

Leadership Board

Tuesday 26 July 2022 at 2.00pm

Meeting to be held at: Reception Room, South Shields Town Hall, NE33 2RL

www.northeastca.gov.uk

AGENDA

	Page No
1. Apologies for Absence (Members)	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate. Please also remember to leave the meeting where any personal interest requires this.	
3. Minutes of the Previous Meeting held on 7 June 2022	1-6
For approval as a correct record.	
4. Announcements from the Chair and/or the Head of Paid Service	
5. Chair's Thematic Portfolio Update (Verbal Item)	
6. Finance, Skills and Employability Thematic Portfolio Update	7-16
7. Transport Thematic Portfolio Update	17-24
8. Finance Update – 2021/22 Outturn and 2022/23 Updated Forecast of Outturn	25-86

9. Budget Process and Timetable 2023/24 **87-96**

10. Local Nature Recovery Strategies **97-104**

11. Date and Time of Next Meeting: 4 October 2022 at 2.00pm

Contact Officer: Toby Ord Tel: 0191 424 7541
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Leadership Board

DRAFT MINUTES TO BE APPROVED

7 June 2022

(2.00pm – 2.25pm)

Meeting held at: Whickham Room, Gateshead Civic Centre, NE8 1HH

Present:

Councillors Miller (Chair), Dixon, Gannon, Hopgood

Officers Jon Ritchie (on behalf of Chief Executive, NECA), Iain Burns (Service Director, Gateshead Council), Jonathan Tew (Chief Executive, South Tyneside Council), Nicola Robason (Monitoring Officer, NECA), Paul Darby (Chief Finance Officer, NECA), Gavin Armstrong (Policy and Scrutiny Officer, NECA) and Toby Ord (Strategy and Democratic Services Assistant, NECA)

1 APOLOGIES FOR ABSENCE (MEMBERS)

Apologies for absence were received from Amy Harhoff, Gillian Hall, John Hewitt, Lucy Winskell, Patrick Melia and Sheena Ramsey.

2 DECLARATIONS OF INTEREST

None.

3 MEMBERSHIP OF THE LEADERSHIP BOARD, APPOINTMENT OF CHAIR AND VICE-CHAIR AND DESIGNATION OF THEMATIC LEADS

Submitted: Report of the Monitoring Officer (previously circulated and copy attached to the official minutes).

The Monitoring Officer briefly laid out the proposal which aimed to agree the membership of the Leadership Board. It was noted that no changes were proposed from the year prior.

RESOLVED that: -

- i. The membership and appointment of a Chair and Vice-Chair of the board be agreed.

4 **MINUTES OF THE PREVIOUS MEETING HELD ON 1 MARCH 2022**

The minutes of the previous meeting held on 1 March 2022 were approved as a correct record.

5 **ANNOUNCEMENTS FROM THE CHAIR AND/OR HEAD OF PAID SERVICE**

None.

6 **APPOINTMENT OF COMMITTEES, AGREEMENT OF MEMBERSHIP, APPOINTMENT OF CHAIRS AND VICE-CHAIRS, APPOINTMENT OF MEMBERS TO OUTSIDE BODIES**

Submitted: Report of the Monitoring Officer (previously circulated and copy attached to the official minutes).

The Monitoring Officer proposed the agreement of Membership of NECA Committees laid out in the appendix. It was noted that there have been no new committees introduced this year and all Membership is in line with political balance.

As for appointments to outside bodies, it was noted that Councillor Martin Gannon will stand as the Main LEP Board Observer and Councillor Amanda Hopgood will take his place on the Main LEP Board. It was also stated that wording for appointees to the LEP should be referred to as 'Member of Committee' in order to accommodate for Patrick Melia.

RESOLVED that: -

- i. the appointments for NECA, JTC and outside bodies be agreed.
- ii. the changes listed above be noted.

7 **PROGRAMME OF COMMITTEE MEETINGS MUNICIPAL YEAR 2022/23**

Submitted: Report of the Monitoring Officer (previously circulated and copy attached to the official minutes).

Members had already been previously consulted with on the programme of committee meetings therefore further discussion was not required.

RESOLVED that: -

- i. the programme be agreed.

8 REVIEW OF CONSTITUTION

Submitted: Report of the Monitoring Officer (previously circulated and copy attached to the official minutes).

The Monitoring Officer delivered a review of the NECA Constitution. This review supersedes previous copies, proposing a change to the delegated powers of the Proper Officer for Transport to create posts below the level of Deputy Chief Officer to carry out its transport function, subject to the availability of budget provision

RESOLVED that: -

- i. the review be agreed.

9 CHAIR'S THEMATIC PORTFOLIO UPDATE (VERBAL ITEM)

Submitted: Report of the Chair (verbal item, not previously circulated nor attached to official minutes).

The Chair delivered his verbal update, noting his concerns over the rising cost of living and energy crisis. Not only was this said to be effecting consumer confidence but also the health and wellbeing of many. It was asserted that the Authority should continue to work towards its economic growth plan, creating new opportunities for skills development and employment.

In terms of devolution, it was noted that striking the right deal will bring many opportunities for the region; funding schemes within regional control would mean more opportunities for development.

RESOLVED that: -

- i. the update be noted.

10 ECONOMIC DEVELOPMENT AND DIGITAL THEMATIC PORTFOLIO UPDATE

Submitted: Report of the Economic Development and Digital Thematic Lead (previously circulated and copy attached to the official minutes).

The Thematic Lead for Economic Development and Digital presented her report, noting that the current economic position is a challenging one. It was noted that businesses are continuing to recover post-pandemic, however

skills shortages, cost pressures and increasing inflation remains an issue. It was asserted that inflation is predicted to reach 10%, with survey results showing 90% of businesses are said to be worried over inflation continuing to rise. This survey also showed the region to be the weakest performing of those analysed.

Members were informed that businesses have begun to recruit more staff with retail footfall recovering steadily. Employment levels still remain lower than pre-pandemic, although workers were said to have begun moving back into the workplace as COVID measures are eased.

It was reasserted that consumer confidence remains low, leading to major implications for the retail and hospitality sector. Food banks and debt services have informed that demand for their services is increasing, with the expected fuel cap rise in October and the rising cost of living crisis making anxieties worse. Economic inactivity continues to grow, with the region's levels higher than the national average.

It was also noted that the UK Shared Prosperity Fund has been introduced by the Government to succeed to the ERDF [European Regional Development Fund], along with the multiply programme which aims to develop children and adult numeracy skills, as well as the continuation of Project Gigabit. Further information noted in the written report.

RESOLVED that: -

- i. the report be noted.

11 **FINANCE AND SKILLS AND EMPLOYABILITY THEMATIC PORTFOLIO UPDATE**

Submitted: Report of the Finance, Skills and Employability Thematic Lead (previously circulated and copy attached to the official minutes).

The Thematic Lead for Finance, Skills and Employability delivered her report giving a brief overview of the financial situation in the region. It was noted that the allocations of the UK Shared Prosperity Fund are laid out within the report, with funding falling short of what is currently, and what would have been received under the ERDF and ESF programmes had the UK remained within the EU.

It was noted that the Skills Advisory Panel had determined that employers and the education sector need to collaborate in order to address the ongoing skills shortage - it was estimated that 80% of jobs in 2050 do not exist today.

Special educational needs employment levels in the region were said to be low in comparison to the rest of the country. It was noted that this is a major issue for the region and something that should be addressed immediately - authorities should work with child services to improve the issue as opposed to rely solely on assistance from the Government.

RESOLVED that: -

- i. the report be noted.

12 TRANSPORT THEMATIC PORTFOLIO UPDATE

Submitted: Report of the Transport Thematic Lead (previously circulated and copy attached to the official minutes).

The Thematic Lead for Transport noted that he had nothing further to add to the written report.

The Chair queried the situation regarding bus services within the region. The Thematic Lead informed Members that Nexus Officers are reviewing proposals to bus service changes, however currently these are leaving some communities without adequate travel, leading to these communities investing in other means such as private vehicle ownership.

New proposals are looking to provide the best possible solution to this, aiming to leave no community without. Funding was said to be generous but not to such a level as previously expected. This funding cannot be used to subsidise existing services but rather to make services more frequent.

RESOLVED that: -

- i. the report be noted.

13 DATE AND TIME OF NEXT MEETING

Tuesday 26 July 2022 at 2.00pm.

Leadership Board

Date: 26 July 2022

Subject: Finance, Skills & Employability - Thematic Update

Report of: Thematic Lead for Finance, Skills and Employability

Executive Summary

This report seeks to provide an update on current Finance, Skills and Employability portfolio activity and the baseline position for a future 'Skills & Employment' ask for the North-East Combined Authority.

Skills and Employment considerations builds on the wide-ranging activity already underway and provides an opportunity for the Combined Authority to take a lead of Employment & Skills services in the coming years.

Central to the Skills and Employability agenda are the issues of financing particularly the reliance on external funding as we approach the final stages of the current European Structural Investment Fund programme with further details on Round 2 of the Levelling Up Fund as well as next steps for the submitting on investment Plans for UK Shared Prosperity Fund.

Recommendations

The Leadership Board is recommended to receive this report for information.

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1. Background Information

- 1.1 Further to the agreed portfolio leads and the update provided to the Leadership Board in December, activity continues to progress all aspects of the Finance, Skills and Employment needs and opportunities across NECA. Identification of the main issues and progress being made under each element is as follows:

2. Finance Theme

- 2.1 It is vital that the functions that NECA oversees as accountable body are properly resourced. The spending review announcements in October 2021 and the Finance Settlement that followed in December 2021 set out the resources that are available for local government for 2022/23.
- 2.2 As part of the Comprehensive Spending Review announcements in October 2021, a real-terms increase in local government funding for 2022/23 was announced. The core spending power increases published were dependent on councils increasing council tax by 2.99% per annum over the period 2022/23 to 2024/25 – a 1.99% referendum limit basic increase and a further 1% Adult Social Care Precept – with actual spending power influenced by the tax base position and council tax raising capacity of individual authorities.
- 2.3 Following the initial awards under Round 1 of the Levelling Up bidding process in 2021, £3.1 billion of Levelling Up Funding remains unallocated at this time nationally. Round 2 was announced on 23rd March 2022, where once again bids of up to £20m or, by exception, £50m for transport schemes where significant benefits can be demonstrated can be submitted. The guidance states that projects should demonstrate spend in the 2022/23 financial year. A £50m bid on behalf of the region has been prepared, covering a Transport Decarbonisation package which includes Zero Emission Buses, Electric Vehicle charging at strategic sites across the region and Electric Vehicle Charging at Park and Ride stations.
- 2.4 The NECA Corporate budget for 2022/23 and indicative estimates for 2023/24-2024/25 were approved by the Leadership Board at its meeting on 1 February. Work has now commenced on the preparation of the 2023/24 budget and a report elsewhere on this agenda sets out the process and timescales involved.
- 2.5 Reports to the Joint Transport Committee in July set out that significant cost pressures have arisen in relation to high voltage power and on security costs / tackling anti-social behaviour on the Metro and on the secured bus network

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arising across the region from cuts to the commercial network. It is expected that these can be accommodated in the current year through additional one-off grant funding awarded to help offset the continuing impact of the pandemic on ridership. On 10 May 2022, the region was advised that it will receive £9.924m of Local Transport Funding (LTF), a successor grant scheme to the Bus Recovery Grant (BRG) and the Light Rail and Tram Recovery Grant (LRTRG). £7.3m of the allocation is in respect of light rail funding (Tyne and Wear Metro), with £2.664m available for bus services across the region. In awarding these sums the Government have been adamant that no further funding will be awarded beyond this.

- 2.6 On 4 April 2022, the North East JTC was awarded an indicative funding allocation for delivery of its Bus Service Improvement Plan of £163.5m (£73.8m capital and £89.7m revenue). The draft Enhanced Partnership scheme was submitted to the Department for Transport (DfT) at the end of June, and confirmation of final funding is awaited.
- 2.7 There remains significant uncertainty regarding the financial outlook for local authorities and mixed views as to whether any additional resources are to be made available by central government to help address the cost pressures that are manifesting this year as a result of inflation.
- 2.8 Based on discussions at the recent LGA conference it was anticipated that a two year settlement might be consulted upon this month, however, this may not now be taken forward in light of the changes in westminster over the last week.

3. Skills Theme

3.1 Labour Market Update

The latest Office of National Statistics (ONS) statistics published in June shows the following with regards to employment, unemployment, vacancies and economic inactivity.

- The UK employment rate increased by 0.2 percentage points in the quarter to 75.6%, but is still below pre-coronavirus (COVID-19) pandemic levels (of 76%).
- The unemployment rate for the period February to April 2022 decreased by 0.2 percentage points in the quarter to 3.8%. Those unemployed for up to six months increased by 3 percentage points over the quarter, the largest increase since late 2020. However, this was offset by a decrease in those unemployed for over six months (3.2 percentage points)

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reduction) and with those unemployed for between 6 and 12 months decreasing to a record low (of 10.8%). Those unemployed for over 12 months also continued to decrease with the rate being 27.5% in April 2022.

- The economic inactivity rate decreased by 0.1 percentage points to 21.3% in February to April 2022. The decrease in economic inactivity compared with the previous three-month period was largely driven by rising student numbers.
- The number of job vacancies in March to May 2022 rose to 1,300,000. However, the rate of growth in vacancies continued to slow.
- The ratio of vacancies to every 100 employee jobs maintained a record high of 4.3 in March to May 2022, with 7 of the 18 industry sectors displaying record high ratios and citing labour shortages as key risks.

3.1.1 March to May 2022 saw all industries operate above their January to March 2020 pre-coronavirus (COVID-19) levels. The largest increase was in accommodation and food service activities, up 89,100 (104.8%), and human health and social work, up 78,400 (57.5%).

3.2 'Hide the Join' report

3.2.1 At the recent Association of Employment and Learning Providers (AELP) National Conference, the ['Hiding the Join' report](#) into joining up employability and skills services was launched co-authored by Employment-Related Services Association (ERSA) and AELP.

3.2.2 The report written by Paul Warner from AELP and by ERSA's Andrew Morton, 'Hiding the Join' comes at a pertinent time. The research also comes on the back of the government's long awaited white paper into 'levelling up' published earlier this year and the UK Shared Prosperity Fund Investment Plans being written. As the UK is also experiencing a cost of living crisis with individuals needing to move into quality work with good pay, and opportunities for in work progression, ERSA and AELP are clear that if levelling up is to be a success for the most disadvantaged communities, then the organisations that ERSA and AELP represent will need to play a vital role. Yet to do that the research shows there needs to be a much more joined-up approach by government on policy making, procurement and delivery processes.

[View or download the report](#)

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4. Employment Theme

4.1 UK Shared Prosperity Fund

4.1.1 The Fund is a central pillar of the UK Government's ambitious levelling up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula rather than a competition. This recognises that even the most affluent parts of the UK contain pockets of deprivation and need support.

4.2 **Vision and objectives of the Fund**

4.2.1 The UK Shared Prosperity Fund will support the UK Government's wider commitment to level up all parts of the UK by delivering on each of the four parts of Levelling Up:

- Boost productivity, pay, jobs and living standards, especially in those places where they are lagging.
- Spread opportunities and improve public services, especially in those places where they are weakest.
- Restore a sense of community, local pride and belonging, especially in those places where they have been lost.
- Empower local leaders and communities, especially in those places lacking local agency

4.2.2 The primary goal of the UK Shared Prosperity Fund is to build pride in place and increase life chances across the UK. Alongside economic pull and push factors, people's lives are shaped by the social and physical fabric of their communities. The local mix of social and physical capital is what gives local areas their unique character and shapes where people choose to live, work and invest. Recognising the acute challenges town centres and communities have faced during the Covid pandemic, this Fund will enable improvements to the places people live, as well as support individuals and businesses. It will drive noticeable improvements that matter to local communities and foster local pride in place.

4.2.3 The UK Shared Prosperity Fund forms part of a suite of complementary Levelling Up funding. It builds on the competitive Levelling Up Fund and Community Ownership Fund through long term, stable funding, allocated to all places. Its mix of revenue and capital funding can be used to support a wide range of interventions to build pride in place and improve life chances. These

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can complement larger-scale Levelling Up Fund or Community Ownership Fund capital projects.

4.3 Funding for each place

4.3.1 Every place in the UK has been allocated a share of the UKSPF, with even the smallest places receiving at least £1 million. This recognises that even the most affluent parts of the UK contain pockets of deprivation and need support. It will help people access opportunity in places in need, such as ex-industrial areas, deprived towns and rural and coastal communities, and support people who are economically inactive or have skills needs that cannot be met through mainstream provision.

4.3.2 As set out at Spending Review 2021, the Fund is worth £2.6 billion over the period to 2024-25. The Fund will ramp up to £1.5 billion in 2024-25, including the new Multiply Programme which will focus on increasing the number of adults with functional numeracy skills. Funding is confirmed for three financial years – £400 million for 2022-23, £700 million for 2023-24 and £1.5 billion for 2024-25, providing predictable baseline local growth funding.

4.3.3 For England, a blended approach has been adopted to allocate funding to each place. This ensures that all places get an allocation that allows for significant continuity with EU structural funds:

- within the continuity model that maintains EU structural fund distributions, 70% is allocated on a per capita basis, within each region based on Local Authority population size
- 30% of the allocation uses the same needs-based index previously used to identify UK Community Renewal Fund priority places, namely:
 - Productivity
 - Household income
 - Skills
 - Productivity -Places with lower population density

4.3.4 Local Allocations:

Place	UK Core SPF	Multiply	Total
North of Tyne	47,085,061	4,128,607	51,213,668
County Durham	30,830,618	2,803,077	33,633,695
Gateshead	11,634,466	1,169,621	12,804,087

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South Tyneside	8,868,632	810,389	9,679,020
Sunderland	14,936,161	1,641,730	16,577,891

4.4 Investment Plans

4.4.1 In order to access UKSPF funding, lead local authorities are being asked to complete an investment plan, setting out how they intend to use and deliver the funding. UKSPF has been designed to empower local leaders and communities to deliver locally-identified priorities and the investment plan process has been designed with this in mind.

