



North East Joint Transport Committee

Tuesday, 17th January, 2023 at 2.30 pm

Meeting to be held in a Whickham Room - Civic Centre

AGENDA

	Page No
1. Apologies for Absence	
2. Declaration of Interests	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (and submit it to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
3. Minutes of the last meeting held on 20 December 2022	3 - 8
4. Transport Budget and Levies 2023/24	9 - 44
5. Transport Capital Programme 2023/24	45 - 72
6. Transport Plan Progress Report	73 - 84
7. Date and time of next meeting	
The next meeting will be held on Tuesday 21 February 2022 at 2.30pm in the Bridges Room, Gateshead Civic Centre.	

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NORTH EAST JOINT TRANSPORT COMMITTEE

DRAFT MINUTES FOR APPROVAL

DATE: 20 DECEMBER 2022

Meeting held: Bridges Room, Gateshead Civic Centre

COMMITTEE MEMBERS PRESENT:

Councillor: M Gannon (Chair)

Councillors: E Gibson, C Johnson, G Sanderson, E Scott

IN ATTENDANCE:

Statutory Officers: M Barker (Monitoring Officer – Transport)
P Darby (Chief Finance Officer)
T Hughes (Managing Director, Transport North East)
S Ramsey (Lead Chief Executive – Transport)

Officers: J Bailes, F Bootle, N Easton, P Fleming, D Gittins, E Goodman,
P Holmes, H Jones, L Keating, M Kearney, P Meikle, H Nicol, J
Sparkes and E Reynard

In attendance: D Graham (Go North East)
B Maxfield (Go North East)
S Walker (Stagecoach)

37. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor N Kemp and Councillor G Miller.

38. DECLARATIONS OF INTEREST

There were no declarations of interest.

39. UPDATE FROM BUS OPERATORS

The Chair advised the Committee that representatives were present at the meeting to provide an update on bus services in the region, following a request by the Vice Chair at the last meeting.

Steve Walker advised the Committee that the industry has experienced staff shortages following the pandemic, which had not been helped by the Government encouraging drivers with HGV licences to work in the transportation industry. He explained that bus drivers only need to provide one weeks' notice to bus operators to leave their roles, but it takes twelve weeks to train a new driver. Stagecoach has revised its pay scales, and which is beginning to improve driver retention in Tyne and Wear. However, driver shortage often has an effect at this time of the year and at the moment, it is worse than previous years. Steve added that the proposals in the BSIP on bus priority will help to improve services and was hoping that these could be implemented sooner rather than later.

Ben Maxfield agreed with Steve's comments around the proposed bus priority measures in the BSIP and added that it was critical that these are taken forward. Go North East have also taken measures to mitigate driver shortage and have reviewed pay rates which has reduced driver turnover to a manageable level. He added that following a recent recruitment drive and marketing campaign, many applications had been received which was a positive step to helping to put the company on the right path. A strategy is also being developed to improve services. Dan Graham added that changes will be made at the end of January to the 10, 12 and X45 services to assist with reliability issues.

Councillor Gannon thanked Steve, Ben and Dan for their updates. He added that residents have been frustrated with the bus companies and the recent reductions in services, given that many people in the region rely on public transport to get to work. He added that local authorities are happy to work in partnership with the bus operators but believed the pandemic had shown that the current funding model for financing bus services was broken and should be changed. Local authorities had subsidised funding to bus operators during the pandemic as one of the conditions of the Government providing additional funding to ensure that the public transport network was available for people to use. He added that huge investment is required from the Government in the bus network to ensure that affordable, reliable services are available.

Councillor Gibson noted that there was a £2 capped fare to be offered from January 2023 and believed that this would assist with encouraging more residents to use bus services. Officers advised that this was being funded by the Government and would only be for three months. The fare cap was also being replicated on Metro during the same timeframe.

Councillor Johnson noted that Arriva were not present at the meeting to take questions regarding their services, which are the most prevalent in North Tyneside. He added that the way Arriva had dealt with cancellations of services had not been communicated very well with residents which caused a lot of frustration, however there was now a new notification system place. Residents

need a reliable service. He noted that Arriva had closed its base in Newcastle and believed that this would impact further on driver reliability and encouraged Arriva to think how this would impact on services.

40. MINUTES OF THE MEETING HELD ON 15 NOVEMBER 2022

The minutes were agreed as a correct record.

41. TRANSFORMING CITIES FUND TRANCHE 2 – GRANT FUNDING AGREEMENTS

The Committee considered a report which sought approval to allocate £274,423 in funding from the Transforming Cities Fund Devolved Pot to the Gateshead Council for the Gateshead Interchange Bus Lane Improvement Scheme following successful appraisal in accordance with the North East Transport Assurance Framework.

In addition, the Committee was also asked to delegate authority to the Managing Director, Transport North East, in consultation with the Section 73 and Monitoring Officers to approve three further schemes and award funding from the Transforming Cities Fund Devolved Pot, subject to successful appraisal of scheme business cases and due diligence in line with the North East Transport Assurance Framework. The schemes are:

- Durham County Council, Durham Walking and Cycling Improvements totalling up to £2,848,711.24 of TCF funds
- Gateshead Council, West Tyneside Cycle Route totalling up to £1,759,500 of TCF funds
- Northumberland County Council, Ponteland to Callerton Cycleway totalling up to £816,000 of TCF funds

RESOLVED: The North East Joint Transport Committee:

- (i) Approved the Gateshead Interchange Bus Lane Improvement scheme and released the associated £274,423 of funds from the Transforming Cities Fund (TCF) Devolved Pot to enable the scheme to commence.
- (ii) Instructed officers to prepare and sign a Grant Funding Agreement with Gateshead Council for the delivery of the Gateshead Interchange Bus Lane Improvement scheme.
- (iii) Delegated authority to the Transport North East Managing Director, following consultation with the Section 73 Officer and Monitoring Officer, to approve the release of up to £5,424,211.24 of funds from the TCF Devolved Pot to the following schemes: Durham Walking and Cycling Improvements, West Tyneside Cycle Route and Ponteland to Callerton Cycleway subject to successful appraisal in line with the Transport Assurance Framework.

