts including construction programmes have been sought from all scheme promoters, which will be used to update the forecast for the current and for next financial year.

### Nexus Capital Programme

### **Metro Asset Renewal Plan (MARP)**

- 2.40 The funding for Nexus' MARP programme beyond March 2022 is subject to the outcome of a £40.0m per annum bid into the 2021 Spending Review. There is an expectation that at least £20.0m will be available in 2022/23 and assuming this is the case, within the 2022/23 programme, Nexus will allocate £3.6m towards capital maintenance of its existing assets (primarily the current rolling stock), £3.3m for the continuation of the Overhead Line Replacement programme and £9.4m towards the Metro Flow project (see further detail below). A replacement bridge at Tanners Bank will also be delivered, for which £1.7m of Highways Challenge Fund grant has been secured.
- 2.41 MARP investment need is linked to asset management plans and Nexus has a prioritisation tool to also help determine future projects. Accordingly, Nexus has developed a programme of MARP essential renewal works for the period 2022/23 to 2024/25, although as explained above, delivering this programme is dependent on outcome of the Spending Review. The MARP programme for the next three years will therefore be refined after Nexus is informed of the level of resources that will be made available by DfT and will be brought to the Committee in January 2022 for approval.

### **Fleet Replacement Programme (FRP)**

- 2.42 The Fleet Replacement programme continues, and the 2022/23 budget is currently estimated at £75.2m, funded by £74.0m capital grant provided by DfT, together with a £1.2m local contribution.
- 2.43 The programme for next year includes the opening of the new depot facility in Gosforth and the delivery of the first train for testing on the network (both expected in the autumn/winter of 2022).
- 2.44 The three-year programme 2022/23 to 2024/25, which will see the progressive introduction of new trains into service and detailed estimates will be brought to the Committee for approval in January 2022. Beyond 2022/23, the programme is fully funded from DfT capital grant.

### **Metro Flow (MFL)**

- 2.45 Between October and December 2022, engineering works will be undertaken in South Tyneside to enable dual track operations between Hebburn and Bede stations. The budget for 2022/23 is estimated at £80.3m, with 90% of this funded from the Transforming Cities Fund (TCF), with the remainder funded from the MARP budget. Enabling works are being carried out in the current year, also funded by TCF.
- 2.46 In addition to the engineering works in South Tyneside, Nexus will also procure 4 additional trains, which future (revenue) funding permitting, will facilitate an increase in the frequency of Metro services across the network to every ten minutes (five minutes through the central corridor, with a more frequent service at peak times).

## **Other Capital Projects (OCP)**

- 2.47 In 2022/23, Nexus will complete two Transforming Cities funded car parking projects totalling £2.9m (including £0.4m local contribution) at Callerton station (physical infrastructure) and across the rest of the estate (digital enhancements for customers).
- 2.48 Nexus is also seeking funding for the proposed relocation of the North Shields Ferry Landing which if secured will see works commence in 2022/23. Project design, navigational requirements and regulatory matters are being pursued using funding allocated in this year's capital programme.
- 2.49 Nexus is also involved in delivering smart ticketing enhancements in the current year and in 2022/23 is expected to work alongside other partners e.g., Northumberland County Council (in respect of the Northumberland Line programme) and commercial bus operators (in connection with the BSIP). As with the proposed relocation of the North Shields Ferry landing, funding for these smart ticketing initiatives (including MARP funding for an upgrade of software in relation to Metro's ticketing and gating infrastructure) is yet to be secured.

## **Local Transport Plan**

- 2.50 A proposed allocation for the LTP Integrated Transport Block grant will be brought to the JTC for agreement following receipt of government announcements in the finance settlement in December. Included within previous budget proposals have been the continuation of the £0.500m top slice contribution to the central work of Transport North East and the £0.442m top slice from Tyne and Wear allocations to support the work of the Urban Traffic Management and Control (UTMC) facility.