4.4.2 Lead local authorities will be asked to develop their investment plan in conjunction with local stakeholders. Places should establish or designate a local partnership group to consult when developing their investment plan. Plans will then need to be agreed by both the lead local authority and by UK government to unlock the allocations.

4.4.3 The investment plans will feature three broad stages:

1. **Local context:** an opportunity for places to set out their local evidence of opportunities and challenges through the lens of the three investment priorities for UKSPF.
2. **Selection of outcomes and interventions:** where places will identify the outcomes they wish to target based on local context, and the interventions they wish to prioritise, under each investment priority, from the menu of options. These should be clearly linked to local opportunities and challenges.
3. **Delivery:** this will represent the most detailed stage of the investment plans and is broken down into the following:
 - a. **Approach to delivery and governance:** where places outline the structures and processes that will support the delivery of their chosen interventions. It is also expected that places to set out the engagement they have undertaken as part of the development of their Plan, including their engagement with MPs.
 - b. **Expenditure and deliverables:** detailing what places want to deliver with their investment plan, including the spend profile for the

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three years of the fund as well as outputs and outcomes figures, and where places have already identified specific projects they wish to fund under each of the investment priorities.

As part of these spend and indicator profiles, lead local authorities will be asked to detail their intended budgets at priority and intervention level. UK government will use this information as part of the assessment and as initial performance management, along with additional performance management information set out in a Memorandum of Understanding.

c. Capability and resource: to allow places to outline the resource they have to manage and work on UKSPF, as well as their capability and previous experience of delivering similar funds.

4.5 Next steps and important dates

4.5.1 Drawing on the information set out in this Prospectus, each lead local authority is encouraged to work with a diverse range of local stakeholders, appropriate groups and organisations to develop their investment plan. A timeline of key dates is included below.

1 August 2022 - Investment Plan window closes

July – Sept 2022 – Indicative investment plan assessment period for UK Govt.

October 2022 onwards – Anticipated date for first investment plans to be approved.

October 2022 onwards – Anticipated date for first payments to lead LAs.

April 2024 – People and skills funding available

March 2025 – 3-year funding period ends.

4.6 Older Workers

4.6.1 The government has announced that £22 million will be invested in new measures to tackle unemployment among the over 50s.

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4.6.2 The package will give jobseekers over the age of 50 more one-to-one support at jobcentres. The support will focus on getting them into work, progressing in work, and boosting their earnings ahead of retirement.

4.6.3 Similarly, it was announced that there will be 37 “50PLUS Champions” who will cover every district across England, Wales and Scotland, and they will engage with local employers to educate them on the benefits of hiring older workers.

4.6.4 Mid-life MOTs will be available at local jobcentres for those thinking about retirement and engaging them to take stock of their skills and finances.

5. Next Steps and Timetable for Implementation

5.1 Employment & Skills issues and opportunities for development remain under development through meetings of the Skills and Employment Working Group.

6. Potential Impact on Objectives

6.1 This report is for information only.

7. Financial and Other Resources Implications

7.1 There are no additional financial implications as this report is for information only.

8. Legal Implications

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

9. Key Risks

9.1 This report is for information.

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

12.1 Economic Directors have been fully consulted on the contents of this paper

13. Other Impact of the Proposals

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13.1 There are no other impacts arising from this report

14. Appendices

14.1 None

15. Background Papers.

15.1 Thematic Portfolio Update January 2021

16. Contact Officers

16.1 Amy Harhoff, Corporate Director Regeneration Economy & Growth,

Amy.Harhoff@durham.gov.uk Tel: 03000 267330

17. Sign off

17.1

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

18. Glossary

18.1	CJRS	Coronavirus Job Retention Scheme
	DWP	Department for work and Pensions
	ESFA	Education and Skills Funding Agency
	JETS	Job Entry Targeted Support
	JSA	Job Seekers Allowance
	UKSPF	UK Shared Prosperity Fund

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Date: 26 July 2022

Subject: Transport Thematic Lead Portfolio Update Report

Report of: Thematic Lead for Transport

Executive Summary

The purpose of this report is to provide an update on various transport matters of relevance to the NECA area.

Recommendations

The Leadership Board is recommended to note the contents of this report.

1. Background Information

1.1 This report provides an update on transport issues affecting the NECA area.

Rail

1.2 The North East Rail and Metro Strategy, outlining the future for rail and Metro in our region, was formally adopted by the North East Joint Transport Committee at its meeting on 14th June 2022.

1.3 The Metro fleet manufacturer is on target to deliver the first new Metro train to its Gosforth depot before the end of 2022. This will then undergo extensive testing on the Metro network prior to entering customer service in 2023, beginning a rolling programme which will see a total of 46 new trains introduced up to 2025. The new trains will be 15 times more reliable than the current fleet, use at least 30% less high-voltage power and transform the journey experience for Metro customers. A fully immersive cab simulator on which Metro drivers will train is now installed at the Nexus Learning Centre in South Shields.

1.4 The Restoring Your Railways (RYR) scheme for a new station at Ferryhill and passenger services between Ferryhill and Stockton has passed the first business case hurdle. The Strategic Outline Business Case has been approved by DfT and funding secured to develop the scheme through the next stage.

1.5 The other live RYR scheme, 'Reopened lines and new passenger services, Consett-Newcastle', is still awaiting a decision on its Strategic Outline Business Case submission.

Buses

1.6 A draft Enhanced Partnership Scheme and Plan, setting out in more detail how the region intends to utilise the previously reported indicative allocation of £163.5m for the North East to deliver on the ambitions of the Bus Service Improvement Plan, was submitted to DfT at the end of June. Consultation will follow.

1.7 Go North East announced that it planned to make changes to services it operates in Gateshead, South Tyneside and Sunderland from the 24th July 2022. These changes are due to falling demand since the pandemic and the approaching end of Government support for operators in October. Following the outcome of a public engagement exercise and discussions with local authorities, Nexus have set out a £4.3m rescue package to mitigate the worst effects of the cuts.

Decarbonization

1.8 A regional Decarbonisation-led transport bid was submitted on 6th July following consultation with regional stakeholders and members. The bid comprises the electrification of circa 48 buses operating on some of the most congested routes, together with a package of electric vehicle charging at park and ride sites to intercept traffic, and at key destinations. We expect to hear the outcome of this bid in Autumn 2022 and if successful improvements will be in place by Spring 2025.

2. Proposals

2.1 This report is for information only. Therefore, no decisions are contained in this report.

3. Reasons for the Proposals

3.1 This report is for information purposes only.

4. Alternative Options Available

4.1 Not applicable to this report.

5. Next Steps and Timetable for Implementation

5.1 Timetables are set out as appropriate in relation to the individual items in the sections above.

6. Potential Impact on Objectives

6.1 Sustaining an effective public transport system will be critical to NECA in delivering its objective to maximise the area's opportunities and potential. In addition to this continuing investment in the projects and programmes outlined above will help ensure the area has a transport system capable of meeting current and future challenges.

7. Financial and Other Resources Implications

7.1 The report includes information on funding and financial opportunities.

7.2 There are no specific additional financial implications for NECA arising from this report.

7.3 There are no Human Resource or ICT implications for NECA arising from this report.

8. Legal Implications

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

9. Key Risks

9.1 Various risks exist in relation to the impacts that a failure to achieve the region's aspirations for improving transport would have on wider economic and environmental objectives.

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Addressing Geographic Diversity:

12.1 The continued provision of bus and other public transport services to more sparsely populated areas remain important to meeting the future needs of these areas.

13. Climate Change/Environmental Sustainability

13.1 Transport remains a major source of carbon dioxide and other pollutants. Sustaining effective public transport networks and investing in alternatives to the private car as well as Electric Vehicles are important to achieving further reductions in carbon emissions.

14. Consultation/Engagement

14.1 Not applicable.

15. Other Impact of the Proposals

15.1 No specific impacts.

16. Appendices

16.1 Not applicable

17. Background Papers

17.1 Not applicable.

18. Contact Officers

18.1 Sheena Ramsey

19. Sign off

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

20. Glossary

North East Joint Transport Committee – the formal decision making body in terms of transport strategy, covering both the NECA and North of Tyne areas.

NORTH EAST JOINT TRANSPORT COMMITTEE

To: All Members of the Joint Transport Committee and Gateshead Council
LA7 Leaders and Elected Mayor

Civic Centre
Regent Street
Gateshead
NE8 1HH

19 August 2021

Dear Colleague

Bus Partnership update

I am writing to update you on the next steps in developing a Bus Partnership for the North East, and to ask for your assistance both in leading your Council's input into the work, and in ensuring that your Cabinet Members have access to appropriate briefings.

Firstly I would like to thank you for the financial support that your Council has provided to allow a project team to be established swiftly, and for your active participation at the Joint Transport Committee that unanimously agreed to develop a bus partnership with operators.

The Covid-19 pandemic has put our public transport services and our transport objectives at risk. Ridership levels – and therefore income from fares – are way below pre-pandemic levels. Central government support has kept the buses and the Metro running until now because of their role as an essential service, but the government has been clear that this support will cease at the end of this financial year. We do not expect ridership to recover quickly enough to make services viable without further financial support, and we therefore need to act in order to preserve services.

The bus network has always been essential in the North East. Before the Covid-19 pandemic there were over 160m bus journeys each year in our region. Almost a third of our households have no access to a car, and for many people in one-car households the bus is their lifeline to get to work, education, health and social inclusion.

The North East Transport Plan that we approved earlier this year set out our shared transport objectives of: achieving carbon neutrality; overcoming inequality and growing our economy; improving public health; and offering appealing sustainable transport choices through a safe and secure network.

Throughout this year we have talked about the need for a new approach to buses. If we are to deliver on our ambitions to move towards net zero carbon emissions, to clean up the air we breathe, and to make sustainable travel an affordable and realistic choice for everyone, we need to change the way that buses work for our communities. We also need to change the way that we work with the bus industry.

In July the Joint Transport Committee agreed a Vision for Buses setting out our ambition for:

- An enhanced network that is simple and easy to understand;
- Faster and more reliable journey times;

- A simple and flexible fares structure;
- Better integration between modes;
- More early morning and evening services;
- Clear and consistent information that is easy to access;
- Improved safety and security;
- Cleaner and greener vehicles
- Improved connectivity beyond our boundaries;
- A first-class customer experience.

In July we also agreed to work with local bus operators through an Enhanced Partnership which will allow us to bid into a £3bn government fund. Members unanimously supported the proposal to draw up a strong proposal which will be in a document known as a Bus Service Improvement Plan (“BSIP”). The government fund is tied to a new National Bus Strategy published earlier this year, and our BSIP is effectively a bidding document that will need to convince the government that our plans are ambitious, credible, effective and deliverable.

We will of course continue to make the case for adequate government funding for bus services as matter of principle, directly and through the collective bodies like the Local Government Association and the Urban Transport Group. However, the government has been very clear that emergency Covid-19 funding support for buses will cease at the end of this financial year, and it seems increasingly likely that the only route to securing new funding for buses will be through grants awarded through the BSIP process.

It is therefore of the utmost importance that we present the strongest possible BSIP and secure the biggest possible share of the £3bn that we can. The funding will support not only our ambitions for a better bus system, but it will also be needed to provide essential relief as the bus network continues its recovery from the effects of the pandemic. The alternative we face is almost certain wide-spread cuts to services that will damage our communities.

To develop a strong BSIP that will truly make a difference to how buses operate we will need the leadership and support of you and your Cabinet colleagues, along with officers responsible for local highways and transport.

Extensive priority will need to be given to buses on our area’s roads, particularly on the approaches to centres of population, in order to speed up bus journeys and make them more reliable. This will see the introduction of more bus lanes and more bus-only roads and access gates across the region.

Road junctions at key points on the bus network will prioritise buses both in their physical design and in how traffic signals are phased. We will need to critically appraise parking charges and policies to make sure that buses are a competitive and attractive way to travel for both work and leisure. We will also need to make sure that parked cars do not prevent people from boarding buses or make it difficult for buses to pass through narrow roads in villages and estates.

The bus operators will of course have to make very significant improvements of their own as part of the package. They will need to make fares both affordable and integrated; buses will need to be of the highest standard in appearance, comfort, and environmental performance; and timetables will need to be designed to support communities across the area, rather than focusing on the most profitable routes.

I recognise that such changes will need to be considered very carefully, in consultation with the communities affected and considering the views of, and impact on, all road users. However, it is equally important to stress that without wide-ranging improvements of this nature our BSIP may not attract significant funding and our bus network will shrink as a result.

Officers from Transport North East and the LA7 Councils are working in partnership with bus operators to develop the BSIP. I would encourage everyone with a stake in a successful bus network successful to pro-actively feed ideas into the development of the BSIP.

In September we will review the first draft of our BSIP. I have asked my officers to ensure that, following the Joint Transport Committee briefing, every Council's Cabinet is offered a full briefing on the local implications. I would like to request your assistance in arranging this briefing so that your colleagues can gain a better understanding of what is being proposed and its possible benefits and impacts on the residents in your area.

The North East is already suffering from a car-dominated recovery with traffic levels consistently higher throughout the day than before the pandemic. Our leadership in the coming months will be essential to ensure that this is only a short-term effect and that public transport is able to play its full part in supporting a green economic recovery for the North East.

There are, unfortunately, no other avenues open to us at present if we want to secure funding to support and grow the bus network. Franchising is a possible long-term option which we will keep under review, but it is a very complex and lengthy process even for those Combined Authorities which have the legal powers to introduce a scheme themselves – and we do not. In any case bus-friendly highway and parking policies such as those I highlight above will still be necessary for the bus network to be successful, regardless of the system of governance.

If you would like to discuss this letter in person, I would be delighted to speak to you about it. I will also ask officers to make contact with your office to arrange a briefing of Cabinet Members as discussed above.

Yours sincerely

Councillor Martin Gannon
Chair of the North East Joint Transport Committee
Copied to: Transport Strategy Board

Leadership Board

Date: 26 July 2022

Subject: Finance Update – 2021/22 Outturn and 2022/23 Updated Forecast of Outturn

Report of: Chief Finance Officer

Executive Summary

This report provides the Leadership Board with a summary of the 2021/22 financial outturn for the NECA Corporate budget and an update on the forecast for 2022/23, based on the position at the end of June 2022.

In terms of the NECA corporate budget, expenditure for 2021/22 totalled £0.206m which represented an overspend of £0.100 compared to the revised budget. This was mainly due to expenditure in relation to the North East Screen Industries Partnership region-wide development programme (which has nil net impact on NECA as amounts will be recovered from constituent authorities).

Income received totalled £0.199m, which was in excess of the revised budgeted income by £0.089m due to government grants received and higher interest income received during 2021/22. The net outturn was £0.007m which has been funded from reserves and compares with a revised budget position of an anticipated net draw on reserves of £0.002m.

At 31 March 2022 the NECA corporate reserve totalled £0.419m, which compares to the position at 31 March 2021 of £0.426m. This reflects a general balance and is not earmarked for specific purposes at this point in time.

For 2022/23, one revision is proposed to the budget which is for the inclusion of £0.634m expenditure in relation to the North East Screen Industries Partnership region-wide development programme and implementation of the associated Memorandum of Understanding (MOU) with the BBC. Income for this expenditure will be recovered from the four constituent local authorities and so this will have a nil net budget requirement for NECA. Other areas of the budget are currently anticipated to be in line with the budget set for the year.

The report also includes a copy of the 2021/22 outturn report and 2022/23 budget forecasts for the Transport budgets, which were considered by the North East Joint Transport Committee (JTC) on 14 July 2022. In summary, transport related expenditure for 2021/22 was within the approved revised budgets for the year in all areas. Covid-19 had a significant and ongoing impact on patronage and income on

Leadership Board

Metro and buses and on usage of the Tyne Tunnels, but these pressures were offset by the significant government support that was received to mitigate the impacts last year, though government have confirmed that no further support will be available once the period covered by the Local Transport Fund (to October 2022) has ended and there remains uncertainty with regards to whether and when patronage on public transport will return to pre-Covid levels. There was a circa £28.800m underspend against the revised transport capital programme budgets, principally relating to slippage in the delivery of the Nexus capital programme and Transforming Cities Fund Tranche 2 schemes.

For 2022/23, significant cost pressures have developed since the budget was set, particularly on Metro and Secured Bus Services. These will be managed in the year through additional savings and grant awarded since the budget was set, so planned use of reserves will be in line with the budgeted figure at £5.600m. The capital programme for the year has been updated to reflect the slippage outlined in the 2021/22 outturn and for new approvals received since the budgets were set.

The report includes the Treasury Management outturn position for 2021/22, which confirms that the Authority complied with Treasury Management indicators relating to interest rate exposure, maturity structure of borrowing and sums invested for more than one year. The Authority has also fully complied with Prudential Code Indicators which relate to the capital programme and how much the Authority can afford to borrow.

Finally, the report highlights that the draft Statement of Accounts for 2021/22 was published on the NECA website on 30 June 2022. Work on the audit of the accounts will begin over the summer, and it is planned that this work will be completed in time for the final accounts to be signed off by 30 November in line with the revised statutory timetable.

Recommendations

The Leadership Board is recommended to:

- i) Note the outturn position for 2021/22 and the Treasury Management Outturn
- ii) Agree the revised budget for 2022/23 including the contribution to the BBC and note the intention to recover this amount from constituent authorities, as set out in paragraph 2.4.

Leadership Board

1. Background Information

- 1.1 The NECA budget for corporate costs is required to support operational costs including those for Employees and Service Level Agreements relating to its activity as a corporate body and its responsibilities as Accountable Body for the JTC.
- 1.2 The Leadership Board met on 1 February 2022 to agree the 2022/23 budget and the updated revised budget for 2021/22. The revised 2021/22 budget anticipated gross expenditure of £0.106m in year, funded from a combination of constituent authority contributions and investment income.

2. Proposals

2021/22 Outturn

- 2.1 The table below summarises outturn expenditure against the revised budgets for the year, with more detail on individual variances set out below.