- (iv) Instructed officers to prepare and sign Grant Funding Agreements, following successful appraisal, with: Durham County Council, Gateshead Council and Northumberland County Council for the delivery of the following schemes: Durham Walking and Cycling Improvements, West Tyneside Cycle Route and Ponteland to Callerton Cycleway.

42. TRANSPORT PLAN PROGRESS REPORT

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

Buses

Work continues on the development of the Enhanced Partnership Scheme subject to the Department for Transport releasing the indicative funding so the Partnership can be formalised. As part of the process, the first meeting of the Bus Partnership Board took place on 4 November 2022, attended by all members of the Partnership. One of the issues discussed at the meeting was reliability and punctuality of bus services was one of the issues discussed. Updates will be provided from the Board to the Joint Transport Committee after each meeting.

Metro

Work on Metro Flow now complete. Although the project over-ran by ten days, Nexus is very pleased with the outcome which has been a great success.

The first train of the new fleet is due to be transported to the UK at the end of January with the whole fleet arriving by early 2025. The old fleet suffered several failures during the recent cold weather impacting on services.

Discussions are on-going with the Treasury and Department for Transport regarding rising costs for high-voltage power for Metro which will become a financial issue for Nexus in April.

Councillor Gannon advised that he has written to the Secretary of State for Transport on behalf of the Joint Transport Committee regarding this issue. He added that if the Government do not agree to continuing to subsidise Metro, then services will have to be drastically reduced which will make Metro unsustainable.

Strategic Highways

The works to the A1 between Scotswood and North Brunton were completed and officially re-opened on 10 November 2022 improving the accessibility to jobs, services, new businesses and housing developments in the region.

The Government have advised that the decision to upgrade the A1 from Morpeth to Ellingham has been postponed again until September 2023.

The strategic business case for proposals to improve the route from Moor Farm to Seaton Burn continues to be strengthened.

Rail

Reliability across the whole network continues to be very poor. All operators continue to be affected by sickness, training backlogs and industrial action. In the North East, these issues are mainly affecting services from Northern Rail and Trans Pennine Express. Transport for the North and Rail North Partnership are seeking solutions to the underlying issues.

In addition, Northern advised customers last week that Sunderland Station would be closed from 18 December – 24 December due to staffing issues, which affected both rail and Metro passengers. Following political pressure and officer negotiations, Northern have announced improvements to the staffing situation.

Councillor Gannon advised the Committee that he would be writing to the Rail Minister about this issue and added that he had received a statement in relation to the closure from Councillor Graeme Miller, who was unable to attend the meeting in person. The statement read as follows:

“The decision of Northern Rail to close Sunderland Station from Sunday the 18th of December to Christmas Eve is disgraceful, and I urge my fellow members of the Joint Transport Committee to join me in condemning it.

To make such a decision with little notice, at a time of year when Metro and Rail services are even more critical for our residents and businesses is completely unacceptable.

For too long Rail services in the North-East have been sub-standard and of poor quality, and the fact it is considered acceptable to close a major City’s main rail hub over the Christmas period is just the latest example of the neglect our regional rail network suffers from.

I welcome that the Chair of this Committee will be writing to the Rail Minister requesting action“.

Councillor Gannon added that the decision of Northern to close the station without any consultation had resulted in a negative impact on businesses in Sunderland and that he would like an explanation of why it had happened. Although it had been partially resolved, through political involvement, it was still an unacceptable situation. He added that in his opinion, the whole operation of the franchise needed to be reviewed.

RESOLVED: The North East Joint Transport Committee noted the report.

43. NORTH EAST ACTIVE TRAVEL STRATEGY: APPROVAL TO CONSULT

The Committee received a report requesting consultation to begin on the North East Active Travel Strategy which aims to make it easier for people to walk, wheel and cycle for all types of journeys in the region.

The strategy sets out an ambitious £500m package of intervention which, if funded and delivered, will help to achieve a 45% rise in the number of shorter active journeys by 2035 and the following benefits for the region:

- Prevention of approximately 1,000 premature deaths, primarily due to increased physical activity;
- Reduction in carbon emissions, potentially saving around 80,000 tonnes of CO2 emissions per year;
- Growing the region's economy by around £350 million a year.

The consultation will run from 4 January to 5 March 2023 and include a variety of consultation events in person and online in all areas of the region. Officers are working with colleagues from local authorities to identify the at which in person events will take place.

Following consultation, the final version of the Strategy will be presented to the Joint Transport Committee for approval in June 2023.

Councillor Scott asked for clarification on 'wheeled' journeys and was advised that the Strategy includes those people who use wheelchairs.

Councillor Gibson asked whether charging points will be included for people who use electric wheelchairs and mobility scooters. He was advised that this would be considered during the consultation period.

RESOLVED: The North East Joint Transport Committee agreed to progress the draft North East Active Travel Strategy to public consultation.

44. UPDATE FROM TYNE AND WEAR SUB-COMMITTEE

The North East Joint Transport Committee noted the decision notice from the Tyne and Wear Sub-Committee.

45. DATE OF NEXT MEETING

The next meeting of the Joint Transport Committee will be held on Tuesday 17 January 2023 at 2.30pm in the Whickham Room, Gateshead Civic Centre.



North East Joint Transport Committee

Date: 17 January 2023
Subject: Transport Budget and Levies 2023/24
Report of: Chief Finance Officer

Executive Summary

This report sets out the 2023/24 Transport Revenue Budget and associated Transport Levies for the North East Joint Transport Committee (JTC) together with indicative forecasts for future years also exemplified for consideration and approval. The budget proposals contained in this report take into account comments received during consultation on the outline proposals presented to this committee in November 2022 and input from members of the JTC Overview and Scrutiny Committee.

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. The two Combined Authorities will formally determine to issue the levies that are agreed by the JTC at their meetings on 24 January 2023 (NECA) and 31 January 2023 (NTCA).