## **Other Projects**

- 2.51 Other capital projects which may be included in the programme for 2022/23 or beyond await the outcome of future funding decisions by government, for example on any settlement in relation to the Bus Service Improvement Plan submitted at the end of October, or the outcome of the bid to the Zero Emission Bus Regional Areas (ZEBRA) scheme, the full business case for which is required by 31 January 2022.

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

- 3.1 The information contained within this report is provided to the JTC to enable it to fulfil its function of monitoring the Transport Capital Programme. The additional budget requested in respect of the Tyne Tunnels is necessary to ensure the Tunnels remain open to the public and that they are made safe and fully operational to open to the public.

## **4. Alternative Options Available**

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

recommendations set out in the report.

- 4.2 Option 2 – the North East Joint Transport Committee may suggest amendments or alternative proposals to be considered. In relation to the requested budget increase for the Tyne Pedestrian and Cycle Tunnels refurbishment, without the increase which is required for the completion of the inclined lifts, the works will not be completed, and the inclined lifts will not be made available to the public.

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

- 5.1 The transport capital programme will be monitored for the remainder of the financial year and the outturn position reported following the year end.

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

- 6.1 Successful delivery of the various transport schemes and investment proposals outlined in this document will assist the JTC in delivering its objective to maximise the region's opportunities and potential.

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

- 7.1 The report identifies that total capital expenditure on Transport schemes is forecast to be £157.510m, against the revised programme budget of £162.337m, a forecast underspend of £4.827m to year end, largely due to lower than forecast expenditure in year on the Metro Asset Renewal Plan and Metro Flow projects, offset by increased forecast expenditure on Metro Fleet Replacement and on the Tyne Tunnels.
- 7.2 An increase of £0.400m in the budget for the Tyne Pedestrian and Cycle Tunnels refurbishment is included in the forecasts, funded from Tyne Tunnels reserves.
- 7.3 Most of the capital investment that will be incurred during the year will be funded by government grants (£153.499m – 97.5% of total forecast capital expenditure) with elements of the Nexus capital programme and the Tyne Pedestrian and Cycle Tunnels works funded by earmarked reserves (£4.011m - 2.50% of total forecast capital expenditure) held specifically for these purposes

## **8. Legal Implications**

- 8.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an Authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.
- 8.2 Scheme promoters are required to sign a Grant Funding Agreements (GFA) before funding is provided, with claims being made based on expenditure defrayed and an audited statement required before final retention is released.
- 8.3 There are no other legal implications arising from this report.

## **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 capital programme for 2021/22 is comprised of previously approved schemes which have been subject to consultation before being signed off. Individual schemes (for example those funded by the Active Travel Fund) are subject to consultation at a local level appropriate to the specific project.

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

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

## **14. Appendices**

- 14.1 Appendix 1 – Exempt Part B Appendix to the report Forecast of Capital Outturn 2021/22 – Period to 30 September 2021 (NOT FOR PUBLICATION by virtue of paragraph(s) 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and in respect of which a claim to legal professional privilege could be maintained in legal proceedings.)

## **15. Background Papers**

- 15.1 JTC report 19 January 2021 – Transport Capital Programme 2021/22 ([Public Pack](#))Agenda Document for North East Joint Transport Committee, 19/01/2021 14:30 ([northeastca.gov.uk](http://northeastca.gov.uk))
- JTC report 13 July 2021 – 2021/22 Revenue Budget and Capital Programme Update ([Public Pack](#))Agenda Document for North East Joint Transport Committee, 13/07/2021 14:30 ([northeastca.gov.uk](http://northeastca.gov.uk))

## **16. Contact Officers**

- 16.1 Eleanor Goodman, NECA Finance Manager,  
[eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk), 0191 433 3860

## **17. Sign off**

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

## **18. Glossary**

ATF – Active Travel Fund

DfT – Department for Transport

JTC – Joint Transport Committee

LTP – Local Transport Plan

MARP – Metro Asset Renewal Plan

MFL – Metro Flow

MFR – Metro Fleet Replacement

MRG – Metro Rail Grant

NECA – North East Combined Authority

NTCA – North of Tyne Combined Authority

TCF – Transforming Cities Fund

TSU – Transport Strategy Unit

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