NECA Corporate Costs 2021/22 Outturn

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	2021/22 Variance
	£	£	£	£
Employees	49,815	39,160	44,793	5,633
Service Level Agreements	53,000	54,060	55,381	1,321
Independent Members' Allowances	7,000	6,000	6,674	674
Supplies and Services	5,935	7,235	44,035	36,800
Other			55,436	55,436
Total Expenditure	115,750	106,455	206,319	99,864
NECA Corporate Contributions	(100,000)	(100,000)	(100,000)	0
Investment Income	(15,750)	(10,000)	(24,094)	(14,094)
Government Grants	0	0	(19,692)	(19,692)
Other Contributions	0	0	(55,436)	(55,436)
Total Income	(115,750)	(110,000)	(199,222)	(89,222)
Net deficit/(surplus)	0	(3,545)	7,097	10,642

2.2 JTC Accountable Body Costs 2021/22 Outturn

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	2021/22 Variance
	£	£	£	£

Leadership Board

Employees	11,790	12,384	16,990	4,606
Service Level Agreements	75,400	76,330	76,332	2
Total Expenditure	87,190	88,714	93,322	4,608
	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	2021/22 Variance
	£	£	£	£
JTC Accountable Body Contributions	(70,000)	(70,000)	(70,000)	0
Investment Income	(17,190)	(13,000)	(23,322)	(10,322)
Total Income	(87,190)	(83,000)	(93,322)	(10,322)
Net deficit/(surplus)	0	5,714	0	(5,714)

The main variances were as follows:

2.3 Supplies and Services

The Supplies and Services budget was overspent primarily due to an invoice relating to work carried out on in 2020 on the North East Economic Plan which had not been invoiced for until the current year. This was a one-off piece of work partly funded through the increased investment income with the remainder being met through the NECA Corporate Reserve.

2.4 Other

A Memorandum of Understanding (MOU) was signed between the BBC and North East authorities in September 2021. This sets out a partnership vision and mutual investment targets by BBC and the North East authorities over the next five years to promote the development of the region's cultural and creative industries, through the strategic development of the local TV and screen industry and skills. The MOU set out the BBC's intention to invest up to £25m over 5 years into regional programming and content and a region-wide target commitment to seek to commit £11.4m to support creation of a sustainable screen industries eco-system over the same period of time. Investment across the region has been calculated on a per local authority basis. Financial contributions in the North of Tyne Combined Authority and Tees Valley Combined Authority are being met from Combined Authority resources. In the NECA area, payments will be made through NECA but contributions are being sought from each of the four constituent local authorities. The 2021/22 payment was £55,436 (or £13,859 per local authority) as the work began to be phased in and this will increase to £633,924 (or £158,481 per local authority) in 2022/23 and future years.

Leadership Board

2.5 Investment income

Due to the increase in December 2021 in the Bank of England Base rate and subsequent increases to March 2022, the amounts received in investment income were higher than forecast when the revised budget was set.

2.6 Government Grants

NECA received grant relating to the Redmond Review of Local Authority External Audit which has been used to fund external audit costs paid in 2021/22.

2022/23 Forecast

2.7 A summary of the NECA budget, including contributions to fulfil its JTC Accountable Body role is set out below. One main change to the budget is proposed, to include the expenditure and income relating to the MOU with the BBC as described in paragraph 2.4 above, which has a net nil overall effect but will change the gross expenditure and gross income budgets. There are minor variances on other budgets but largely expected to be in line with the original budget for the year.

2.8 NECA Corporate Costs 2022/23 Forecast

	2022/23 Original Budget	2022/23 Forecast	2021/22 Variance
	£	£	£
Employees	54,510	59,950	5,440
Service Level Agreements	54,060	54,840	780
Independent Members Allowances & Expenses	6,500	6,100	(400)
Supplies and Services	7,560	6,400	(1,160)
Payment to BBC	0	633,924	633,924
Total Expenditure	122,630	761,214	638,584
NECA Corporate Contributions	(100,000)	(100,000)	0
BBC Contributions	0	(633,924)	(633,924)
Investment Income	(20,000)	(27,290)	(7,290)
Total Income	(120,000)	(761,214)	(641,214)
Net deficit/(surplus)			

2.9 JTC Accountable Body Costs 2022/23 Forecast

Leadership Board

	2022/23 Original Budget	2022/23 Forecast	2021/22 Variance
	£	£	£
Employees	13,340	13,370	(60)
Service Level Agreements	76,330	77,110	780
Total Expenditure	89,760	90,480	720
JTC Accountable Body Contributions	(70,000)	(70,000)	0
Investment Income	(19,000)	(20,480)	(1,480)
Total Income	(89,000)	(90,480)	(1,480)
Net deficit/(surplus)	760	0	(760)

Transport Budgets

2.10 Appendix 1 provides a copy of the 2021/22 Outturn Report on the Revenue Budget and Capital programme presented to the JTC this month. Transport related expenditure for 2021/22 was within the approved revised budgets for the year in all areas. Covid-19 had a significant and ongoing impact on patronage and income on Metro and buses and on usage of the Tyne Tunnels, but these pressures were offset by the significant government support that was received to mitigate the impacts last year, though government have confirmed that no further support will be available once the period covered by the Local Transport Fund (to October 2022) has ended and there remains uncertainty with regards to whether and when patronage on public transport will return to pre-Covid levels. There was a circa £28.800m underspend against the revised transport capital programme budgets, principally relating to slippage in the delivery of the Nexus capital programme and Transforming Cities Fund Tranche 2 schemes.

2.11 Appendix 2 provides a copy of the 2022/23 Updated Forecast of Outturn on the Revenue Budget and Capital Programme presented to the JTC this month. For 2022/23, significant cost pressures have developed since the budget was set, particularly on Metro and Secured Bus Services. These will be managed in the year through additional savings and grant awarded since the budget was set, so planned use of reserves will be in line with the budgeted figure at £5.600m. The capital programme for the year has been updated to reflect the slippage outlined in the 2021/22 outturn and for new approvals received since the budgets were set.

Treasury Management Outturn 2021/22

2.12 Treasury Management is defined as ‘the management of a local authority’s investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks’.

Leadership Board

- 2.13 NECA operates a balanced budget, which should result in cash raised during the year meeting cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, with a main aim of providing sufficient liquidity, ahead of the achievement of the best possible investment returns.
- 2.14 An important function of the treasury management service is to arrange the funding of the Authority's capital programme. This provides a guide to the borrowing need of the Combined Authority and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and occasionally debt restructuring to meet NECA risk or cost objectives.
- 2.15 NECA adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the Authority's capital expenditure plans and in setting its Prudential Indicators (PIs). This requires that Members agree and note the following reports, as a minimum:
- a) An annual Treasury Management Strategy in advance of the year (approved by the Leadership Board on 2 February 2021 for the 2021/22 financial year);
 - b) A mid-year Treasury Management Review report (reported to the Leadership Board on 14 December 2021);
 - c) An annual review following the end of the year describing the activity compared to the strategy (this report).
- 2.16 This report provides a summary of the following:
- a) Summary treasury position – position as at 31 March 2022 and comparator information for the position as at 31 March 2021;
 - b) Borrowing activity during the year
 - c) Investment activity and details of investments held at 31 March 2022;
 - d) Treasury management indicators – performance against the key indicators adopted;
 - e) Prudential indicators – performance against the key indicators adopted.

Summary Treasury Position

- 2.17 NECA's debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities.
- 2.18 At the beginning and end point of 2021/22 NECA's treasury position was as follows:

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	31 March 2021	Average Rate /return	Average Life	31 March 2022	Average Rate /return	Average Life
	£m	%	Years	£m	%	Years
Total debt	170.667	4.24	39.9	170.000	4.24	38.9
Total investments	20.000	0.10	0.41	100.000	0.39	0.71
Net debt	150.667			70.000		

2.19 As at 31 March 2022, NECA held £170.000m in external borrowing and £100.000m in cash investments. The cash investments held reflect the receipt of significant transport grant funding during the year where expenditure will be defrayed during 2022/23.

Borrowing Activity

2.20 At 31 March 2022, NECA held £170.000m in loans, a decrease of £0.667m from the start of the year. The borrowing position and the change since the start of the year is shown in the following table:

	31 March 2021	In-year movement	31 March 2022	Average Rate	Average Life
	£m	£m	£m	%	years
Public Works Loan Board (PWLB)	81.667	(0.667)	81.000	4.09	23.6
Private Sector	89.000	0.000	89.000	4.39	49.1
Total Borrowing	170.667	(0.667)	170.000	4.24	38.9

2.21 NECA's chief objective when borrowing is to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

2.22 Movement during the year related to principal repayments on a PWLB Equal Instalment of Principal (EIP) loan.

Leadership Board

- 2.23 No rescheduling was undertaken during the year as the differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable due to the premiums that would apply on early redemption.

Investment Activity

- 2.24 NECA has held significant funds that it has invested, representing funds received in advance of expenditure plus balances and reserves held. During 2021/22, investment balances ranged between £20.000m and £100.000m.

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2.25 At 31 March 2022, NECA held investments totalling £100.000m. The following table provides a breakdown of these investments split by the type of financial institution and maturity period.

Financial Institution	0-3	3-6	6-12	12-24	Total
	£m				
Banks	0.000	15.000	55.000	0.000	70.000
Building Societies	10.000	0.000	20.000	0.000	30.000
Other Local Authorities	0.000	0.000	0.000	0.000	0.000
Money Market Funds	0.000	0.000	0.000	0.000	0.000
Total Investments	10.000	15.000	75.000	0.000	100.000
% of total	10%	15%	75%	0%	

2.26 NECA's investment policy is governed by Department of Levelling Up, Housing and Communities (DLUHC) guidance, which has been implemented in the annual investment strategy approved by the Leadership Board on 2 February 2021. Both the CIPFA Code and the government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

2.27 The achievement of returns remained challenging during 2021/22 with the continuation of historically low interest rates for most of the year, with the Bank of England base rate remaining at 0.1% until December 2021, increasing to 0.75% in March.

2.28 The budget for investment income from cash balances was slightly overachieved by £0.024m. This was possible as rates improved towards the end of the financial year and cash balances were higher than forecast throughout the year mainly as a result of government grants being paid in advance. For 2022/23 and into the future,

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increasing interest rates available mean it is likely that budgeted figures will be achieved or exceeded.

Treasury Management Indicators

2.29 There are three debt relates treasury activity limits which are designed to manage risk and reduce the impact of an adverse movement in interest rates.

2.30 a) **Interest Rate Exposures:** this indicator is set to control NECA's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal invested was:

	31 March 2022 Actual	31 March 2022 Actual	2021/22 Limit	Complied
Upper limit on fixed interest rate exposure	£171.000m	100%	100%	a
Upper limit on variable interest rate exposure	£0.000m	0%	70%	a

2.31 b) **Maturity Structure of Borrowing:** This indicator is set to control NECA's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	Lower Limit	Upper Limit	31 March 2022 actual	Complied
Under 12 months	0%	20%	0.667	✓
12 months to 2 years	0%	40%	0.667	✓
2 years to 5 years	0%	60%	1.667	✓
5 years to 10 years	0%	80%	0.000	✓
10 years and above	0%	100%	167.000	✓

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- 2.32 c) Principal sums invested for periods longer than 364 days: The purpose of this indicator is to control NECA's exposure to the risk of incurring losses by seeking early repayment of its investments:

	Limit	31 March 2022 actual	Complied
Actual principal invested beyond one year	£75.000m	£0.000m	✓

Prudential Code Indicators

- 2.33 The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.

- 2.34 The objective of the Prudential Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

- 2.35 a) Capital expenditure: the table below summarises capital incurred and how the expenditure was financed:

	2021/22 estimate	2021/22 actual	Difference
	£m	£m	£m
Capital Programme	152.674	113.112	(39.562)
Financed by:			
Capital Grants	147.174	111.455	(35.719)
Revenue and Reserves	5.500	1.657	(3.843)
Net borrowing financing need for the year	0.000	0.000	0.000

Leadership Board

- 2.36 b) Capital Financing Requirement (CFR): The CFR is a measure of the Authority's underlying need to borrow for a capital purpose. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). The actual outturn position compared to the estimate in February 2021 is set out in the following table:

	2021/22 estimate	2021/22 actual	Difference
	£m	£m	£m
Capital Financing Requirement	188.657	188.535	(0.122)

- 2.37 c) Actual Debt: the Authority's actual debt at 31 March 2022 compared to the estimate in February 2021 is as follows:

	2021/22 estimate	2021/22 actual	Difference
	£m	£m	£m
Borrowing	170.000	170.000	0.000
Finance leases	0.000	0.000	0.000
PFI liabilities	0.000	0.000	0.000
Total Debt	170.000	170.000	0.000

- 2.38 d) Gross Debt and the Capital Financing Requirement: in order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The actual outturn position compared to the estimate in February 2021 is set out in the following table:

	2021/22 estimate	2021/22 actual	Difference
	£m	£m	£m

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Total debt	170.000	170.000	0.000
Capital financing requirement	188.657	188.535	(0.122)
Headroom (Under borrowed)	(18.657)	(18.535)	(0.122)

- 2.39 e) Operational Boundary: This is the limit beyond which external borrowing is not normally expected to exceed. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

	2021/22 estimate	2021/22 actual	Complied
Borrowing	205.000	170.000	✓
Other long term liabilities	0.000	0.000	✓
Total	205.000	170.000	✓

- 2.40 f) Authorised Limit for external borrowing: This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

	2021/22 estimate	2021/22 actual	Complied
Borrowing	210.000	170.000	✓
Other long term liabilities	0.000	0.000	✓
Total	210.000	170.000	✓

- 2.41 g) Actual and estimates of the ratio of financing costs to net revenue stream: This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2021/22 estimate	2021/22 actual	Difference

Leadership Board

	%	%	%
Ratio of financing costs to net revenue stream:			
Tyne and Wear Levy	2.29%	1.77%	(0.52%)
Tyne Tunnels Account	27.32%	21.53%	(5.79%)

Financing costs are charged against two areas of the budget: the Tyne and Wear Levy for costs relating to historic debt inherited from the former Tyne and Wear Integrated Transport Authority, and costs relating to debt incurred in the construction of the second Tyne Tunnel and the refurbishment of the original Tunnel through the New Tyne Crossing project.

Statement of Accounts

2.42 The NECA Draft Statement of Accounts was signed by the Chief Finance Officer and published on the NECA website on 30 June, in line with the statutory deadlines which have once again been revised this year to take account of the impact of Covid-19 on local authorities. The draft accounts and accompanying documents are available at [Accounts and transparency - North East Combined Authority \(northeastca.gov.uk\)](https://northeastca.gov.uk).

2.43 At the meeting of the Audit and Standards Committee on 28 June 2022, the external auditors Mazars advised that they hoped to complete audit work in time for completion of the

NECA Reserves

2.44 At 31 March 2022 the NECA corporate reserve totalled £0.419m which compares to the position at 31 March 2021 of £0.426m. This reflects a general balance and is not earmarked for specific purposes at this point in time.

2.45 Further reserves are held by NECA on behalf of the JTC. These are specifically to support JTC activity and of the balance at 31 March 2022 of £30.902m, £29.969m is earmarked for specific purposes with a general reserve of £0.933m.

3. Reasons for the Proposals

3.1 This report is for information.

4. Alternative Options Available

Leadership Board

4.1 This report is for information.

5. Next Steps and Timetable for Implementation

5.1 The outturn position has been factored into the draft Statement of Accounts 2021/22 and performance against the revenue budget for 2022/23 will be monitored and update reports presented to the Leadership Board during the year.

6. Potential Impact on Objectives

6.1 There are no impacts on objectives arising from this report which is for information.

7. Financial and Other Resources Implications

7.1 The financial summary is set out in the main body of the report. There are no financial or other resource implications from this report which is for information.

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. There are no legal implications arising from this report, which is for information.

9. Key Risks

9.1 NECA holds reserves to mitigate against financial risks associated with its Corporate functions, and the level of these is considered to be adequate at the year end.

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

12.1 The budget for 2021/22 was subject to a consultation process including constituent authorities, member and officer groups before being approved by the Leadership Board in February 2021. The draft Statement of Accounts is subject to a public inspection period which runs from 1 July to 11 August.

13. Other Impact of the Proposals

Leadership Board

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 Appendix 1 – Report to North East Joint Transport Committee – 2021/22 Revenue Budget and Capital Programme Outturn.

Appendix 2 – Report to North East Joint Transport Committee – 2022/23 Revenue Budget and Capital Programme Update.

15. Background Papers

15.1 Leadership Board 2 February 2021 – Budget 2021/22 and Medium-Term Financial Strategy [Leadership-Board-2-February-2021-Agenda-Pack.pdf](https://www.northeastca.gov.uk/leadership-board-2-february-2021-agenda-pack.pdf) ([northeastca.gov.uk](https://www.northeastca.gov.uk))

Leadership Board 1 February 2022 – Budget 2022/23 and Medium-Term Financial Strategy [Item-10-Budget-2022-23-And-Medium-Term-Financial-Strategy.pdf](https://www.northeastca.gov.uk/item-10-budget-2022-23-and-medium-term-financial-strategy.pdf) ([northeastca.gov.uk](https://www.northeastca.gov.uk))

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
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17. Sign Off

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



North East Joint Transport Committee

Date: 12 July 2022

Subject: 2021/22 Revenue Budget and Capital Programme Outturn

Report of: Chief Finance Officer

Executive Summary

This report provides the North East Joint Transport Committee (JTC) with the outturn position in relation to the 2021/22 Transport Revenue Budget and Transport Capital Programme.

The report covers all areas of the revenue budget including the Transport Levies and grants to Durham, Northumberland and Nexus, and Transport North East activity including the Tyne Tunnels revenue account.

The outturn position shows that expenditure was within the revised budgets approved by the JTC. Where grants are paid to other organisations for the delivery of transport services (i.e. Durham, Northumberland and Nexus), the grant is fixed for the year but the report provides details of how the grant has been applied by each organisation to the provision of public transport services.