The report provides an update on the Revenue Budget outturn for 2022/23 and sets out the revenue resources planned to be used in 2023/24 to deliver the objectives of the JTC. A separate report on this agenda sets out the 2023/24 Transport Capital Programme and provides an update on the delivery of the 2022/23 Transport Capital Programme.

The proposed budget and levy for public passenger transport activity in County Durham is £16.912m for 2023/24, of which £16.902m will be payable as a grant to Durham County Council and £10,000 retained to contribute to the central costs of the JTC. This compares with a levy for 2022/23 of £15.619m, of which £15.609m was payable as transport grant.

The proposed budget and levy for public transport activity in Northumberland is £6.458m for 2023/24, of which £6.448m will be payable as a grant to Northumberland County Council and £10,000 retained to contribute to the central costs of the JTC. This compares with a levy of £6.357m for 2022/23, of which £6.347m was payable as transport grant.

The proposed levy for public transport activity in Tyne and Wear is £67.800m for 2023/24, of which £65.700m will be payable as a grant to Nexus. This represents a year-on-year increase of £2.575m (approximately 4%) in the levy compared with 2022/23 when the Tyne and Wear levy was £65.225m. As in previous years, £2.100m of the Tyne and Wear levy will be retained

and used to help fund central costs of the JTC, primarily relating to the former Tyne and Wear Integrated Transport Authority (TWITA) functions.

The gross expenditure budget proposed for the Transport North East (TNE) core budget is £1.037m in 2023/24, funded through a range of sources, including a contribution from the Local Transport Plan (LTP) Integrated Transport Block grant of £500,000 (equating to £62,500) for each of the seven local authorities and Nexus), contribution from external grants to meet programme management costs, a contribution from the Transport levies and other specific revenue grants received from central government, including funding towards the Bus Enhanced Partnership.

The Tyne Tunnels revenue account forecast for 2022/23 is for a deficit of £0.101m, and a deficit of £0.412m for 2023/24, which will be funded from Tyne Tunnels reserves. These estimates take into account the decision of the Tyne and Wear Sub Committee (TWSC) to defer until at least 1 May 2023 the application of the required toll increase for Class 2 and Class 3 vehicles triggered by the Retail Price Index (RPI) measure of inflation.

Recommendations

The North East Joint Transport Committee is recommended to:

- i) Note the position of the Transport budget in 2022/23 and approve the revised estimates for the year;
- ii) Agree a Transport net revenue budget for 2023/24 of £91.170m, as set out in section 2.5 of this report;
- iii) Agree the following Transport Levies for 2023/24:
 - a. Durham County Council £16.912m
 - b. Northumberland County Council £6.458m
 - c. Tyne and Wear councils (detailed in Table 6) £67.800m (see section 2.15)
- iv) Agree a transport revenue grant to Durham County Council for the delivery of transport services of £16.902m, as outlined in section 2.7;
- v) Agree a transport revenue grant to Northumberland County Council for the delivery of transport services of £6.448m, as outlined in section 2.10;
- vi) Agree a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £65.700m;
- vii) Approve the budget for the Tyne Tunnels set out in section 2.71, which includes the effect of the decisions taken by the Tyne and Wear Sub-Committee on 15 November 2022;
- viii) Approve the budget for Transport North East as set out in section 2.64-2.68
- ix) Note and agree the forecast level and use of reserves at section 2.80-2.82.

1. Background Information

- 1.1 The draft budget proposals were presented to this committee for consideration on 18 October 2022 and 15 November 2022 and have been the subject of consultation with officer groups, members of the JTC Overview and Scrutiny Committee and the Tyne and Wear Sub-Committee (for proposals relating to Tyne and Wear).
- 1.2 This report sets out the final budget proposals, taking into account the comments received during the budget setting process and the latest available information.
- 1.3 The report outlines the proposed Transport revenue budget and levies for 2023/24, together with indicative forecasts for future years exemplified for consideration and approval. The report also provides an updated forecast for the current year.
- 1.4 The budget proposals set out in the report assume business as usual activity. Should a devolution deal for a new mayoral combined authority in the region be signed off, there will be various pieces of transport work required as a result. Further information and updated budget proposals will be brought to the JTC as necessary at the appropriate time.

2. Proposals

Transport Revenue Budgets Updated 2022/23 Forecast

- 2.1 The main area of income and expenditure in the JTC revenue budget is the Transport Levies and the revenue grants paid to Durham County Council, Northumberland County Council and Nexus for the delivery of public transport services.
- 2.2 As the Transport Levies and revenue grants are normally fixed for the year, there is no change in the Levies payable and minimal change in the JTC revenue budget itself in year.
- 2.3 Any surplus or deficit against the budgets for the three main delivery agencies (Durham County Council, Northumberland County Council and Nexus) is retained or managed within the reserves of those organisations.
- 2.4 The updated forecast outturn position, together with the actual spend position to 31 October is set out in the table below:

Table 1: 2022/23 Transport Levies and Grants

	2022/23 Original Budget	Actual Spend to 31 Oct 2022	2022/23 Forecast Outturn	2022/23 Forecast Variance
	£m	£m	£m	£m
Total Transport Levies	(87.201)	(50.867)	(87.201)	0.000
Grant to Durham	15.609	9.105	15.609	0.000
Grant to Northumberland	6.347	3.702	6.347	0.000
Grant to Nexus	63.125	36.823	63.125	0.000
Retained Levy budget	2.120	1.237	2.120	0.000
Total Expenditure	87.201	50.867	87.201	0.000
Contribution to / (from) JTC reserves	0.000	0.495	0.000	0.000

Transport Revenue Budget and Levy Proposals for 2023/24

2.5 The overall total proposed net revenue budget for transport levies in 2023/24 is £91.170m, as summarised in Table 2 below. This represents a total net increase of £3.969m (4.55%) when compared to 2022/23.

Table 2: Transport Levies 2023/24

	2022/23 Levy	2023/24 Proposed Levy	Change from 2022/23	Levy per person ¹
	£m	£m	£m	£
Durham	15.619	16.912	1.293	32.44
Northumberland	6.357	6.458	0.101	20.08
Tyne and Wear	65.225	67.800	2.575	60.23
Total	87.201	91.170	3.969	

¹ ONS mid-2021 Population estimates, [Population estimates for the UK, England, Wales, Scotland and Northern Ireland - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/population-demography/population/population-estimates-for-the-uk-england-wales-scotland-and-northern-ireland)

2.6 The variation in the figures for the levy per person reflects the higher costs of concessionary travel demand and capital financing costs in the Tyne and Wear area and demonstrates why three separate levies are required. The following table sets out a summary of the transport net revenue spending planned for 2023/24. Approximately £46.966m (53%) is planned to be spent on concessionary travel and £21.087m (24%) on subsidised bus services (not including the costs of home to school transport for children and young people as these are within the budgets of the relevant local authorities).

Table 3: Summary of the 2023/24 Transport Levy Budget:

	Durham	Northumb erland	Tyne and Wear	Total
	£m	£m	£m	£m
Statutory Concessionary Travel	11.155	5.020	28.235	44.410
Discretionary Concessionary Travel	-	-	2.556	2.556
Subsidised Bus Services	4.888	1.230	14.969	21.087
Bus Stations/Infrastructure	0.008	0.027	2.636	2.671
Public Transport Information	0.089	0.025	1.453	1.567
Metro (inc. Discretionary Travel)	-	-	22.362	22.362
Ferry	-	-	1.481	1.481
Staffing in Durham / Northumberland	0.762	0.146	-	0.908
Funded from Reserves	-	-	(7.992)	(7.992)
Transport Grant	16.902	6.448	65.700	89.050
JTC General Transport Costs and former TWITA Costs	0.010	0.010	2.100	2.120
Transport Levy	16.912	6.458	67.800	91.170

Durham

2.7 The budget and levy for public passenger transport activity in County Durham will be set at £16.912m for 2023/24. This compares with a levy of £15.619m for 2022/23.

The budget and levy for 2022/23, including the forecast outturn position, and 2023/24 is summarised in the table below.

Table 4: Durham Transport Budget and Levy 2023/24:

	2022/23 Original Budget	Actual Spend to 31 Oct	2022/23 Forecast	2022/23 Variance	2023/24 Initial Budget
	£m	£m	£m	£m	£m
Concessionary Fares	12.205	5.054	11.070	(1.135)	11.155
Subsidised Services	2.688	1.266	4.294	1.606	4.888
Bus Stations	0.176	0.552	0.199	0.023	0.276
Bus Shelters	(0.268)	0.098	(0.211)	0.057	(0.268)
Passenger Transport Information	0.089	0.085	0.085	(0.004)	0.089
Staffing	0.719	0.419	0.719	0.000	0.762
Share of NECA Transport Costs	0.010	0.000	0.010	0.000	0.010
Net Expenditure / Levy	15.619	7.474	16.166	0.547	16.912

2.8 The projected outturn for 2022/23 is an overspend of £0.547m. An anticipated underspend in Concessionary Fares is forecast based on a return to a reimbursement model following the lifting of Covid-19 restrictions, which, in line with current guidance, will be used to support the passenger transport network which is forecast to overspend in 2022/23 due to a combination of inflationary pressures and additional support for withdrawn services. Both Bus Stations and Bus Shelters are forecast to overspend due to additional premises costs being incurred this year.

2.9 The reason for the year on year increase in the budget relates largely to provision for inflation. At the time of preparing the JTC budget report Durham County Council was still developing its 2023/24 budget proposals and therefore the figures are only draft at this stage.

Northumberland

2.10 The budget and levy for public passenger transport activity in Northumberland will be set at £6.458m for 2023/24. This compares with a levy of £6.357m for 2022/23. The

budget and levy for 2022/23, including the forecast outturn position, and 2023/24 is summarised in the table below.

Table 5: Northumberland Transport Budget and Levy 2023/24

	2022/23 Original Budget	Actual Spend to 31 Oct	2022/23 Forecast	2022/23 Variance	2023/24 Initial Budget
	£m	£m	£m	£m	£m
Concessionary Fares	4.931	2.223	4.531	(0.400)	5.020
Subsidised Services	1.230	0.233	1.496	0.266	1.230
Bus Services	0.028	0.012	0.034	0.006	0.027
Passenger Transport Information	0.025	0.000	0.025	0.000	0.025
Staffing	0.133	0.078	0.133	0.000	0.146
Share of NECA Transport Costs	0.010	0.000	0.010	0.000	0.010
Net Expenditure / Levy	6.357	2.546	6.229	(0.128)	6.458

- 2.11 The projected outturn for 2022/23 is an underspend of £0.128m. Concessionary Travel is forecast to underspend by £0.400m. Following the lifting of Covid-19 restrictions the DfT has allowed local authorities to negotiate with the local travel providers regarding the reimbursement rates payable in respect of concessionary travel. The Council has been able to negotiate two fixed price deals with the two major operators for the period April 2022 to March 2023 rather than based on a reimbursement rate per journey. This has provided budget certainty for all parties as passenger numbers are yet to recover to pre-pandemic levels.
- 2.12 The Supported Services budget is currently forecast to overspend by £0.266m. The overspend relates to the high number of contracts that have been handed back to the Council by operators due to the increase in fuel prices and the lack of resources (drivers/vehicles) available. The passenger transport team have reviewed the existing network and prioritised the contracts that continue to provide value for money and ensure that all geographic areas are served by the new network.
- 2.13 The reason for the small increase is due to an allowance for some inflation. At the time of preparing the JTC budget report Northumberland County Council was still developing its 2023/24 budget proposals and therefore the figures are only draft at this stage.

Tyne and Wear Levy

- 2.14 The levy for Tyne and Wear includes a centrally retained budget of £2.100m, required to fund central transport costs, primarily relating to the former Tyne and Wear Integrated Transport Authority.
- 2.15 The apportionment of the Tyne and Wear levy between the constituent councils is revised each year to consider the mid-year population estimates. In 2023/24 the split of the levy will be based on the mid-2021 population estimates, whereas the 2022/23 levy was split based on the mid-2020 population estimates. Table 6 below exemplifies the overall year on year change in the budget and apportionment between the Tyne and Wear Councils. The movement in population estimates means that the levy change per council may be higher or lower than the headline percentage change of c4%.