Durham County Council, Northumberland County Council and Nexus underspent against the revenue grant awarded by the JTC in year by £0.935m; £0.589m; and £4.255m respectively. All three organisations incurred lower than budgeted costs in relation to Concessionary Travel, arising from a change in government guidance from January 2021 which allowed reimbursement to be reduced by an equivalent to the reduction in services operated by bus companies. There were further one-off items received by Nexus (totalling £5.14m) which increased the underspend to £9.395m, including additional Metro revenue grant support, a capital receipt and tax credits.

The Tyne Tunnels accounts outturn was a breakeven position following the funding of capital expenditure on the Tyne Pedestrian and Cycle Tunnels and a transfer to the Tyne Tunnel earmarked reserves of £0.562m.

Expenditure on the Transport North East Core budget was within budget with a small underspend to the year end of £0.018m against the revised budget (£0.092m compared to the original budget). Expenditure on grant funded activity and specific projects was also within budget, with some reprofiling required into 2022/23.

The report identifies that total capital expenditure incurred on Transport schemes was £113.112m during 2021/22 against the revised programme of £141.912m, an underspend of £28.800m (20%). The majority of this underspend relates to slippage in relation to the Transforming Cities Fund Tranche 2 programme (£5.479m), Metro Asset Renewal Plan (£6.669m), Metro Fleet Replacement (£5.009m) and Metro Flow (£6.501m). There has been no loss of funding arising from the slippage and the works are forecast to take place in 2022/23, requiring the budgets to be reprofiled.

Most of the capital works undertaken in the year have been funded through government grants awarded (£111.455m) with elements of the Nexus capital programme and the Tyne Pedestrian and Cyclist Tunnels works funded by reserves (£1.657m) held specifically for this purpose.

At 31 March 2022 JTC reserves totalled £30.902m, including amounts held on behalf of Nexus, with £29.969m earmarked for specific projects or service areas and a £0.933m unallocated general reserve. The position at 31 March 2021 was that the JTC reserves totalled £30.392m, with £29.559m earmarked for specific projects and service requirements and a £0.833m unallocated general reserve balance.

Recommendations

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

1. Background Information

- 1.1 At its meeting held on 19 January 2021, the JTC agreed a Transport levy budget for 2021/22 of £84.095m, with regular updates, including the forecast outturn position being reported to the JTC over the last twelve months. This report presents the final outturn position for the 2021/22 financial year.
- 1.2 In January 2021, the JTC also approved the initial 2021/22 capital programme totalling £152.674m. The capital programme was then updated to take account of adjustments for slippage from 2020/21 and for new grant approvals made after the original capital programme was agreed, which was reported at the meeting in July. The programme was subsequently updated in reports to the JTC in November 2021, January 2022 and March 2022.

2. Proposals

Transport Revenue Budget Summary

- 2.1 The table below summarises the outturn position against the net Transport Levy budget (i.e. the net cost to the JTC after external income) for 2021/22. The levies and grants to Durham, Northumberland and Nexus are fixed for the year, but details of how the grants were applied by each organisation to the provision of public transport services is set out in more detail in the following sections. Expenditure on the Retained Transport Levy budget was below the revised budget with a variance of £0.100m due to lower financing charges on historic debt inherited from the Tyne and Wear Integrated Transport Authority. It is proposed that up to £0.080m of this is set aside to fund expenditure in 2022/23 on one-off items – support to the regional Levelling Up Fund Bid and a Regional Freight Study. The 2022/23 budget will be updated for this and appears elsewhere on this agenda.

Table 1: Transport Levy Budget 2021/22

	2021/22 Budget	2021/22 Outturn	Variance
	£m	£m	£m
Grant to Durham	15.457	15.457	0.000
Grant to Northumberland	6.318	6.318	0.000
Grant to Nexus	57.813	57.813	0.000
Retained Transport Levy Budget	2.120	2.020	(0.100)
Contribution to Metro Futures Planning Studies budget (2021/22 only)	1.187	1.187	0.000
Tyne and Wear Levy Rebate (2021/22 only)	1.200	1.200	0.000
Total Expenditure	84.095	83.995	(0.100)

	2021/22 Budget	2021/22 Outturn	Variance
	£m	£m	£m
Transport Levies	(82.895)	(82.895)	0.000
Contribution to JTC unearmarked reserves	0.000	0.100	0.100
Contribution from Nexus reserves held by NECA	(1.200)	(1.200)	0.000

Durham

- 2.2 The following table provides a detailed breakdown of expenditure on public transport services by Durham County Council against the grant awarded by the JTC:

Table 2: Durham County Council

	2021/22 Budget	2021/22 Outturn	Variance
	£m	£m	£m
Concessionary Fares	11.932	10.924	(1.008)
Subsidised Services	2.557	2.636	0.079
Bus Stations	0.177	0.123	(0.054)
Bus Shelters	0.019	0.066	0.047
Passenger Transport Information	0.088	0.088	0.000
Staffing	0.685	0.685	0.000
Share of JTC Transport Costs	0.010	0.010	0.000
Net Expenditure	15.467	14.532	(0.935)
JTC Levy	(15.467)	(15.467)	0.000
(Surplus)/Deficit for the year	0.000	(0.935)	(0.935)

- 2.3 Expenditure for Durham County Council was £0.935m under budget, with the underspend retained by the council. The majority of this relates to Concessionary Fares where changes in government guidance from January 2021 allowed reimbursement to be reduced by an equivalent to the reduction in services. There was a reduction in expenditure arising from the closure of Durham Bus Station offset by additional repair and security costs, and additional maintenance was required on bus shelters.

Northumberland

- 2.4 The following table provides a detailed breakdown of expenditure on public transport services by Northumberland County Council against the grant awarded by the JTC:

Table 3: Northumberland County Council

	2021/22 Budget	2021/22 Outturn	Variance
	£m	£m	£m
Concessionary Fares	4.903	4.307	(0.596)
Subsidised Services	1.230	1.246	0.016
Bus Services	0.026	0.042	0.016
Passenger Transport Information	0.025	0.000	(0.025)
Staffing	0.134	0.134	0.000
Share of JTC Transport Costs	0.010	0.010	0.000
Net Expenditure	6.328	5.729	(0.589)
JTC Levy	(6.328)	(6.328)	0.000
(Surplus)/Deficit for the year	0.000	0.000	(0.589)

- 2.5 The outturn position was an underspend of £0.589m which will be retained by the council. The main area of underspend was on Concessionary Fares where, during the early part of 2021/22 the Council reduced payments to those operators not running pre Covid mileage in line with government advice. These operators were reimbursed based on the proportion of mileage operated when compared with pre covid mileage. Any shortfall is claimable by operators as part of the commercial BRG claim, which means despite the reduction in concessionary travel payment operators were no worse off. All other operators continued to be reimbursed at pre-pandemic levels to ensure the viability of routes and the operators was maintained, in line with the Cabinet Office Procurement Policy Note 02/20 – Supplier Relief.

Tyne and Wear - Nexus

- 2.6 In the most recent report to the JTC on 15 March 2022 (which covered the period to 11 December 2021), the forecast outturn for the year ended 31 March 2022 was reported as a deficit of £1.330m before taxation. Since that date, due to continued savings on Concessionary Travel payments to commercial operators, along with savings in bus services and support services, this position has improved significantly.

To the year end there was a surplus, before adjusting for exceptional items, of £1.575m, compared to the budgeted deficit of £2.68m – a variance (underspend) of £4.255m, as summarised in the table below.

Table 4: Nexus Outturn 2021/22

	2021/22 Budget	2021/22 Outturn	Variance
	£m	£m	£m
Concessionary Travel	38.604	35.640	(2.964)
Metro	3.299	5.288	1.989
Bus Services	13.743	11.206	(2.537)
Other	4.847	4.157	(0.690)
Total Requirement	60.493	56.291	(4.202)
NEMOL	0.000	(0.053)	(0.053)
JTC grant	(57.813)	(57.813)	0.000
(Surplus) before exceptional items	2.680	(1.575)	(4.255)
Additional DfT Grant	0.000	(3.300)	(3.300)
Capital Receipt and Tax Credits	0.000	(1.840)	(1.840)
(Surplus) after Exceptional items	2.680	(6.715)	(9.395)

2.7 In addition, there are exceptional unbudgeted items totalling £5.14m relating to:

- On 23 December 2021, DfT wrote to Nexus confirming additional grant support of £3.3m for revenue expenditure on the Metro system up to 31 March 2022, with the intention being that this would provide support in future years when Metro Rail Grant is not being increased in line with inflation;
- During the year, Nexus disposed of land at Strawberry Place in Newcastle upon Tyne. This generated a capital receipt of £1.6m which will be used for future capital investment and to settle tax liabilities in connection with the disposal; and
- During the year, Nexus recognised tax credits in relation to Research and Development activities in the prior year of £0.3m.

Taken with the surplus before exceptional items the outturn was a £6.715m surplus – a variance of £9.395m when compared with the budgeted deficit of £2.68m.

2.8 Covid-19 Support

The financial performance in 2021/22 has been impacted by the ongoing effects of the Covid-19 pandemic and included in the table above is £20.6m emergency government funding, which is summarised as follows:

- Metro - £18.0m of Light Rail Revenue Restart Grant (LRRRG) paid by the Department for Transport (DfT);

- Bus Services - £2.5m of which £1.7m was received via the Local Authority Coronavirus Bus Services Support Grant (LACBSSG) paid by DfT, together with £0.8m of additional scholars funding paid by the Department for Education (DfE); and
- Other - £0.1m for other revenue losses (including lost ferry revenue) paid by the Department for Levelling Up, Housing and Communities (DLUHC);

2.9 ENCTS and Discretionary CT

The underspend across both statutory and discretionary elements of the CT budget is £3.0m. In line with government guidance Nexus reimbursed bus operators in respect of concessionary fares based on the number of services operating rather than at budgeted levels. The saving generated by reducing payments was £2.5m with operators running an average of 90% of services throughout the year. The remaining saving of £0.5m is due to higher than budgeted scholars pass income and savings on support services costs.

Metro

- 2.10 In terms of fare and commercial revenue, Metro generated £33.6m during 2021/22 which was some £3.6m higher than budget. Whilst this meant that less LRRRG was claimed from DfT to assist with recovery from Covid-19 (paragraph 2.8 refers), income for the year (including grants) was still £0.7m higher than budgeted levels.
- 2.11 In terms of expenditure, the largest variance was in connection with High Voltage Power (HVP) where costs exceeded budget by £3.0m because of the volatility in the energy market. This was largely offset by a combination of savings in contingencies (£1.8m), some of which had been set aside specifically because of the uncertainty relating to HVP (both price and also consumption where service provision uncertainties due to Covid-19 had been factored into the base budget calculations), employee costs (£0.4m) and Network Rail track access charges (£0.3m).
- 2.12 There were other minor variances across a range of other expenditure budgets amounting to a combined saving of £0.2m. This results in an overall break-even position for Metro for the year. This is before the additional costs described in paragraph 2.13, for which an equivalent amount will be released from a specific reserve earmarked to accommodate these additional costs.
- 2.13 As previously reported, the markets' response to the terms and conditions of the Metrocar Maintenance Agreement (MMA) reflected the amount of risk that external contractors estimated they were exposed to whilst the old fleet is phased out and prior to the new fleet becoming fully operational. As a consequence, during 2021/22 Nexus incurred an additional £2.0m in its contract with Stadler Rail Services. This will be met from a reserve specifically established to accommodate these additional costs.

Bus Services

- 2.14 The underspend in bus services has been caused by three main factors. Due to efficient scheduling, expenditure on securing services was £1.1m less than budget with a specific contingency set aside at budget setting not required; fare revenue was £1.0 better than budget and the residue of Better Bus Funding (BBF) grant amounting

to £0.4m was applied during the year (BBF had been received prior to the Covid-19 pandemic but had not been used as originally intended).

- 2.15 Although costs were less than budget and revenue was higher than budget, LACBSSG was still receivable and the amount claimed was maximised (paragraph 2.8 refers) in the year.

Other

- 2.16 Other includes Ferry, Local Rail, Bus Information and Passenger Transport Information. Ferry revenue was £0.1m higher than budget (but remains 27% lower than pre-Covid levels) and DLUHC funding was as budgeted at £0.1m (paragraph 2.8 refers). There were £0.1m costs higher than budget, mostly due to additional surveys and repairs to the ferry vessels and landings.

- 2.17 In addition, there were savings of £0.7m across a wide range of budget headings, including higher bus station departure charges received in year, reduced shelter maintenance costs, lower real time information costs and lower overhead/support service costs.

North East Metro Operations Limited (NEMOL)

- 2.18 NEMOL ceased trading in the prior year following the transfer of its remaining employees to Stadler Rail Services. In advance of being wound up, NEMOL made a small surplus of £0.053m in 2021/22.

Tyne Tunnels

- 2.19 The Tyne Tunnels are operated as a ringfenced account, so all costs associated with the tunnels are fully met from toll income and Tyne Tunnels reserves, with no call on the levy or other public funding. The outturn position for the year is breakeven with a net transfer to the tunnel reserves of £0.562m.

Table 5: Tyne Tunnels Revenue Account

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	Variance
	£m	£m	£m	£m
Tolls Income	(30.004)	(27.855)	(28.584)	(0.729)
TT2 Contract	21.707	20.411	20.011	(0.400)
Employees	0.093	0.110	0.107	(0.003)
Pensions	0.054	0.050	0.049	(0.001)
Premises	0.021	0.021	0.050	0.029
Support Services	0.129	0.155	0.135	(0.020)
Supplies and Services	0.095	0.086	0.098	0.012
Financing Charges	8.195	7.323	6.155	(1.168)
Interest/Other Income	(0.050)	(0.061)	(0.050)	0.011
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	(0.240)	0.000
Capital Expenditure Funded from Revenue – Tyne Pedestrian and Cycle Tunnels	0.000	1.200	0.790	(0.410)
Repayment of funding swap	0.000	0.917	0.917	0.000
Transfer to/(from) Tyne Tunnels reserves	0.000	(2.117)	0.562	2.679
(Surplus)/Deficit for the year	0.000	0.000	0.000	0.000

- 2.20 Tolls income was higher than forecast as traffic has picked up significantly during the latter part of the financial year and in February and March 2022 was around 95-98% of pre-pandemic levels. The contract payment to TT2 was lower than budgeted due to an overstatement in the budget calculations for the period from January – March 2022. This has been corrected in future budget estimates and had no impact on actual payments made which were correct.
- 2.21 Premises costs were higher than forecast due to backdated electricity charges relating to the Tyne Pedestrian and Cycle Tunnels.
- 2.22 Financing Charges were lower than the budget, as the budget had included additional provision for repayment of principal, in excess of the amount required in line with the Authority's Minimum Repayment of Principal (MRP) statement – in effect an accelerated repayment of debt relating to the tunnels. The MRP has been set

aside for repayment of principal for 2021/22 and all interest payments have been met, but the additional repayment has instead been transferred to the Tyne Tunnels reserves at the year end in order to restore these to the minimum level deemed prudent (which equates to approximately 3 months of toll income or circa. £10m).

- 2.23 There was an underspend against the capital budget allocation (funded from Tyne Tunnels Reserves) for the Tyne Pedestrian and Cycle Tunnels refurbishment, as discussed in paragraphs 2.48-2.50 of this report.

Transport North East

- 2.24 Transport North East (TNE) supports the JTC, providing relevant information to support policy choices and to deliver policies at a regional level. Since its creation in 2018, TNE 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 country by population and geographical size. TNE acts as the strategic transport body that supports both Combined Authorities (via the JTC).
- 2.25 Expenditure against the Core budget is within the revised budget for the year, with an underspend of approximately £0.043m arising from reduced staffing costs arising from vacancies during the year. The underspend will be added to reserves and is available to fund expenditure in future years.
- 2.26 The outturn position is summarised in the tables below:

Table 6: Transport North East Core Budget – Outturn 2021/22

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	Variance
	£m	£m	£m	£m
Employee costs	0.758	0.656	0.617	(0.039)
Transport Plan/Strategy Work	0.070	0.096	0.123	0.027
Research and Development	0.100	0.042	0.036	(0.006)
Travel and Miscellaneous	0.013	0.017	0.011	(0.006)
IT/Equipment/Accommodation	0.011	0.006	0.008	0.002
Total Expenditure	0.952	0.817	0.796	(0.022)
Local Transport Plan grant	(0.500)	(0.500)	(0.500)	0.000
Retained Transport Levy	(0.187)	(0.187)	(0.187)	0.000
External Funding for specific posts	(0.216)	(0.155)	(0.152)	0.003
Total Income	(0.903)	(0.842)	(0.839)	0.003
Net Expenditure to be funded from Reserves	0.049	(0.025)	(0.043)	(0.018)
TNE reserve	(0.005)	0.025	0.043	0.018
Go Smarter legacy funds – Transport Plan	(0.044)	0.000	0.000	0.000

2.27

Table 7: Transport North East Grants and Projects – Outturn 2021/22

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	Variance
	£m	£m	£m	£m
Go Ultra Low – Revenue	0.000	0.002	0.002	0.000
TCF Tranche 2 programme management	0.361	0.259	0.216	(0.043)
Covid-19 grants	0.000	3.734	3.961	0.227
Active Travel Planning	0.000	1.192	0.436	(0.756)
BSIP/ Enhanced Bus Partnership	0.160	1.208	0.631	(0.577)
Metro Futures Planning Studies	1.187	0.581	0.314	(0.267)
Rail Development	0.000	0.224	0.204	(0.020)
Total Expenditure	1.708	7.200	5.764	(1.436)
ERDF grant - Go Ultra Low - Revenue	0.000	(0.002)	(0.002)	0.000
TCF grant	(0.361)	(0.259)	(0.216)	0.043
Covid-19 grants	0.000	(3.734)	(3.961)	(0.0227)
ATF Revenue grant	0.000	(1.192)	(0.436)	0.756
DfT Bus Capacity grant	0.000	(1.208)	(0.631)	0.577
Metro Futures Planning Studies - funded by Nexus contribution	(1.187)	(0.581)	(0.314)	0.267
Rail Administration Grant (via Nexus)	0.000	(0.256)	(0.204)	0.052
Total Grants and Contributions	(1.548)	(7.232)	(5.742)	1.468
Net Expenditure (to)/from Reserves	0.160	(0.032)	0.000	0.032

Transport Capital Programme Outturn 2021/22

2.28 A summary of the Transport Capital Programme for 2021/22 is set out in the table below, with further details provided in the following sections.

Table 8: Transport Capital Programme Outturn 2021/22

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	Variance
	£m	£m	£m	£m
TCF Tranche 1	0.248	0.901	0.897	(0.004)
TCF Tranche 2	34.735	12.939	7.460	(5.479)
Active Travel Fund Tranche 2	7.239	3.392	1.187	(2.205)
EV Charging	0.000	0.257	0.027	(0.230)
Ultra Low EV – Taxis	0.000	0.049	0.001	(0.048)
Metro Asset Renewal Plan	19.222	23.684	17.015	(6.669)
Metro Fleet Replacement	63.069	64.215	59.206	(5.009)
Nexus Other Capital Projects	8.252	3.304	1.140	(2.164)
Metro Flow	8.100	20.632	14.131	(6.501)
Tyne Tunnels	0.500	1.200	0.791	(0.409)
Local Transport Plan	11.309	11.339	11.257	(0.082)
Total	152.674	141.912	113.112	(28.800)

Transforming Cities Fund

2.29 The North East has been awarded £208m 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 DfT.

2.30 Outturn expenditure on the Tranche 1 schemes, some of which saw delays due to the Covid-19 pandemic but are in the main fully complete, was £0.897m against the revised programme budget of £0.901m.

2.31 Expenditure on Tranche 2 schemes to the year end was £7.460m, of which £1.700m related to Metro Flow and is included in that section of this report. The remaining

£5.760m was primarily on the Durham Bus Station, Sunderland Station, North Shields Transport Hub and ITS projects.

Active Travel Fund Tranche 2

- 2.32 In November 2020, the North East region was allocated £9.049m of grant funding from Tranche 2 of the Active Travel Fund (ATF), of which £7.239m was capital. £0.262m of the capital funding was used in 2020/21. £1.187m of the grant was paid out to Local Authorities on receipt of grant claims following Grant Funding Agreements being put in place for each scheme. One of the total eight schemes is complete and a further five are in delivery. The remaining GFAs will be in place and remaining funding claimed during 2022/23.

Electric Vehicle (EV) charging infrastructure

- 2.33 Using funding of £0.390m allocated through the Local Growth Fund, the JTC are currently in the process of delivering a number of new EV Charging points around the north east, one in each local authority, based on a prioritisation process set out in an Enabling Study completed last year. Expenditure to the year end was £0.027m.

Ultra-Low Emission Vehicles – Taxi Project

- 2.34 Eight of the ten dedicated electric vehicle chargers for the taxi and private hire industry (funded by the Office of Zero Emission Vehicles) are now live and operational. Remaining budget will be carried over into 2022/23 for the completion of the project, with engagement events planned to encourage the switch to electric vehicles in the taxi trade planned for 2022.

Nexus Capital Programme

- 2.35 Nexus' revised capital programme for 2021/22 provides for gross expenditure of £111.835m. By comparison the 2021/22 programme actual outturn was £91.493m.
- 2.36 Importantly, the under spend and associated programme implications can be accommodated and no grant funding will be clawed back. The £20.343m net underspend, together with how the 2021/22 capital programme is financed, is detailed below:

Table 9: Total Nexus Capital Programme

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	Variance
	£m	£m	£m	£m
Metro Asset Renewal Programme	19.222	23.684	17.015	(6.669)
Fleet Replacement	63.069	64.215	59.206	(5.009)
Other Capital Projects	8.229	3.304	1.140	(2.164)
Metro Flow	8.100	20.632	14.131	(6.501)
Total Expenditure	98.620	111.835	91.492	(20.343)
Funding:				
Metro Rail Grant (DfT)	20.000	20.000	20.000	0.000
Metro Rail Grant (DfT) b/fwd into 2019/20	(4.000)	(4.000)	(4.000)	0.000
Fleet Replacement Grant (DfT)	59.666	54.100	54.100	0.000
Transforming Cities Grant	8.606	21.954	9.369	(12.585)
Additional DfT Grant	0.000	0.000	10.000	10.000
LTP Grant	2.604	2.604	0.736	(1.868)
LEP Grant	5.181	0.000	0.065	0.065
Fleet Reserves	3.403	12.729	0.000	(12.729)
Highways Challenge Fund	1.000	1.000	0.356	(0.644)
Nexus Reserves	2.160	1.600	0.866	(0.734)
Over Programming	0.000	1.848	0.000	(1.848)
Total Funding	98.620	111.835	91.492	(20.343)

2.37 During the final quarter of the year, Nexus received another £10.000m of capital grant from DfT. In the approval letter from DfT dated 23 December 2021, these funds were described as ‘additional’ and ‘for capital works and expenditure on the Metro system up to 31 March 2022’. Further, DfT confirmed that ‘this award replaces Nexus’ local funding from 2021/22, or other capital grant, the terms which allow it to be carried forward into 2022/23 and will be retained by Nexus in either usable reserves or as capital grant received in advance at the year-end, to be used in future years’. The

additional grant is shown in the table above and all £10.000m has been applied in order to help finance the 2021/22 capital programme.

- 2.38 This has meant the following adjustments to how other elements of the capital programme is financed:
- £5.106m has replaced reserves previously earmarked for the Fleet Replacement programme;
 - The balance, £4.894m has replaced other grant funding which will be carried forward into 2022/23:
 - £1.868m in regards LTP funding; and
 - £3.026m in regards TCF funding.

Metro Asset Renewal Programme (MARP)

- 2.39 The MARP 2021/22 actual outturn was £17.015m against the revised budgeted profile of £23.684m. The £6.7m underspend includes £4.9m projects deferred into future years, together with £1.8m net savings have taken £0.7m of cost pressures relating to Callerton Park and Ride (which was previously expected to be TCF funded), circuit breakers and re-railing of QEII bridge into account. The March grant claim was £2.010m, compared to the forecast £2.012m and therefore within the +/- 5% DfT target.
- 2.40 MRG capital grant totalling £16.000m was claimed by year end. This represents the total funding available in 2021/22. The remaining £1.015m of actual spend will be funded from £0.659m of local funding (LTP), plus £0.356m Highways Challenge Fund grant for Tanners Bank.

Fleet Replacement Programme (FRP)

- 2.41 Actual 2021/22 outturn was £59.206m against the revised budget profile of £64.215m. The majority of the £5.009m underspend relates to less contingency being applied that budgeted and a realignment of contractor activities on the Gosforth Depot project.
- 2.42 The £59.206m actual outturn is funded from the £54.100m DfT Fleet Replacement grant available in 2021/22, with the balance, £5.106m, funded from the additional £10.000m DfT grant received in year, which provides a corresponding £5.106m saving against reserves previously earmarked to fund the Fleet Replacement Programme (paragraphs 2.37 and 2.38 refer).

Other Capital Projects (OCP)

- 2.43 In 2021/22, Other Capital Projects had a budget of £3.304m comprising £1.332m Transforming Cities Fund car park projects, £1.226m Ferry North Landing relocation, £0.515m Ferry vessels and infrastructure and £0.241m non-Metro digital projects.
- 2.44 Cumulative actual outturn for 2021/22 was £1.140m, resulting in a £2.164m underspend. This has not resulted in any loss of resource and is mainly as a result

of delays in progressing the Ferry North Landing relocation and the Ferry Vessels works.

Metro Flow (MFL)

- 2.45 Cumulative actual outturn was £14.131m against an expected cumulative spend of £20.632m, resulting in a £6.501m underspend. The variance relates to contractor delays to undertaking planned surveys, together with a re-costed programme from the contractor and reduced spend on programme management time, contingency and de-vegetation works.
- 2.46 The outturn will be funded by £9.237m TCF grant (deferring £11.395m into 2022/23) with the balance i.e. £4.894m, funded from the £10.000m additional DfT Grant received in year (paragraphs 2.37 and 2.38 refers), thereby freeing up capital resource for use in 2022/23.
- 2.47 In addition, in relation to the acquisition of Network Rail infrastructure, a letter confirming Secretary of State approval of the necessary £4.900m was received from DfT in April 2022. This grant will be applied in 2022/23.

Tyne Tunnels

- 2.48 Expenditure totalling £0.791m was incurred during the year on the Tyne Pedestrian and Cycle Tunnels refurbishment. Due to delays in delivery of parts to complete the inclined lifts, unused funding of £0.410m will be carried forward to 2022/23 when the works will be completed. This work is funded by Tyne Tunnels reserves.
- 2.49 The completion and certification of the inclined lifts is now the only major outstanding work required to complete the full refurbishment. Once this is completed, the Tunnels will be handed over from the Newcastle City Council project team, who are continuing to oversee their operation, to TT2 Ltd, who will then manage the operation of the Tunnels for the remainder of the Concession.
- 2.50 New contractors were appointed in 2021 and work has taken place through the 2021/22 financial year, with good progress being made on the wiring and mechanical systems which control the lift. However, there are still works to be completed on the cabin, doors and the door operating mechanisms. New parts are required and these have been ordered, but due to supply chain issues there is a delay to the works until these can be supplied and installed which will now take place during 2022/23.

Local Transport Plan

- 2.51 LTP Integrated Transport Block funding is made available by 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 MARP capital programme). The LTP block allocation is also used to contribute to the costs of the TNE team and, in Tyne and Wear only, to the Urban Traffic Management and Control (UTMC) centre.

2.52 The outturn for 2021/22 was a small underspend of £0.087m due to some funding from the public transport schemes allocation being carried over to 2022/23 which is permitted under the grant conditions.

Capital Programme Financing

2.52 Outturn capital expenditure for 2021/22 will be financed as follows:

Table 10: Capital Programme Financing 2021/22

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	Variance
	£m	£m	£m	£m
Government Grants	147.174	131.393	111.455	(19.938)
Reserves	5.500	10.519	1.657	(8.862)
Total	152.674	141.912	113.112	(28.800)

JTC Reserves

2.53 The table below shows the outturn position at 31 March 2022.

Table 11: JTC Reserves

	1 April 2021	Budgeted 31 March 2022	Actual 31 March 2022	Variance
	£m	£m	£m	£m
JTC unallocated reserve	(0.833)	(0.776)	(0.933)	(0.157)
Tyne Tunnels reserve	(9.222)	(8.022)	(9.782)	(1.760)
Go Smarter legacy	(0.044)	(0.044)	(0.044)	(0.000)
Regional Transport Team	(0.141)	(0.166)	(0.184)	(0.018)
Metro and Local Rail Studies	(0.754)	(1.360)	(1.683)	(0.323)
Metro Asset Renewal Plan	(9.271)	(8.071)	(8.108)	(0.037)
Metro Fleet Renewal	(10.127)	(10.127)	(10.168)	(0.041)
Total	(30.392)	(28.566)	(30.902)	(2.299)

3. Reasons for the Proposals

- 3.1 This report is for information, to enable the JTC to fulfil its role of monitoring transport budgets and the Transport Capital Programme on behalf of the two combined authorities.

4. Alternative Options Available

- 4.1 This report is for information.

5. Next Steps and Timetable for Implementation

- 5.1 The impact of the outturn position has been reflected in the revised forecasts for 2022/23 which are the subject of a separate report elsewhere on this agenda.

6. Potential Impact on Objectives

- 6.1 There are no impacts on objectives arising from this report which is for information.

7. Financial and Other Resources Implications

- 7.1 The financial implications are set out in detail within the body of the report. The report is for information and provides the Joint Transport Committee with a summary of outturn expenditure against the budget and capital programme approved in January 2021 and revised by the JTC during the year. There are no financial decisions arising from this report.

8. Legal Implications

- 8.1 There are no specific legal implications arising from this report which is for information.

9. Key Risks

- 9.1 Financial risks associated with the authority's activities, and actions taken to mitigate these, will be factored into strategic risk management processes for the JTC.

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 Revenue Budget for 2021/22 was subject to a period of consultation and engagement as part of the approval process. Detailed budget proposals are subject to consultation as appropriate, which is organised by the relevant delivery body.

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 Revenue Budget 2021/22 – January 2021 JTC <https://northeastca.gov.uk/wp-content/uploads/2021/01/2021.01.19-JTC-Public-Agenda-1.pdf>

Revenue Budget Forecast of Outturn – March 2022 JTC
<https://northeastca.gov.uk/wp-content/uploads/2022/03/2022.03.15-JTC-Public-Agenda-Pack-FINAL.pdf>

Capital Programme 2021/22 – January 2021 JTC <https://northeastca.gov.uk/wp-content/uploads/2021/01/2021.01.19-JTC-Public-Agenda-1.pdf>

Capital Programme Forecast of Outturn – March 2022 JTC
<https://northeastca.gov.uk/wp-content/uploads/2022/03/2022.03.15-JTC-Public-Agenda-Pack-FINAL.pdf>

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
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

BBF – Better Bus Fund

DfE – Department for Education

DfT – Department for Transport

DLUHC – Department for Levelling Up, Housing and Communities

ENCTS – English National Concessionary Travel Scheme

EV – Electric Vehicles

FRP – Fleet Replacement Programme

HVP – High Voltage Power

JTC – Joint Transport Committee

LACBSSG – Local Authority Coronavirus Bus Services Support Grant

LRRRG – Light Rail Revenue Restart Grant

MARP – Metro Asset Renewal Plan

MFL – Metro Flow

MMA – Metrocar Maintenance Agreement

MRP – Minimum Revenue Provision

NECA – North East Combined Authority

NEMOL – North East Metro Operations Limited

NTCA – North of Tyne Combined Authority

OCP – Other Capital Projects

TNE – Transport North East



North East Joint Transport Committee

Date: 12 July 2022

Subject: 2022/23 Revenue Budget and Capital Programme Update and 2023/24 Budget Setting Process

Report of: Chief Finance Officer

Executive Summary

This report provides the North East Joint Transport Committee (JTC) with the initial forecast of outturn for the 2022/23 Transport Revenue and Capital budgets, based on the position as at the end of May 2022 and factoring in the outturn position for 2021/22.

The report covers all areas of the revenue and capital budgets including the Transport Levies and grants to Durham, Northumberland and Nexus, Transport North East and the Tyne Tunnels.

Any over or underspends against the budgets for the three main organisations delivering transport services on behalf of the JTC are retained within the reserves of these organisations and will be considered in the setting of the transport budgets for future years.

Durham and Northumberland County Councils are both currently forecasting that expenditure will be in line with the budget set for the year.

Nexus are reporting that they will address the significant cost pressures they are facing (arising mainly in relation to High Voltage power costs, increased security costs and increased secured services costs arising from significant cuts to the commercial bus network) through additional grant awarded by DfT and savings on the Network Rail Track Access Agreement, and that the use of reserves is forecast to be in line with the budgeted figure at £5.600m.

Increased expenditure on staffing in Transport North East (TNE) will be met through use of grant funding awarded after the original budget for the year was set. The budget for grant funded and project activity will be updated to include additional expenditure on Active Travel through the Capability Fund, increased expenditure on the Bus Service Improvement Plan/Enhanced Partnership arising from revised timescales for the implementation of the plan, and the administration of the Local Transport Fund grant to Durham, Northumberland and Nexus.

The forecast is anticipated to be largely in line with budget on the Tyne Tunnels revenue account, with use of reserves to fund capital expenditure on the Tyne Pedestrian and Cycle

Tunnels partly offset by reduced financing charges on debt relating to the New Tyne Crossing.

This report also provides the JTC with details of the 2022/23 capital programme plans, together with expenditure and forecasts of the outturn position based on the position as at the end of May 2022. Included in the revised budget is the impact of the 2021/22 outturn position where a number of schemes underspend last year and for which the budget has been reprofiled into the current year.

The report identifies that total capital expenditure on Transport capital schemes of £317.801m is forecast and it is proposed that a revised programme budget, taking into account the 2021/22 outturn and new grant approvals such as Active Travel Fund Tranche 3 is agreed by the JTC. This is an increase of £43.420m compared to the original programme for the year.

Expenditure to the end of May 2022 totalled £6.794m – 2.1% of the forecast total capital expenditure for the year.

Most of the capital works during the year will be funded through government grants awarded (£313.148m forecast) with elements of the Nexus capital programme and the Tyne Pedestrian and Cyclist Tunnels works funded by reserves (£4.653m forecast) held specifically for this purpose.

Finally, the report provides a summary of the budget-setting process for 2023/24 and beyond with key dates for the Committee to consider and agree budget proposals.

Recommendations

The North East Joint Transport Committee is recommended to:

- i. Note the report;
- ii. Agree the revised budget and capital programme for 2022/23 which takes into account grant funding awarded since the original budget was set and slippage and reprofiling arising from the 2021/22 outturn; and
- iii. Note the proposed budget setting process for 2023/24 and beyond, including the key dates for the Committee to consider and ultimately agree budget proposals for next year.

1. Background Information

- 1.1 At its meeting held on 2 February 2022, the JTC agreed a Transport levy budget for 2022/23 of £87.201m. This report presents an update against the original budget with the forecast of outturn prepared based on the position at 31 May 2022.
- 1.2 On 18 January 2022, the JTC also approved the initial 2022/23 capital programme totalling £279.744m. This report presents an update against the original programme with the forecast prepared based on the position at 31 May and taking into account the 2021/22 outturn position.

2. Proposals

Transport Revenue Budget Summary

- 2.1 The table below summarises the forecast outturn position against the net Transport Levy budget (i.e. the net cost to the JTC after external income) for 2022/23. The levies and grants to Durham, Northumberland and Nexus are fixed for the year, but details of how the grants will be applied by each organisation to the provision of public transport services is set out in more detail in the following sections.