Table 6: Tyne and Wear Levy Apportionment 2023/24

	2021 Population	2022/23 Levy	2023/24 Proposed Levy	Change including population impact
		£	£	£
Gateshead	196,154	11,487,801	11,814,249	326,448
Newcastle	298,264	17,453,494	17,964,279	510,785
North Tyneside	209,151	11,881,498	12,597,052	715,554
South Tyneside	147,915	8,597,108	8,908,840	311,732
Sunderland	274,211	15,805,099	16,515,580	710,481
Total	1,125,695	65,225,000	67,800,000	2,575,000

Nexus Revenue Budget

Updated Nexus Forecast of Outturn 2022/23

- 2.16 At the JTC meeting in November 2022, it was reported that central government intervention (in the form of the Energy Bill Relief Scheme) had improved Nexus' expected financial position in 2022/23. This position has improved further, primarily due to an additional allocation of Local Transport Funding (LTF), increasing interest income (following the increase in interest rates) and better performing secured services revenue.
- 2.17 At the end of period 8, Nexus is no longer expecting to have to draw on reserves in order to balance the budget in the current year. The latest forecast position is a small surplus of £0.451m, which is £6.051m better than originally anticipated when the budget was set last year. Whilst this is a significant achievement considering the

budgetary pressures and financial challenges that Nexus is contending with, it should be noted that this turnaround would not have been possible had it not been for Local Transport Funding (LTF) and the Energy Bill Relief Scheme (EBRS) which combined are providing Nexus with an estimated £15.738m of unbudgeted grant support this year. Had it not been for this support the position would have been £10.138m worse than the budgeted position.

2.18 The position for 2023/24 and 2024/25 budget setting has however significantly deteriorated when compared to the Medium-Term Financial Plan (MTFP) forecasts presented to the JTC in January 2022, due mainly to inflationary pressures that are beyond the control of Nexus and the continuing post Covid recovery process. A much greater reliance on reserves will be required in 2023/24 to balance the budget and a further contribution (not previously planned) will also be required in 2024/25. It will therefore be necessary to earmark the reserves that were to be applied in the current year that have not been utilised in order to help mitigate these challenges in future years.

2.19 The table below shows expenditure to the end of period 8 (12 November), together with the forecast outturn to the year end, against the revised budget reported to JTC in November. There is narrative following the table explaining the variances against the revised budget across the main service areas.

Table 7: Nexus Forecast of Outturn 2022/23

	2022/23 Revised Budget	Actual Spend to 31 Oct	2022/23 Forecast Outturn	2022/23 Variance
	£m	£m	£m	£m
Concessionary Fares	31.155	18.832	30.652	(0.503)
Metro	17.076	7.870	13.986	(3.090)
Bus Services	15.327	6.848	13.092	(2.235)
Other	5.167	2.657	4.944	(0.223)
Levy	(63.125)	(39.086)	(63.125)	-
Total Expenditure	5.600	(2.879)	(0.451)	(6.051)
Reserves	(5.600)	2.879	0.451	6.051

Metro

2.20 At the end of period 8, financial performance on Metro shows net expenditure at £3.090m better than the revised budget, after central government support, and before application of reserves. During the year, the inflationary pressures have continued to rise, most notably the cost of HV power, which has more than doubled (estimated at £21.572m against a base budget of £8.356m), caused by geo-political factors and continued instability in the energy market. However, after taking into

account the EBRS introduced by Government (which will discount the HV power bill by an estimated £6.163m) and the allocation of LTF grant (which in total is now expected to be £9.575m) the in year HV power cost pressure is now fully funded in the current year.

- 2.21 Metro fare revenue at the end of period 8 was £25.830m which exceeded the evenly profiled budget by £2.005m (8%), which was set based on 84% of pre-Covid levels. Given the ongoing impact Covid is having on journey patterns, it is proving difficult to accurately assess the profile of Metro fare revenues. In addition, the current economic climate could adversely impact customer numbers as the year progresses. Despite this however, it is apparent that Metro revenue is likely to be better than budget by the year end and the updated forecast position is a favourable variance of £1.300m. The forecast also reflects the introduction of a £2 fare on Metro for Pay As You Go (PAYGO) products for the period of 3 months, commencing in January 2023, where the revenue foregone is estimated to be around £0.300m.
- 2.22 The forecast at the end of period 8, reflects a net saving of £0.770m across a number of areas (some of which are also applicable to the other service areas), including travel ticket costs, cash handling, ICT licences and additional contract income. This has increased since the previous report as it reflects the Government decision to reverse the 1.25% national insurance increase. The forecast continues to include savings expected in employee costs due to a number of posts being held vacant for longer than originally planned, which is expected to amount to £0.750m. In addition to this, due to the rise in interest rates, the expected increase in investment income is now expected to be £0.570m.
- 2.23 It is important that the improved forecast is seen in the context of the significant amount of additional central government support (LTF and EBRS) that has been received. As noted, there will be a greater reliance on reserves in future years therefore the improvement in the 2022/23 position should be earmarked for this purpose.

Concessionary Fares

- 2.24 At the end of period 8, concessionary fares included higher than budgeted school income of £0.177m and other savings of £0.090m. The updated forecast outturn has improved, with school income now expected to be £0.232m across the year. The forecast also reflects savings of £0.150m in respect of teen travel and consultancy, as well as increased overhead savings of £0.121m.

Bus Services

- 2.25 Taking into account the unbudgeted LTF grant that has been received this year, financial performance on Bus Services shows net forecast expenditure of £2.235m below the revised budget, and before application of reserves. This is an improvement on the position previously reported, primarily in respect of bus commercial revenue, which is now expected to be £0.917m better than budget across the year. In addition to this, there are expected to be savings of £0.551m on secured service contracts, where an above inflation increase in the budget has not been fully required, following the network reconfiguration in response to commercial cuts and tender prices that

have been subsequently obtained. The forecast also reflects £0.060m savings on Taxi Card costs.