Table 1: Transport Levy Budget 2022/23 Forecast of Outturn

	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Forecast	Expend. to 31 May 2022
	£m	£m	£m	£m
Grant to Durham	15.609	15.609	15.609	2.602
Grant to Northumberland	6.347	6.347	6.347	1.058
Grant to Nexus	63.125	63.125	63.125	10.521
Retained Transport Levy Budget	2.120	2.120	2.120	0.530
Total Expenditure	87.201	87.201	87.201	14.711
Transport Levies	(87.201)	(87.201)	(87.201)	(14.534)
Contribution (to)/from JTC unearmarked reserves	0.000	0.000	0.000	0.177

Durham

- 2.2 The following table provides a detailed breakdown of expenditure on public transport services by Durham County Council against the grant awarded by the JTC:

Table 2: Durham County Council Forecast of Outturn 2022/23

	2022/23 Original Budget	2022/23 Forecast	Variance	Expend. to 31 May 2022
	£m	£m	£m	£m
Concessionary Fares	12.205	11.455	(0.750)	0.003
Subsidised Services	2.688	3.438	0.750	0.393
Bus Stations	0.176	0.176	0.000	0.364
Bus Shelters	(0.268)	(0.268)	0.000	0.065
Passenger Transport Information	0.089	0.089	0.000	0.004
Staffing	0.719	0.719	0.000	0.120
Share of JTC Transport Costs	0.010	0.010	0.000	0.000
	15.619	15.619	0.000	0.949

- 2.3 Durham County Council are forecasting expenditure to be in line with the budget for 2022/23. An anticipated underspend on Concessionary Fares, in line with current guidance which allows reimbursement in line with actual services operated, will be used to support the passenger transport network.

Northumberland

- 2.4 The following table provides a detailed breakdown of expenditure on public transport services by Northumberland County Council against the grant awarded by the JTC:

Table 3: Northumberland County Council Forecast of Outturn 2022/23

	2022/23 Original Budget	2022/23 Forecast	Variance	Expend. to 31 May 2022
	£m	£m	£m	£m
Concessionary Fares	4.931	4.931	0.000	0.363
Subsidised Services	1.230	1.230	0.000	0.144
Bus Services	0.028	0.028	0.000	(0.001)
Passenger Transport Information	0.025	0.025	0.000	0.000
Staffing	0.133	0.133	0.000	0.022
Share of JTC Transport Costs	0.010	0.010	0.000	0.000
	6.357	6.357	0.000	0.528

2.5 At this early stage in the year, Northumberland County Council are forecasting that the 2022/23 budget will break even, but this is being closely monitored due to increased cost pressures being incurred by/and operational pressures on operators.

Tyne and Wear - Nexus

2.6 For 2022/23 a balanced budget was set, following the JTC approval of a number of measures to enable Nexus to do this, including a 6.75% (£4.125m) increase in the Tyne and Wear transport levy and planned use of £5.6m of Nexus' reserves.

2.7 Since the development of the budget proposal, a range of financial challenges have arisen; notably the cost of high voltage power, security (in response to acute anti-social behaviour across the network), monitoring fraudulent travel, and pay and contract price inflation. In addition, there are significant cuts in commercial bus services across the region which have already been implemented or will be over the coming weeks.

2.8 At the same time, the DfT announced a further support package, called the Local Transport Fund (LTF), which will run for six months until 4 October 2022. The region was subsequently advised it will receive an allocation of £9.924m, split £7.300m for light rail (Metro) and £2.664m for bus services across Tyne and Wear, Northumberland and County Durham.

2.9 The DfT have confirmed that they have opted not to ringfence the money between transport modes, giving LTAs autonomy to decide how best to spend this funding across their transport system. The vast majority of this funding will be required to mitigate the financial pressures of Nexus described in paragraph 2.7 therefore the proposed allocation for Tyne and Wear is £8.825m, subject to discussion at the JTC.

2.10 In addition to this, after Nexus had set its budget for 2022/23, the DfT confirmed that the Metro Rail Grant (MRG) Revenue, would in fact be indexed (although only effective from 1 April 2022), to assist with the inflationary pressures Nexus is facing and therefore resulting in additional funding of £0.600m.

2.11 Finally, a significant item of expenditure in the Metro budget is the Network Rail Track Access Agreement. It was recently identified that reductions in interest rates has meant that Nexus have overpaid on the debt that financed the Sunderland extension in 2002 and therefore the remaining payments under this agreement have been renegotiated. This results in a saving of £1.186m against the 2022/23 budget, which will also be available to fund the financial challenges described in paragraph 2.7.

2.12 The changes described above have had the following impact on the forecast for Nexus for 2022/23:

Table 4: Nexus Forecast of Outturn 2022/23

	2022/23 Original Budget	2022/23 Forecast	Variance	Expend. to P1 (May 2022)
	£m	£m	£m	£m
Concessionary Fares	31.085	31.155	0.070	2.544
Metro	17.396	25.407	8.011	2.094
Bus Services	15.227	17.608	2.381	1.077
Other	5.017	5.166	0.149	0.400
Total Expenditure	68.725	79.336	10.611	6.115
JTC Grant from Levy	(63.125)	(63.125)	0.000	(5.188)
LTF Allocation	0.000	(8.825)	(8.825)	(0.725)
Additional MRG	0.000	(0.600)	(0.600)	(0.049)
Efficiency Savings	0.000	(1.186)	(1.186)	(0.097)
Total Income	(63.125)	(73.736)	(10.611)	(6.059)
Reserves	(5.600)	(5.600)	0.000	(0.056)

- 2.13 This shows that at the end of Period 1, Nexus is still expecting to need to use £5.600m of reserves in order to balance the budget for the year, largely because of the receipt of additional government funding of £9.425m (£8.825m of which is non-recurring) and efficiency savings of £1.186m.
- 2.14 The £10.611m overspend against the original budget estimates is made up of the following:
- £4.104m estimated pressure on high voltage power;
 - Additional provision for security to tackle anti-social behaviour on the network of £1.500m;
 - Bus interventions in response to the significant cuts by commercial operators of up to £2.281m; and
 - £2.726m in respect of other inflation to accommodate pressures in relation to pay and contract prices together with fare revenue falling short of budget.
- 2.15 At the end of period 1, concessionary fares is broadly in line with budget assumptions. Metro fare revenue (including car park and PFN income) in the period was £3.262m which exceeded the budget by £0.137m (4%) which was set based on 84% of pre-Covid levels.

- 2.16 Bus commercial revenue to the end of period 1 is £0.201m which is £0.049m higher than budget. Other includes Ferry, and to the end of period 1 ferry revenue is £0.037m which is £0.002m higher than budget.

Tyne Tunnels

- 2.17 The Tyne Tunnels are operated as a ringfenced account, so all costs associated with the tunnels are fully met from toll income and Tyne Tunnels reserves, with no call on the levy or other public funding.

Table 5: Tyne Tunnels Revenue Account Forecast of Outturn 2022/23

	2022/23 Original Budget	2022/23 Forecast	Variance	Expend. to 31 May 2022
	£m	£m	£m	£m
Tolls Income	(32.715)	(32.551)	0.164	(5.075)
TT2 Contract	24.322	24.200	(0.122)	3.779
Employees	0.142	0.131	(0.011)	0.019
Historic Pensions	0.050	0.050	0.000	0.008
Premises	0.014	0.062	0.048	0.000
Support Services	0.155	0.131	(0.024)	0.000
Supplies and Services	0.195	0.157	(0.038)	0.010
Financing Charges	8.140	7.945	(0.195)	0.000
Interest/Other Income	(0.065)	(0.065)	0.000	0.000
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	0.000	(0.240)
Capital Expenditure Funded from Revenue – Tyne Pedestrian and Cycle Tunnels	0.000	0.410	0.410	0.022
Transfer to/(from) Tyne Tunnels reserves	0.002	(0.230)	(0.232)	1.477
(Surplus)/Deficit for the year	0.000	0.000	0.000	0.000

- 2.18 Traffic levels at the Tyne Tunnels have continued to recover, achieving pre-pandemic levels in May. Tolls income (and, correspondingly, contract payments to TT2 Ltd) for the year is currently forecast to be largely in line with the budget and will be kept under review during the year.

- 2.19 Financing charges are forecast to be below the original budget due to lower interest charges on equal instalment of principal (EIP) loans.
- 2.20 Premises expenditure is forecast to be higher than budget due to the delayed handover date of the Tyne Pedestrian and Cycle Tunnels to TT2 once the refurbishment is complete. As set out in paragraph 2.61 of this report, this is not now anticipated to be until later in the financial year.
- 2.21 A net contribution from reserves of £0.230m is currently forecast to be required, which relates to the TPCT refurbishment works which were forecast to have already been completed at the time of setting the original budget.

Transport North East

- 2.22 Transport North East (TNE) supports the JTC, providing relevant information to support policy choices and to deliver policies at a regional level. Since its creation in 2018, TNE 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 country by population and geographical size. TNE acts as the strategic transport body that supports both Combined Authorities (via the JTC). The updated forecast of outturn as at the end of May 2022 is set out in the table below:

Table 6: Transport North East Core Budget – Forecast of outturn 2022/23

	2022/23 Original Budget	2022/23 Forecast	Variance	Expend. to 31 May 2022
	£m	£m	£m	£m
Employee costs	0.709	0.815	0.106	0.101
Transport Plan/Strategy Work	0.060	0.064	0.004	0.000
Research and Development	0.100	0.100	0.000	0.022
Travel and Miscellaneous	0.021	0.023	0.002	0.002
IT/Equipment/Accommodation	0.011	0.011	0.000	0.000
Contingency	0.049	0.049	0.000	0.002
Organisational Development	0.000	0.011	0.011	0.011
Total Expenditure	0.950	1.073	0.123	0.127
Local Transport Plan grant	(0.500)	(0.500)	0.000	(0.500)
Retained Transport Levy	(0.284)	(0.584)	0.000	0.047

	2022/23 Original Budget	2022/23 Forecast	Variance	Expend. to 31 May 2022
	£m	£m	£m	£m
External Funding for specific posts	(0.166)	(0.136)	0.030	(0.023)
LTA Capacity Revenue Grant	0.000	(0.178)	(0.178)	(0.178)
Total Income	(0.950)	(1.098)	(0.148)	(0.748)
Net Expenditure to be funded from Reserves	0.000	(0.025)	(0.025)	(0.621)
Contribution to/(from) reserves	0.000	0.025	0.025	0.621

2.23 With the exception of the staffing budget, the forecast is largely in line with the original budget for the year. The forecast outturn includes the impact of a number of changes to the staffing establishment approved by the Managing Director, Transport North East under delegations. These changes enable the team to meet increasing demands from central government, local authorities and stakeholders, make a more direct contribution to the promotion of active travel within our communities, improve our strategy to both internal and external customers and support the delivery of the Transport Plan objectives.

2.24 Additional costs have been accommodated in the current financial year through use of contingency funding, charging staff time against grants such as ATF and TCF where work directly relates to the delivery of the relevant programmes, and the receipt of Local Transport Authority Capacity grant of £0.178m. However, there is a potential cost pressure for 2023/24 and beyond due to the fact that some of these funding sources are one-off or due to end at the end of this financial year. In the event that further funding is not forthcoming, it will either be necessary to request increased contributions from constituent authorities, or draw from reserves for a temporary period while the scale and scope of the team is reviewed.

Table 7: Transport North East Grants and Projects – Forecast of Outturn 2022/23

	2022/23 Original Budget	2022/23 Forecast	Variance	Expend. to 31 May 2022
	£m	£m	£m	£m
Active Travel Planning	0.796	0.615	(0.181)	0.001
BSIP/ Enhanced Bus Partnership	0.280	0.745	0.465	0.049
Capability Fund	0.000	2.160	2.160	0.290
Freight Study	0.000	0.030	0.030	0.000
Levelling Up Fund Bid	0.000	0.050	0.050	0.000

	2022/23 Original Budget	2022/23 Forecast	Variance	Expend. to 31 May 2022
	£m	£m	£m	£m
Local Transport Fund (Bus and Light Rail)	0.000	9.924	9.924	3.650
Metro Futures Planning Studies	1.136	1.623	0.487	0.409
Rail Development	0.236	0.261	0.025	0.023
TCF Programme Management	0.621	0.241	(0.380)	0.031
Total Expenditure	3.069	15.639	12.580	4.453
ATF Revenue grant	(0.796)	(0.615)	0.181	(0.001)
Capability Fund grant	0.000	(2.160)	(2.160)	(0.290)
DfT Bus Capacity grant	(0.207)	(0.745)	(0.538)	(0.049)
Local Transport Fund	0.000	(9.924)	(9.924)	(3.650)
Metro Futures Planning Studies - funded by Nexus budget transfer	(1.136)	(1.523)	(0.387)	(0.409)
Metro Futures Planning Studies – LEP funded	0.000	(0.070)	(0.070)	0.000
Rail Administration Grant (via Nexus)	(0.236)	(0.236)	0.000	(0.023)
TCF Tranche 2	(0.621)	(0.241)	0.380	(0.031)
Total Grants and Contributions	(2.996)	(15.544)	(12.548)	(4.453)
Net Expenditure (to)/from Reserves	0.073	0.105	(0.068)	0.000

2.25 A number of new revenue funding streams have been awarded to TNE to administer since the original budget for the year was set. The DfT's Capability Fund provides active travel revenue funding for local authorities to enable the delivery of behaviour change programmes linked to the implementation of infrastructure. The package is a combination of payments which will be made to Local Authorities for delivery and TNE-led elements, such as increasing the amount of active travel data the team have access to which will inform the development of the North East Active Travel Strategy.

2.26 The JTC has been awarded £9.924m from the Local Transport Fund in respect of socially necessary bus services and light rail services. LTF is effective from 6 April 2022 until 4 October 2022 and is a successor grant scheme to the Bus Recovery Grant (BRG) paid to the JTC and the LRRRG paid to Nexus. Of the total, £7.300m has been allocated for light rail funding and therefore intended for the Tyne and Wear Metro, with the remaining £2.624m available for bus services in the region, i.e. to be

shared between Durham County Council, Northumberland County Council and Nexus.

- 2.27 Following the government’s announcement that the region had been awarded indicative funding of £163.5m for its Bus Service Improvement Plan (BSIP) and Enhanced Partnership (EP), work has been underway to meet the new timescales and requirements set out in the funding letter. These timescales are later than anticipated when the original budget for the year was set, and expenditure in the current financial year is therefore forecast to be higher. This includes the Enhanced Partnerships Team who are being put in place to aid effective management of the EP in this and future years. Forecast expenditure during the current financial year can be met through the remaining BSIP Capacity grant carried forward from 2021/22 and in future years through the programme element of the overall funding allocation to the region.
- 2.28 A regional bid is being prepared to the second round of the Levelling Up Fund. Costs of work to support this bid will be met from reserves which have been accrued due to underspend on the Retained Levy budget in 2021/22. There are also plans for a freight study which will explore opportunities for the region, which will be funded from the same source and is reflected in the forecast outturn.

Transport Capital Programme 2022/23

- 2.29 A summary of the Transport Capital Programme for 2022/23 is set out in the table below, with further details provided in the following sections.

Table 8: Transport Capital Programme Outturn 2022/23

	2022/23 Original Budget	2022/23 Revised Budget	Variance	Expend. to May 2022
	£m	£m	£m	£m
TCF Tranche 2	70.618	87.025	16.407	0.000
ATF Tranche 2	3.186	6.272	3.086	0.000
ATF Tranche 3	0.000	17.929	17.929	0.000
EV Charging	0.175	0.175	0.000	0.000
Ultra Low EV – Taxis	0.043	0.043	0.000	0.000
Metro Asset Renewal Plan	32.762	35.632	2.870	0.966
Metro Fleet Replacement	69.808	67.999	(1.809)	2.811
Nexus Other Capital Projects	8.345	4.151	(4.194)	0.260
Metro Flow	83.498	86.774	(3.276)	0.844

	2022/23 Original Budget	2022/23 Revised Budget	Variance	Expend. to May 2022
	£m	£m	£m	£m
Tyne Tunnels	0.000	0.410	0.410	0.022
Local Transport Plan	11.309	11.391	0.082	1.891
Total	279.744	317.801	38.057	6.794

Transforming Cities Fund Tranche 2

- 2.30 The North East has been awarded £208m 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 DfT.
- 2.30 Seven of the TCF Tranche 2 schemes are now in delivery, with more due to be brought forward for agreement over the summer.
- 2.31 Claims are submitted on a quarterly basis so expenditure to 31 May is £nil. The first claims for the year are due during July. Forecast expenditure is in line with the proposed revised budget for the year of £87.025m.

Active Travel Fund

- 2.32 In November 2020, the North East region was allocated £9.049m of grant funding from Tranche 2 of the Active Travel Fund (ATF), of which £7.239m was capital. £0.262m of the capital funding was used in 2020/21 and £1.187m in 2021/22. Six of the eight schemes in the programme have now entered into a grant funding agreement, one schemes is now complete and the other five are in delivery.
- 2.33 In March 2022, the North East was awarded a further £17.9m for the delivery of nine schemes in our region from Tranche 3 of the fund. Of the nine schemes awarded funding in the North East, four were funded in Newcastle (£7.700m), one in North Tyneside (£3.500m), two in Northumberland (£3.462m) and two in Sunderland (£3.267m).

Electric Vehicle (EV) charging infrastructure

- 2.34 The four new charge points funded through the Local Growth Fund located in St Mary's car park, Sunderland, are now in operation and plans are being progressed for the installation of EV charging infrastructure at further sites, with the next planned at The Dunes, South Shields, Church Street, Gateshead and at West Denton Shopping Centre, Newcastle. Forecast expenditure for the year is £0.175m.

Ultra-Low Emission Vehicles – Taxi Project

- 2.35 Eight of the ten dedicated chargers for the taxi and private hire industry are now live and operational with the remaining two due to be delivered this financial year. An engagement event to encourage the switch to electric vehicles in the taxi trade took place at Gateshead International Stadium on 12 April. Forecast expenditure for the year is £0.043m.