- 2.26 During the year, Nexus has received £0.535m of additional Bus Recovery Grant funding from Transport North East which is reflected within the forecast outturn position. This represents unused funding from the previous financial year, which had been carried forward under the terms and conditions of the grant. Finally, there are increased overhead savings which are expected to amount to £0.172m for the year.
- 2.27 As with the Metro underspend, it is important that the improved forecast is seen in the context of the significant amount of additional central government support (LTF and EBRS) that has been received. As noted, there will be a greater reliance on reserves in future years therefore the improvement in the 2022/23 position should be earmarked for this purpose.

Other

- 2.28 The budget heading includes Ferry, Bus Infrastructure and Passenger Transport Information. At the end of period 8, financial performance shows net expenditure is expected to be £0.223m better than the revised budget, before application of reserves. To the end of period 8, ferry revenue is £0.277m, which is £0.034m higher than the profiled budget. The forecast has been updated to reflect an estimated favourable variance of £0.024m for the year. The forecast also reflects £0.054m higher than budgeted fuel and insurance costs on the ferry, offset by overhead savings of £0.253m.

Nexus Budget 2023/24

- 2.29 When the JTC met on 15 November 2022, Nexus reported that the impact of inflation (most notably HV power) on the 2023/24 budget was profound. An increase in the Tyne and Wear Transport Levy commensurate with the 4.0% uplift that was signalled in the budget report to the JTC in January 2022, was highlighted as being required in 2023/24. In addition to this, a package of further support from Central Government (DfT) was to be sought, due to the significant budget pressures which Nexus is experiencing in relation to the HV Power on Metro.
- 2.30 At this stage there has been no confirmation of any further support from DfT for 2023/24, although discussions are ongoing with the Department. Due to the financial gap that exists, if further support from the DfT is not forthcoming and/or the JTC does not agree the proposed levy increase, this would have a major detrimental impact on the recovery of Nexus as it emerges from the Covid pandemic and deals with the challenges posed by high levels of inflation and the cost of living crisis.
- 2.31 In the current year, in order to help set a balanced budget and enable Nexus' services to be maintained, the JTC approved a levy increase of 6.75% (£4.1m) and agreed a contribution of £5.6m from Nexus' reserves.
- 2.32 During the year to date, Nexus has seen recovery in customer numbers using the Metro, introduced measures to tackle anti-social behaviour on Metro and reacted to systemic changes in the bus network by reconfiguring and growing its own secured services provision. This is all being done against a backdrop of delivering major

capital investment in new trains, a new depot, other essential renewals, and the construction of a new line in South Tyneside (Metro Flow).

- 2.32 Inflation has risen significantly above the levels anticipated in the base budget and against the levels previously assumed and this has had a hugely detrimental effect on a range of costs making up Nexus' budget. In particular, the cost of high voltage power has more than doubled, caused by geo-political factors, and continued instability in the energy market. There are other pressures relating to employee pay, contract price inflation and instability in the bus market where, as the paragraph above outlines, Nexus has had to step in and preserve services which would otherwise have been lost.
- 2.33 Despite this, the financial position has been managed this year due to the receipt of:
- Additional central government support amounting to £9.6m, in the form of Local Transport Funding (LTF); and
 - Further support, estimated at £6.2m from the government's Energy Bill Relief Scheme (EBRS), which is expected to reduce HV Power expenditure down from £21.6m to £15.4m, against an original budget of £8.4m.
- 2.34 This means that in 2022/23, Nexus no longer expects to draw on its reserves to balance the budget, and in fact a small surplus (contribution to reserves) is currently forecast. This reduction in the planned use of reserves will need to be carried forward to assist with the financial challenges in 2023/24 and 2024/25, as outlined further below.
- 2.35 During budget setting for 2022/23, it was highlighted in the Medium Term Financial Plan forecasts that it would be necessary to increase the Tyne and Wear Transport Levy further in both 2023/24 and 2024/25 given that Nexus could not place reliance on reserves indefinitely. Initial forecasts suggested that an increase in the levy of 4.0% (amounting to £2.6m) in 2023/24 and 3.7% (amounting to £2.5m) in 2024/25 would be required. This was in addition to Nexus using an additional £3.1m of reserves in 2023/24 to enable services to be maintained, during recovery from the Covid pandemic.
- 2.36 Since the development of the 2022/23 budget and medium-term financial plan (where a deficit of £5.7m, to be offset by reserves was anticipated in 2022/23), a range of unforeseen pressures have arisen, the most significant being the cost of HV Power. The likely costs in 2023/24 are difficult to quantify with any certainty at this stage given the volatility in the markets. At the time of reporting to the JTC in November 2022, the HV power estimate and other inflationary pressures meant that there was an expected deficit of £22.7m for 2023/24, an increase of £17.0m on that previously notified to the JTC in January 2022.
- 2.37 To deliver a balanced budget, Nexus has assumed a continuation of central government support equivalent to the discount of the Energy Bill Relief Scheme into 2023/24. This is not certain at this stage, but discussions are ongoing with the DfT. Assuming this support is secured, Nexus is still forecasting a deficit of £10.6m in 2023/24, which would be funded by an increase to the Tyne and Wear levy of £2.6m (4.0%) and the use of Nexus' reserves of £8.0m.

- 2.38 In arriving at this position assumptions have been made regarding the delivery of efficiencies without a cut to services, including the renegotiation of contracts and containing cost pressures from within existing budgets (which together total £4.6m). In addition, the forecasts factor in the benefit of increases in interest rates which is expected to generate additional investment income of £0.4m, as well as government's decision to reverse the national insurance increase which is expected to save £0.3m.
- 2.39 The budget also includes a £0.6m benefit in respect of the Metro Rail (revenue) Grant (MRG), which DfT have agreed to index, effective from 1 April 2022, after initially advising Nexus that this grant would not increase. No further indexation in 2023/24 is assumed. However, in 2021/22, DfT provided Nexus with additional grant support of £3.3m for Metro revenue expenditure in lieu of MRG not being indexed in future years. Due to the budget pressures being faced in 2023/24, it is proposed to fully allocate this additional grant support in this year.
- 2.40 Finally, due to the more optimistic recovery of Metro fare revenue being seen in 2022/23, the forecast for 2023/24 has been revised upwards. The table below shows Nexus' latest estimate of Metro fare revenue across the medium term using 2019/20 i.e., the last full year before the Covid pandemic, as the base year. Despite faster recovery being reflected in 2023/24, Nexus is still not forecasting Metro revenue to return to pre-pandemic levels until 2024/25 despite the impact of successive fares reviews and two major capital interventions i.e., the new fleet and Metro Flow.

Table 8: Metro Revenue forecasts

	Actual	Budget	Budget	Budget	Budget
	2019/20	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Fare Revenue	44.0	37.6	43.0	45.0	45.5
LRRRG (Covid-19 grant)	1.1	-	-	-	-
Impact of New Fleet	-	-	0.5	1.9	2.2
Impact of Metro Flow	-	-	-	0.5	2.0
Total	45.1	37.6	43.5	47.4	49.7
Total as a % of 2019/20	n/a	84%	97%	105%	110%

- 2.41 The efficiencies set out above help to partially offset the significant cost pressures caused by inflation, most notably HV power. At this stage, the HV power cost for next year is difficult to estimate due to the volatility in the markets, with estimates over the last few months ranging from £20.9m to £28.8m as the market price has fluctuated. The budget planning assumes that additional central government support is

provided, reducing the HV power cost to £15.2m. If this support is ultimately forthcoming a deficit of £10.6m would exist in 2023/24.

- 2.42 Given the magnitude of this financial challenge, Nexus has had to seek a 4.0% or £2.6m increase in the Tyne and Wear Levy in 2023/24. Table 6 shows the impact of this increase on each of the Tyne and Wear Councils.
- 2.43 Nexus is also proposing to underpin (and balance) the revenue budget in 2023/24 by applying £8.0m of its reserves in order to protect service delivery. This is possible due to the improved financial outturn in 2021/22, as well as the expected improved position in 2022/23. The adoption of such a strategy is considered prudent given the need to maintain services as far as possible, in order to ensure Nexus emerges from the Covid pandemic/cost of living crisis in a positive way, something that the recovery plan for the Metro submitted to central government insisted on, and without which, a spiral of decline in the level of service provided and fare revenue capable of being generated was foreseen.
- 2.44 The latest forecast for 2024/25 is that there will be a need for a further use of reserves despite a further increase in the levy being sought that year. After the assumed contributions in 2023/24 and 2024/25, this will mean that the remaining level of reserves earmarked to help underpin the revenue budget will have reduced to £1.8m, which leaves very little scope for addressing any additional budgetary pressures that might arise. Continued central government support in 2023/24 is essential to the budget strategy Nexus is adopting.
- 2.45 At the lower end of the HV power estimates, without central government support, an additional financial gap of £5.7m would exist, however at the top end of the estimates, it would be £13.6m. At these levels, Nexus would not be able to absorb the additional costs and would need to review services, which is why it is imperative that Nexus continues to lobby the DfT for further support.
- 2.46 Taking into account the reduced HV power estimate and an assumption that central government support is forthcoming, and after factoring in the measures proposed to balance the budget, Nexus' 2023/24 budget and its main sources of funding are summarised in the table below and in more detail at Appendix 2 and 3.

Table 9: Nexus 2023/24 Budget and Funding Summary

	Gross Exp²	Commercial Revenue³	Government Grant⁴	Net position
	£m	£m	£m	£m

² Including central support service costs and overheads.

³ This assumes fare revenue recovers to 97% of pre-Covid levels.

⁴ Metro grants includes £3.3m which has been carried forward and is currently held in reserves.

Statutory Concessions	28.3	(0.1)	-	28.2
Discretionary Concessions	3.2	(0.6)	-	2.6
Metro	133.0	(46.5)	(64.1)	22.4
Ferry	2.1	(0.4)	(0.2)	1.5
Bus Services	18.4	(2.6)	(0.9)	14.9
Bus Infrastructure	3.4	(0.4)	(0.4)	2.6
Public Transport Information	1.7	(0.2)	-	1.5
Total	190.1	(50.8)	(65.6)	73.7
JTC Grant from Levy				(65.7)
Deficit funded from Reserves				8.0

2.47 The proposed levy increase of £2.6m would mean the levy receivable by Nexus in 2023/24 would be £65.7m. Assuming the levy is increased, a split of the services which it funds, between Metro and non-Metro is shown in the table below:

Table 10: Levy funding for Nexus Service 2023/24

	Gross Exp.	Comm. Revenue	Govt. Grant	Levy⁵	Net Budget
	£m	£m	£m	£m	£m
Non-Metro Services	57.1	(4.3)	(1.5)	(51.3)	-
Metro Services	133.0	(46.5)	(64.1)	(14.4)	8.0
Total	190.1	(50.8)	(65.6)	(65.7)	8.0
Reserves					(8.0)

2.48 The c£2.6m levy increase has been earmarked for Metro Services, which will take the total levy earmarked for Metro Services to £14.4m. This results in the £8.0m reserves funding which is being used to underpin the revenue budget in 2023/24

⁵ In this analysis, it is assumed that the levy is first applied to non-Metro services, because pre-Covid, levy funding was not applied to Metro services. There are, however, no strict rules as to how the levy should be applied and equally, this analysis could show a reduced level of levy support for non-Metro services (and an increase in the amount of levy support applied to Metro).

being earmarked entirely for Metro Services. In this regard, it is important to recognise that before the Covid pandemic, levy funding was not used to support Metro Services, save for a small contribution towards the cost of the Gold Card concessionary travel scheme.