Nexus Capital Programme

- 2.36 In the report to the JTC to approve the capital programme for 2022/23 to 2024/25 it was recognised that obtaining funding for the capital programme had been extremely challenging, with the submission to the 2021 Spending Review in relation to the Metro Asset Renewal Plan (MARP) not fully confirmed, with only the 2022/23 grant allocation (£30.2m) notified. At that time, MARP funding for 2023/24 and 2024/25 was subject to further approvals and likely to be linked to the region receiving a City Region Sustainable Transport Settlement (CRSTS), subject to appropriate governance being put in place.
- 2.37 This was far from a satisfactory position, given that the 2022/23 allocation was less than originally sought and the lack of CRSTS funding for the region meant that essential funding for infrastructure renewal beyond 2022/23 was not in place. Since 2019, the MARP had effectively been subject to annual funding settlements and as a result, planning the essential renewals programme has been very difficult, including preparation of the 2022/23 programme which had initially been assessed as being for one-year only. The timescales for developing the capital programme were more challenging than usual, and that had given rise to the development of a three-year programme that would likely require further refinement once projects progressed through the stage gate process, becoming better defined.
- 2.38 In particular, there has been significant concern over Nexus' ability to properly progress the 2022/23 programme with grant funding for 2023/24 and 2024/25 not in place. This is because a number of projects require contracts to be let that span more than one financial year. Examples include SCADA (Supervisory Control and Data Acquisition) system replacement, which is now life expired and likely to become unsupportable within a year or two and upgrades to Ticketing and Gating Systems and Infrastructure which protects fare revenue and is still reliant on the Microsoft XP operating system, which is out of support.
- 2.39 Consequently, Nexus, in conjunction with members from the JTC has been liaising with DfT in order to make the case for continuity of grant funding and ensure that the 2022/23 MARP can be delivered. Alongside this, Nexus has been working to critically evaluate the MARP and determine the most economically advantageous way of delivering the MARP.
- 2.40 On 10 May 2022, the Secretary of State for Transport wrote to the chair of the JTC confirming Government's commitment to the modernisation of the Metro and given the case Nexus has made together with Government commitments made during early 2020, awarded Nexus with £23.8m of funding across the years 2023/24 and 2024/25. This grant funding is in addition to £10.0m that DfT provided to Nexus in the latter part of 2021/22 which although fully applied in the prior year has released other resources for investment in the MARP. This means that Nexus now has surety

of capital grant for the next three years and has been critical in helping shape the changes to the MARP set out in this report.

- 2.41 As the region negotiates with Government to obtain a devolution deal, it is hoped that the still unresolved matter of Metro Rail Grant for the MARP can be progressed to a satisfactory outcome.
- 2.42 Nexus' original capital programme for 2022/23, provided for gross expenditure of £194.413m. By comparison, the revised 2022/23 programme requires a budget and funding provision of £194.555m. This represents a net increase of £0.142m as shown in the table below:

Table 9: Total Nexus Capital Programme

	2022/23 Original Budget	2022/23 Revised Budget	Variance	Expend. to P1 (May 2022)
	£m	£m	£m	£m
Metro Asset Renewal Programme	32.762	35.632		0.966
Fleet Replacement Programme	9.808	67.999		2.811
Other Capital Projects	8.345	4.151		0.260
Metro Flow	83.498	86.774		0.844
Total Programme	194.413	194.556		4.881

- 2.43 The reason for the net £0.142m increase in the 2022/23 capital programme is summarised below:

Table 10: Revisions to Nexus 2022/23 capital programme

	£m	£m
Metro Asset Renewal Programme		
- Slippage b/fwd from prior year	4.194	
- Projects scheduled in 2022/23 completed in the prior year	(0.042)	
- Savings against project budgets	(2.074)	
- Budget increases in respect of projects	3.194	
- Projects added to the 2022/23 programme	1.078	
- Projects deferred to the 2023/24 programme	(3.435)	2.870
Fleet Replacement Programme		
- Slippage b/fwd from prior year	12.626	
- Spend accelerated into the 2021/22 programme	(6.464)	
- Budget accelerated from the 2023/24 programme	4.904	
- Budget deferred until 2023/24	(12.876)	(1.810)

	£m	£m
Metro Flow		
- Slippage b/fwd from prior year	3.276	3.276
Other Capital Projects		
- Slippage b/fwd from prior year	0.989	
- Projects curtailed	(5.128)	
- Savings against project budgets	(0.070)	
- Budget increases in respect of projects	0.015	(4.194)
		0.142

Metro Asset Renewal Plan

2.44 Of the £2.870 increase in the MARP:

- Additional projects amounting to £1.1m including essential works at Benton Square, track circuit replacement and the digital retailing programme. Net budget increases required to complete existing projects totalling £1.1m. Budget increases of £3.2m, including Whitley Bay Station Canopy refurbishment and the Network Refresh project offset against £2.1m of project savings.
- Slippage of projects from 2021/22 into 2022/23 totalling £4.2m.
- The original 2022/23 programme included a value of £5.0m of over programming, required to ensure that the minimum spend targets are achieved. The revised 2022/23 programme now includes £2.9m of over programming.
- The 2022/23 MARP Programme will result in commitments in future years. The estimated contractual commitments and associated delivery costs together with budget for the most critical activities is £19.6m in 2023/24 and £14.2m in 2024/25. This allows for completion of SCADA renewal, XP upgrades to ticketing and gating infrastructure, Battery Loco refurbishment/renewal, Whitley Bay Station Canopy, Escalator and Lift refurbishment and continuation of OLE renewal, annual capital maintenance and cable degradation remedial works. These forward commitments amounting to £33.8m can be accommodated from additional grant awarded by DfT in late 2021/22 (£10.0m – referred to in the 2021/22 outturn report elsewhere on this agenda) and from the amount referenced in the SoS letter to the chair of the JTC dated 10 May 2022 (£23.8m).

2.45 However, the need for investment in the MARP in 2023/24 and 2024/25 is in excess of £33.8m which leaves a number of projects unfunded:

- There is no funding for Civils assets other than essential bridge assessments.
- Development of the replacement signalling system project will be further delayed without additional funding.

- Permanent way investment is limited to Capital Maintenance. Track refurbishment from South Gosforth to Airport and further S&C renewals are unfunded.
- No funding is available for Station investment beyond contract commitments.
- ICT Investment is limited to end-of-life infrastructure. No funding is available for back office applications including Asset Management Systems.

Fleet Replacement Programme (FRP)

2.47 Of the net £1.8m decrease in the Fleet Replacement Programme:

- Although there was slippage of £12.6m in 2021/22, the programme is keeping to time and budget at this stage.
- Whilst £12.9m has been deferred into future years £5.2m relates to contingency re-profiled. The remaining £7.7m relates to re-profiling of the Depot Construction Contract (DCC). However, importantly, this will not result in a delay to the delivery of the new train fleet.

Other Capital Projects (OCP)

2.48 Of the £4.2m reduction in Other Capital Projects:

- The removal of Callerton Car Park from the TCF funded schemes has resulted in a £2.2m decrease.
- The package of Digital Enhancements across the remainder of the car park estate has a budget reduction of £0.1m
- The Bus Contracts software project has slipped from 2021/22. Mainly funded from slippage of reserves from 2021/22 but an additional £0.015m budget increase is required, funded from reserves.
- The £2.191m decrease in the North Ferry Landing Relocation reflects the revised budget requirement to deliver the outstanding Ground Investigation (GI) works. Thereafter, actual delivery of the relocation will be dependent on securing additional grant funding. A £10.0m bid for Levelling Up capital grant in conjunction with North Tyneside Council, is being pursued in this respect, although this would be c£2.0m lower than the estimated cost of the project, adding further pressure on reserves unless another external funding source can be identified.

Metro Flow (MFL)

2.49 Of the net £3.3m increase in the Metro Flow Programme:

- Slippage of £3.3m in 2021/22 was a result of revisions to the contractor's delivery programme and deferred risk contingency. Importantly, the revised programme is keeping to time and budget at this stage.

2.50 Accordingly, the funding for the 2022/23 programme is also revised.

Table 11: Nexus Capital Programme Funding 2022/23

	2022/23 Original Budget	2022/23 Revised Budget	Variance
	£m	£m	£m
Metro Rail Grant (DfT)	30.200	30.200	0.000
Transforming Cities Fund (DfT)	80.395	86.435	6.040
New Fleet Grant (DfT)	64.800	64.800	0.000
LTP Grant	2.681	4.672	1.991
Highways Challenge Fund	2.245	2.345	0.100
North Ferry	3.003	1.058	(1.945)
LEP Grant	0.000	0.085	0.085
Fleet Earmarked Reserve	5.008	1.244	(3.764)
Other Earmarked Reserve	1.042	0.838	(0.204)
Over-programming	5.038	2.877	(2.161)
Total Funding	194.413	194.555	0.142

- 2.51 At the end of Period 1 £2.816m of capital grant has been claimed from the DfT. This includes MARP, FRP and MFL. The actual amount claimed in total was 100.0% of forecast and therefore within DfT tolerance levels of +/- 5%.

Tyne Tunnels

- 2.52 The Tyne Pedestrian and Cyclist Tunnels reopened for public use in August 2019 after being closed for several years for refurbishment. They are currently open to the public with no charge to users. To access the tunnels, pedestrians and cyclists can use the vertical lift at both ends. The tunnels are monitored via CCTV by the 24- hour security presence on-site.
- 2.53 The completion and certification of the inclined lifts is now the only major outstanding work required to complete the full refurbishment. Once this is completed, the Tunnels will be handed over from the Newcastle City Council project team, who are continuing to oversee their operation, to TT2 Ltd, who will then manage the operation of the Tunnels for the remainder of the Concession.
- 2.54 The completion of the inclined lifts has been delayed throughout 2020 with the Italian lift engineers (Maspero) citing Covid-19 travel restrictions as the principal reason for this. Engineers were last on site in January 2020 and have not been back to site since. However, the completion of the inclined glass lifts is a priority and therefore other options have been considered to reach a solution that allows the inclined lifts to be brought into operation as soon as possible
- 2.55 New contractors were appointed in 2021 and work took place throughout the autumn and winter of 2021. The new specialist lift engineers have made good progress on the wiring and mechanical systems which control the lift. However, there are still works to be completed on the cabin, doors and the door operating mechanisms. New parts are required, but due to supply chain issues there is a delay to the works until the parts can be supplied. As soon as the parts are installed and fitted the works can

move on to the final stage of testing and certification. The new lifts will be able to carry up to 6 cyclists and their bikes in one journey.

Local Transport Plan

2.56 LTP Integrated Transport Block funding is made available by 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 MARP capital programme). The LTP block allocation is also used to contribute to the costs of the TNE team and, in Tyne and Wear only, to the Urban Traffic Management and Control (UTMC) centre.

2.57 Expenditure to the end of May 2022 is £1.891m, and the revised budget for the year is £11.391m, £0.082m higher than the original budget to take into account slippage from the 2021/22 programme.

Capital Programme Financing

2.58 The forecast outturn for capital expenditure for 2022/23 will be financed as follows:

Table 10: Capital Programme Financing 2022/23

	2022/23 Original Budget	2022/23 Revised Budget	Variance
	£m	£m	£m
Government Grants	269.728	315.309	43.420
Reserves	10.046	4.653	(5.807)
Total	279.774	317.801	38.057

2023/24 Budget Setting Process

2.59 In line with the Transport Levying Bodies regulations, Transport Levies for the North East area must be set by 15 February 2022. It is currently planned that these will be agreed by the JTC at its meeting on Tuesday 17 January 2023.

2.60 To comply with the NECA constitution (in its role as accountable body for the JTC) the budget setting process requires the following steps:

- Outline proposals will be developed following discussions with member and officer groups including Chief Executives and Heads of Transport during July, August and September. Finance Directors will be involved throughout the process.
- An initial report on transport budgets and the strategy for 2023/24 will be reported to the JTC on 13 September 2022. Outline budget proposals will highlight the overall level of capital and revenue budget and any service impacts upon which consultation would be required.

- Proposals will be developed and subject to consultation, with proposals being brought back to the JTC on 15 November 2022.
- Final proposals in relation to the JTC budget must be approved unanimously and will be considered at a meeting of the JTC on 17 January 2023.

3. Reasons for the Proposals

3.1 This report is for information, to enable the JTC to fulfil its role of monitoring transport budgets and the Transport Capital Programme on behalf of the two combined authorities.

4. Alternative Options Available

4.1 This report is for information.

5. Next Steps and Timetable for Implementation

5.1 The revenue budget and capital programme will continue to be the subject of regular update reports to the JTC during the financial year.

6. Potential Impact on Objectives

6.1 There are no impacts on objectives arising from this report which is for information.

7. Financial and Other Resources Implications

7.1 The financial implications are set out in detail within the body of the report. The report is for information and provides the Joint Transport Committee with a summary of the updated forecast of outturn against the budget and capital programme approved in January and February 2022. .

8. Legal Implications

8.1 There are no specific legal implications arising from this report which is for information.

9. Key Risks

9.1 Financial risks associated with the authority's activities, and actions taken to mitigate these, will be factored into strategic risk management processes for the JTC.

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 Revenue Budget for 2022/23 was subject to a period of consultation and engagement as part of the approval process. Detailed budget proposals are subject to consultation as appropriate, which is organised by the relevant delivery body.

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 Revenue Budget 2022/23 – February 2022 JTC ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 02/02/2022 17:00 \(northeastca.gov.uk\)](#)

Capital Programme 2022/23 – January 2022 JTC ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 18/01/2022 14:30 \(northeastca.gov.uk\)](#)

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
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

BBF – Better Bus Fund

DfE – Department for Education

DfT – Department for Transport

DLUHC – Department for Levelling Up, Housing and Communities

ENCTS – English National Concessionary Travel Scheme

EV – Electric Vehicles

FRP – Fleet Replacement Programme

HVP – High Voltage Power

JTC – Joint Transport Committee

LACBSSG – Local Authority Coronavirus Bus Services Support Grant

LRRRG – Light Rail Revenue Restart Grant

MARP – Metro Asset Renewal Plan
MFL – Metro Flow
MMA – Metrocar Maintenance Agreement
MRP – Minimum Revenue Provision
NECA – North East Combined Authority
NEMOL – North East Metro Operations Limited
NTCA – North of Tyne Combined Authority
OCP – Other Capital Projects
TNE – Transport North East

Leadership Board

Date: 26 July 2022
Subject: Budget Process and Timetable 2023/24
Report of: Chief Finance Officer

Executive Summary

This report sets out the process and timetable for the preparation, consultation and approval of the 2023/24 budget and medium-term financial strategy for the North East Combined Authority (NECA) and the North East Joint Transport Committee (JTC).

To comply with the NECA constitution the budget setting process requires the following steps:

- Outline proposals will be developed following discussions with member and officer groups including Chief Executives, Economic Development Directors and Transport Leads during July, August and September. Finance Directors will be involved throughout the process.
- Initial high-level draft budget proposals for 2023/24 relating to transport budgets will be reported to the JTC on 13 September and for non-transport budgets to the NECA Leadership Board on 4 October.
- The proposals will then be further developed and subject to consultation, with updated detailed proposals being brought back to the JTC on 15 November and to the Leadership Board on 6 December.
- Final proposals in relation to NECA's budget must be agreed unanimously and will be considered at the Leadership Board on 24 January 2023. The JTC must approve the final proposals in relation to the North East Transport budget unanimously and will be considered at a meeting of the JTC on 17 January 2023.

Recommendations

The Leadership Board is recommended to note the report.

Leadership Board

1. Background Information

- 1.1 In line with the Transport Levying Bodies regulations, transport levies for the North East area must be set by 15 February 2023. It is currently planned that these will be agreed by the JTC at its meeting on 17 January 2023.
- 1.2 Other (non-Transport) aspects of the NECA budget will be agreed by the Leadership Board on 24 January 2023.
- 1.3 While the statutory requirement is for an annual budget and levies to be set for 2023/24, it is good practice to set a budget and in particular a capital programme within the context of a medium-term financial strategy covering a three to five-year period. The budget proposals to be presented this year will include an updated indicative three-year medium-term financial strategy for NECA, building on the strategy agreed in February 2022.

2. Proposals

- 2.1 Appendix 1 sets out the timetable of when decisions will need to be taken to enable the Transport budget and levy decisions to be taken by the JTC on 17 January 2023 and the NECA budget decisions to be taken on 24 January 2023. The timetable meets the need for consultation on the 2023/24 budget proposals, as set out in NECA's constitution.
- 2.2 Outline budget proposals will highlight the overall level of the budgets for 2023/24 and any service impacts upon which consultation would be required. These will be consulted upon and refined before final proposals are presented for consideration and approval.
- 2.3 The NECA constitution sets out the process which must be followed to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget.

a) Initial proposals

Initial proposals in relation to the transport budget will be produced for the JTC and for NECA for the non-transport budgets. At least 2 months before the calculations on transport levies need to be finalised by the JTC, a report to that Committee will set out initial outline proposals and accompanying information. The initial proposals and accompanying information will then be referred to the JTC Overview and Scrutiny Committee. The JTC Overview and Scrutiny Committee will at this stage examine the consultation proposals and timetable and make recommendations on these, where it is considered

Leadership Board

appropriate, to the JTC. It will be the responsibility of each of the Combined Authorities to examine proposals in accordance with the above timetable.

b) Initial consideration by the Leadership Board and the Joint Transport Committee

Proposals from the JTC in relation to levies and the distribution of those levies to the Constituent Authorities and Combined Authorities will be considered by the Leadership Board. The Leadership Board will consider the funding necessary to discharge the functions of NECA and make proposals for the funding of NECA taking into account the JTC's proposals or decisions in relation to the levies and the wider transport budget.

c) Finalising proposals

The Leadership Board will consider the decision and any recommendations made by the JTC and JTC Overview and Scrutiny Committee and, where it is considered appropriate, make representations to the JTC to amend the consultation process and/or timetable accordingly. The Leadership Board will refine its proposals in accordance with the recommendations and decisions made by the JTC and engage with the Overview and Scrutiny Committee.

Once the consultation process has been completed, details of the finalised proposals will be referred to the Overview and Scrutiny Committee together with the relevant background information on which the proposals have been based. It is the responsibility of the Chair of the Leadership Board and relevant officers to ensure that the Overview and Scrutiny Committee has sufficient background information to enable it to evaluate the proposals against that background information.

The proposals will then be referred back to the Leadership Board, together with any recommendations and/or observations from the Overview and Scrutiny Committee.

d) Consideration of final proposals

The final proposals (including consideration of the final proposals and decision of the JTC) will then be considered by the Leadership Board, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committee.

Leadership Board

The Leadership Board must agree the final proposals in relation to NECA's budget unanimously. The JTC must approve the final proposals in relation to the North East Transport Budget unanimously.

e) After the Budget has been agreed

A notice of the decision will be prepared by the Chief Finance Officer and given to each Constituent Authority.

3. Reasons for the Proposals

3.1 NECA must agree its budgets before the start of the financial year. The two Combined Authorities in the JTC area are required to set the Transport Levies before 15 February 2023 to enable their constituent councils to take the levies and other contributions into account in setting their own budgets.

4. Alternative Options Available

4.1 This report is for information. No alternative options are considered necessary.

5. Next Steps and Timetable for Implementation

5.1 The budget timetable is set out in Appendix 1.

6. Potential Impact on Objectives

6.1 The budget and medium-term financial strategy will be prepared to reflect the objectives of the Authority and feedback from constituent authorities. Future reports will set out the revenue and capital budget proposals in detail that will help deliver the objectives of the Authority.

7. Financial and Other Resources Implications

7.1 This report sets out the timetable and process for the agreement of the necessary budgets and funding for the Authority for 2023/24 and potential future budget requirements as part of the updated medium term financial strategy. The Chief Finance Officer will draw on available resources to deliver the budget report and plan. Further details which are developed as part of the budget development and consultation process will be identified in the budget reports to the Leadership Board.

8. Legal Implications

8.1 There are no legal implications arising from this report. The proposed timetable is in accordance with the requirements of the NECA constitution. The budget must be

Leadership Board

approved unanimously in accordance with the requirements of the NECA Order and the NECA Constitution.

9. Key Risks

- 9.1 The budget timetable has been developed to manage the risk that the budget is not agreed unanimously by the requisite deadline through early discussion with all constituent authorities. The budget proposals will include an assessment of the risk facing the NECA budget, which will be used to inform the level of reserves that is determined to be prudent.

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 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 Leadership Board, Overview and Scrutiny Committee and officer groups. In its accountable body role for the JTC, Transport proposals will be subject to consultation with the JTC Overview and Scrutiny Committee, the JTC Tyne and Wear Sub Committee and constituent councils. Comments raised as part of the consultation process will be taken into account in the preparation of the final reports.

13. Other Impact of the Proposals

- 13.1 There are no other impacts arising from these proposals.

14. Appendices

- 14.1 Appendix 1 – NECA Budget Timetable
Appendix 2 – JTC Budget Timetable

15. Background Papers

- 15.1 NECA Constitution - [NECA-Constitution-7-June-2022.pdf \(northeastca.gov.uk\)](https://www.northeastca.gov.uk/NECA-Constitution-7-June-2022.pdf)

16. Contact Officers

Leadership Board

16.1 Eleanor Goodman, NECA Finance Manager,
Eleanor.goodman@northeastca.gov.uk, 0191 433 3860

17. Sign Off

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

Leadership Board

Appendix 1 – NECA Budget Timetable 2023/24

Date	Meeting/Event	Action
26 July 2022	Leadership Board	Report setting out budget process and timetable
4 October 2022	Leadership Board	Report setting out the updated 2022/23 forecasts and impact on MTFS
6 December 2022	Leadership Board	<p>Report setting out detailed draft NECA budget proposals for consideration.</p> <p>Consider draft Transport budget proposals and implications regarding transport levy for constituent authorities as part of the budget consultation process.</p>
15 December 2022	Overview and Scrutiny Committee	Consider NECA budget proposals as part of consultation process
24 January 2023	Leadership Board	<p>Leadership Board consider outcome of consultation on NECA budget proposals. Formal agreement of non-transport budgets and contributions.</p> <p>Note the decision of the JTC on transport budgets and issue transport levies to NECA constituent authorities.</p>

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Appendix 2 – JTC Budget Timetable 2023/24

Date	Meeting/Event	Action
13 September 2022	JTC	Initial budget proposals in relation to JTC/Transport budgets. Consultation requirements to be considered/agreed.
13 October 2022	JTC Overview and Scrutiny Committee	Examine initial budget and consultation proposals and make any recommendations to the JTC.
3 November 2022	JTC Tyne and Wear Sub Committee	Consider report on draft budget proposals with specific reference to Tyne and Wear.
15 November 2022	JTC	Consider draft Transport budget proposals and any feedback from JTC Overview and Scrutiny Committee.
22 November 2022	NTCA Cabinet	Consider draft Transport budget proposals and implications regarding transport levy for constituent authorities as part of the budget consultation process.
6 December 2022	NECA Leadership Board	Consider draft Transport budget proposals and implications regarding transport levy for constituent authorities as part of the budget consultation process.
15 December 2022	JTC Overview and Scrutiny Committee	Consider updated budget proposals as part of consultation process (if necessary).
17 January 2023	JTC	Approve transport revenue budget and transport levies. Approve transport capital programme.
24 January 2023	NECA Leadership Board	Note the decision of the JTC and issue transport levies to NECA constituent authorities.

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31 January 2023	NTCA Cabinet	Note the decision of the JTC and issue transport levies to NTCA constituent authorities.
15 February 2023	Levy letters issued to constituent authorities	Date by which transport levies must be issued in line with the Transport Levying Bodies Regulations

Leadership Board

Date: 26 July 2022

Subject: Local Nature Recovery Strategies

Report of: Strategic Director - Economy, Innovation and Growth

1. Executive Summary

To brief the NECA on the background of Local Nature Recovery Strategies (LNRS)

To set out the discussions with Defra and Natural England on the groupings of Local Planning Authorities (LPAs) who will be mandated to prepare a LNRS together with one authority being designated as the Responsible Authority.

2. Recommendations

- I. Note that NECA Local Planning Authorities will be mandated to prepare Local Nature Recovery Strategy(s)
- II. Note the groupings of LPA's and Responsible Authority to prepare the Local Nature Recovery Strategy in the NECA area
- III. Discuss and agree the governance structure for South Tyneside, Gateshead and Sunderland City Councils
- IV. Discuss and agree the pooling of resources of Gateshead, South Tyneside and Sunderland City Councils to prepare their LNRS

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3. Background Information

- 3.1 The Environment Bill has now received Royal Assent. The Environment Act enables the Defra Secretary of State to make regulations about procedures and issue guidance to the appropriate bodies.
- 3.2 It strengthens the existing duty on public authorities including Local Authorities to conserve biodiversity and sets out that they should “have regard” to relevant Local Nature Recovery Strategies, what action they can take ‘to further’ the conservation and enhancement of biodiversity and to report on the actions they have taken every five years.
- 3.3 Local Nature Recovery Strategies (LNRS) are a policy set out in clauses 100 to 104 of the Environment Act and is designed to work with and help link other strategies in the Bill to reverse nature’s decline
- 3.4 Their purpose is to help reverse the decline in biodiversity in England by driving greater consideration and forward planning regarding the action that is needed for nature’s recovery.
- 3.5 Each strategy will “Agree priorities for nature’s recovery; Map the most valuable existing areas for nature; Map specific proposals for creating or improving habitat for nature and wider environmental goals”.
- 3.6 LNRS are also intended to have a broader role in the planning system by being used as evidence and influence in the preparation of Local Plans.
- 3.7 They aim to support the delivery of wider objectives such as through “nature-based solutions” which uses nature and natural processes to address both environmental and social challenges, for example by restoring peatlands to manage flood risk. This could also include climate change adaptation and mitigation or enabling access to nature.
- 3.9 The strategies will be evidence-based and locally led to create a network of shared plans that will underpin the Nature Recovery Network.

4, Proposals

The Environment Act covers targets, plans and policies for improving the natural environment. The Act brings in new requirements for planners and decision-makers in councils in relation to nature and biodiversity.

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- 4.1 The Act brings new burdens on Councils, one is the preparation of Local Nature Recovery Strategies (LNRS).
- 4.2 The Government anticipates there will be around 50 LNRS which will cover the whole of England without any gaps or overlaps. In initial discussions with Defra and Natural England the expectation is that LNRS will be in place some 18 months after the guidance and Regulations are published. We are currently awaiting the detailed guidance and regulations which were due in Spring 2022.
- 4.3 The boundaries of the LNRS are set by Department for Environment Food and Rural Affairs (Defra) . LNRS should cover large enough areas so that nature recovery can be achieved across landscapes but can still be meaningful to local people. They will likely be set out with a LNRS for each county, but individual areas should be set according to local circumstances.
- 4.4 Therefore, LNRSs will be prepared by a grouping of Local Planning Authorities (LPAs) with one LPA identified as the Responsible Authority. Defra and Natural England have identified the Wear and South of Tyne (Gateshead, South Tyneside and Sunderland City) and Durham County as the two Groupings for NECA area. With Gateshead Council being the responsible authority for Wear and South of Tyne and Durham County for Durham.
- 4.5 The six-step process mandated by the Govt to prepare the LNRS is set out in Appendix 1

Appendix 2 sets out the proposed governance approach for the combined authorities that will form Wear and South of Tyne Grouping.

5. **Reasons for the Proposals**

The Environment Act covers targets, plans and policies for improving the natural environment. The Act brings in new requirements for planners and decision-makers in councils in relation to nature and biodiversity.

The Act brings new burdens on Councils, one is the preparation of Local Nature Recovery Strategies (LNRS). The burden falls upon the Local Planning Authorities (LPA's) within the Councils. The Environment Act contains a specific duty on all public authorities to "have regard" to relevant LNRS. The LNRS will also need to be in place to coordinate the investment of mandatory Biodiversity Net Gain and Government grants such as the Environmental Land Management Scheme (ELM).

6. **Alternative Options Available**

There are no alternative options to the preparation of a LNRS nor the Groupings. The Govt has mandated the preparation of LNRS through the Environment Act. The Govt. Has instructed there will 50 LNRS to cover the whole of England. Accordingly, there will be groups of LPAs. Defra and Natural England have

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identified for the NECA area two LNRS - a) Wear and South of Tyne (Gateshead, South Tyneside and Sunderland City) b) Durham County. Durham County as a single entity have established their governance approach through existing structures.

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

The six-step process mandated by the Govt to prepare the LNRS is set out in Appendix 1. The detailed guidance and regulations are awaited. Upon receiving them the detailed next steps have not been defined.

8. **Potential Impact on Objectives**

LNRS will cover every part of England, so all businesses, people and places will have a strategy in place to drive nature's recovery and provide wider benefits. Given connections between the development of LNRS and other strategically significant work such as the Climate Emergency – mitigation and adaptation there are opportunities for the LNRS to play a leading role in shaping and maximising synergies between related policy areas. Nature recovery has an important connection with climate change, and LNRS could achieve multiple benefits include mitigating the effects of climate change (for example through natural flood management) and directly contributing to Net Zero (for example through carbon sequestration).

9. **Financial and Other Resources Implications**

9.1 The Government has committed to funding all new burdens on local authorities arising from the Environment Act. Defra and Natural England have identified Gateshead Council to act as a responsible authority for the Wear and South of Tyne LNRS area. They allocated a grant of £16,304.35 from the Local Nature Recovery Strategy Local Capacity Seed Funding Grant.

On 11 January 2022, the Government announced a new funding pot of over £4 million to help local planning authorities in England, and other local authorities in England with planning oversight, prepare for mandatory Biodiversity Net Gain in the planning system. Gateshead, South Tyneside and Sunderland City have each been allocated a grant of £10,047 from this funding.

9.2 There are currently limited in house resources to deliver the LNRS. Initial soft market testing with consultants has identified the likely cost of preparing the LNRS as being £50,000. But this is a very initial estimate prior to the detailed guidance.

9.3 To deliver the LNRS it is recommended that Gateshead, South Tyneside and Sunderland City pool the recent grants resources £46,445 to be able to commission consultants to start preparing the LNRS

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10. **Legal Implications**

Production of a LNRS will be a statutory requirement, so there will be legal implications. The full extent of these is unknown pending the preparation of the guidance and regulations.

11.. **Key Risks**

There are several risks such as reputational legal responsibilities challenge that will need to be addressed in the preparation of the LNRS. But establishing a strong, collaboration, budget and governance structure will ensure these risks are met as the project develops

12. **Equality and Diversity**

There are no equality and diversity implications arising from the proposals

13. **Crime and Disorder**

There are no crime and disorder implications arising from the proposals

14. **Consultation/Engagement**

The item has been disused at NECA Economic Directors and with the Heads of Planning as an initial sounding board and NECA Chief Executives for consideration and advice.

15. **Other Impact of the Proposals**

There are currently no other impacts of the proposal to prepare a LNRS But the Environment Act contains a specific duty on all public authorities to "have regard" to relevant LNRS. The LNRS will also need to be in place to coordinate the investment of mandatory Biodiversity Net Gain and Government grants such as the Environmental Land Management Scheme (ELM)

16. **Appendices**

16.1 Appendix 1 Process Map to prepare a LNRS

Appendix 2 Proposed Governance Structure

17. **Background Papers**

Environment Act

<https://www.legislation.gov.uk/ukpga/2021/30/contents/enacted>

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Local Nature Recovery Strategy pilots: lessons learned

<https://www.gov.uk/government/publications/local-nature-recovery-strategy-pilots-lessons-learned/local-nature-recovery-strategy-pilots-lessons-learned>

18. Contact Officers

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19. Sign off

- 19.1
- Head of Paid Service: ✓
 - Monitoring Officer: ✓
 - Chief Finance Officer: ✓

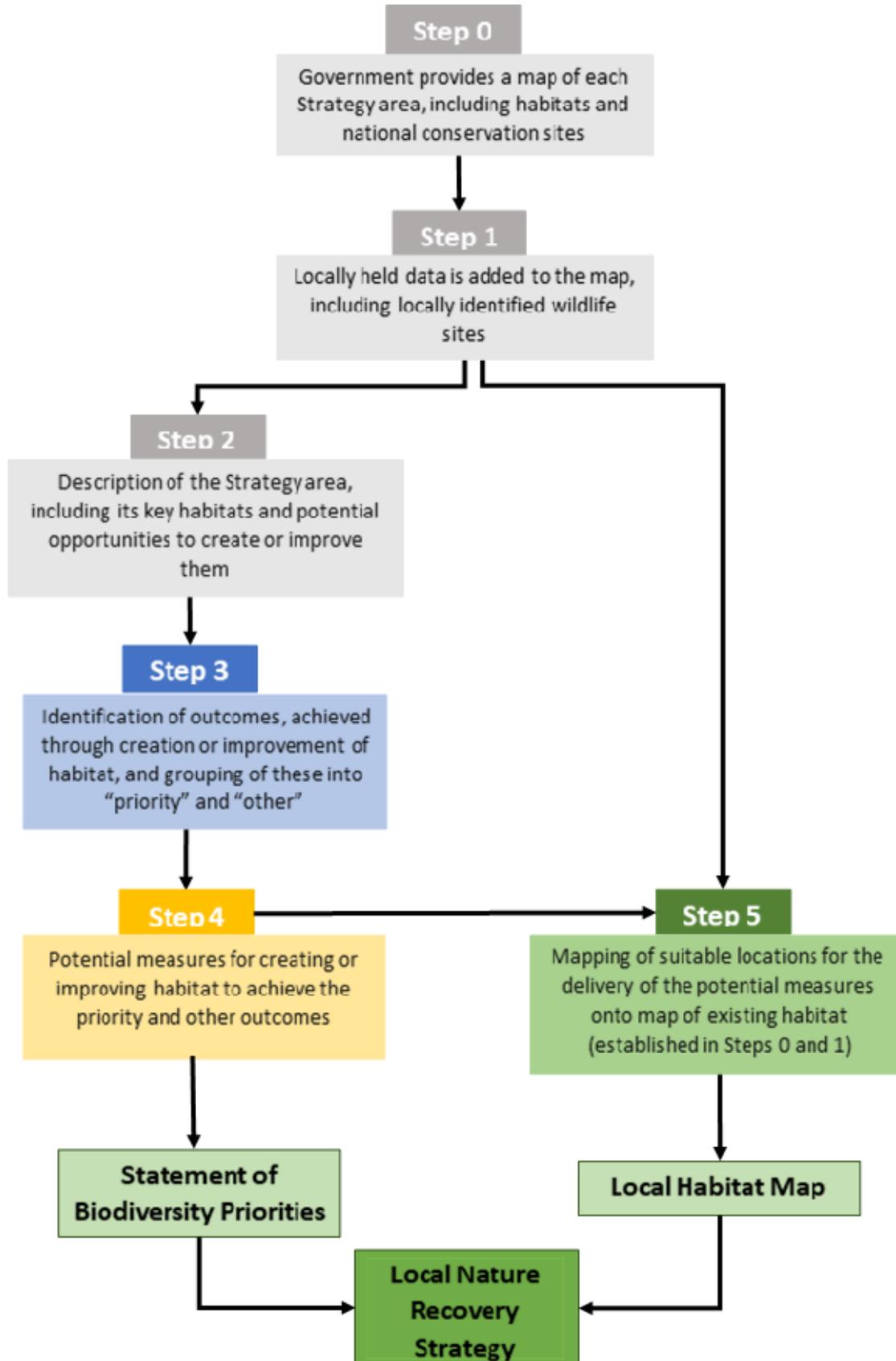
20. Glossary

LNRS – Local Nature Recovery Strategy

LPA – Local Planning Authority

Defra – Department for Environment Food and Rural Affairs

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Wear and South of Tyne Local Nature Recovery Strategy – Draft Governance Structure