2.49 The preparation of the 2023/24 budget gives rise to a number of risks and opportunities which include the following:

- a) The JTC may not approve the levy increase of £2.6m and/or the DfT is not forthcoming with a further package of support. This would require Nexus to review services;
- b) The budget makes an allowance for inflation on pay and non-pay. Inflation has risen steeply, and although it is expected to start to fall in the middle of next year, there is a risk that the allowance made may be insufficient and this will put Nexus' budget under additional pressure. On the other hand, if inflation falls faster than expected, this could have a positive impact on Nexus' budget;
- c) The ENCTS (concessionary fares) budget will remain at 2022/23 levels, with Nexus being able to justify payments to operators at this level through emergency legislation that is expected to be renewed from another year. There is a risk that commercial bus operators may need to consider further network changes as a result;
- d) Metro fare revenue is budgeted to recover to 97% of pre-Covid levels. In respect of this challenging target, it should be noted that Nexus' assessment of its ability to generate revenue at this level reflects the fantastic recovery seen during the year to date in 2022/23. The budget reflects the impact of the fares proposal that the Tyne and Wear Sub-Committee will be asked to approve in January 2023;
- e) The budget has been prepared ignoring the impact of the Bus Services Improvement Plan (BSIP). Any financial implications arising from its implementation would need to be considered at that time; and
- f) The budget makes allowance for opportunities from the new fleet including reduced HV power costs and additional fare revenue, all of which will need to be kept under review across the term of the Medium Term Financial Plan.

Nexus Forecasts 2024/25 and 2025/26

2.50 It was previously indicated that it would be necessary to further increase the Tyne and Wear transport levy in 2024/25. This is still expected to be required and an increase thereafter will also be required based on the current medium term forecasts if service provision is to be protected. It will also be necessary to place reliance on reserves in 2024/25 (which is longer than previously anticipated). This is necessary to enable Nexus to maintain services until the energy crisis abates (assumed to be no earlier than 2025/26).

- 2.51 There is a huge degree of uncertainty over the HV power cost estimates for 2024/25 and 2025/26. Nexus procures its electricity through the North East Procurement Organisation (NEPO) who have recently commissioned a report from Cornwall Insight on the outlook for the energy market to assist with budgeting for future years. Using the intelligence from this report, Nexus' HV power cost is expected to reduce in 2024/25 but will still exceed the 2021/22 actuals in terms of price by an estimated 70%. Costs are expected to reduce further in 2025/26, although the price is still expected to be 40% higher than 2021/22 actuals. Clearly, whilst industry experts have informed these estimates, given the huge amount of instability in the energy market and price volatility, they are not as robust as other forecasts contained within Nexus' budget. Further complications relate to predicted levels of energy consumption as the old fleet is phased out and the new fleet is phased in.
- 2.52 The assumptions for inflation have been made with reference to the latest Bank of England forecasts with a significant reduction expected for 2024/25, and a further reduction for 2025/26. Despite this, the cost base is still expected to increase and therefore Nexus have assumed that MRG will be indexed by the DfT, however, this is unconfirmed and represents a risk to the forecast. The forecast for the cost base also reflects the end of the use of reserves previously set aside to partially fund the Metrocar Maintenance Agreement (which is replaced by the Train Services Agreement), and the additional costs associated with delivering a timetable uplift in connection with Metro Flow.
- 2.53 These additional costs have been estimated based on the original business case for Metro Flow. Work is ongoing to optimise the Metro timetable, commensurate with the opportunity that Metro Flow provides, but recognising that customer demand is very different post pandemic.
- 2.54 A key benefit in Nexus' forecast is the significant saving which is expected to arise in connection with debt charges relating to the construction of the Sunderland Metro extension. In addition to this, fare revenue is expected to continue to increase, with further recovery in 2024/25 forecast. The impact of the major capital interventions is also reflected, with additional revenue expected on the Metro Flow timetable uplift described above and the introduction of the new fleet.
- 2.55 Despite these opportunities being reflected in the forecasts, in 2024/25, with the cost of HV power still expected to be abnormally high, in addition to an increase in the levy, it will be necessary for Nexus to make a call on reserves of £3.6m.
- 2.56 In 2025/26, at this stage, Nexus is forecasting a deficit of £4.3m. A further levy increase of £2.1m (3.0%) would be necessary. Notwithstanding the uncertainties surrounding this forecast, given this would not close the financial gap, options to address the funding shortfall will need to be developed so that Nexus can set a budget which is sustainable in the long term and does not continue placing reliance on reserves.
- 2.57 The forecasts for 2024/25 and 2025/26 are subject to a huge amount of variability and will need to be updated over the coming months, once key risks and uncertainties become clearer. Indicative estimates are set out below:

Table 11: Nexus budget indicative estimates 2024/25 and 2025/26

2024/25	Gross Exp	Comm. Revenue	Govt. Grant	Levy	Net Budget
	£m	£m	£m	£m	£m
Non-Metro Services	59.1	(4.2)	(1.7)	(52.8)	0.4
Metro Services	131.6	(50.3)	(62.7)	(15.4)	3.2
Total	190.7	(54.5)	(64.4)	(68.2)	3.6
Reserves					(3.6)

2025/26	Gross Exp	Comm. Revenue	Govt. Grant	Levy	Net Budget
	£m	£m	£m	£m	£m
Non-Metro Services	60.4	(4.2)	(1.7)	(54.3)	0.2
Metro Services	134.4	(52.4)	(64.0)	(16.0)	2.0
Budget 2025/26	194.8	(56.6)	(65.7)	(70.3)	2.2

2.58 As shown in the table above, in 2024/25, the levy increase previously proposed of 3.7% (amounting to £2.5m) is still required and in 2025/26, a further levy increase of 3.0% (amounting to £2.1m) will also be necessary if significant cost in service provision are to be avoided. Despite this, the 2025/26 budget currently shows a deficit of £2.2m, which will require further consideration by Nexus and reassessed when the forecast is refreshed over the coming months.

2.59 Finally, in assessing Nexus' budget challenges across the medium term, the JTC might be interested that in its benchmarking with Metros across the globe (through Nexus' membership of Comet, 'the Community of Metros', which is facilitated by the Transport Strategy Centre at Imperial College, London) the Tyne and Wear Metro continues to compare very favourably with its peers. Key metrics include:

- Within the top quartile for customer recovery post pandemic (with European metros generally outperforming Asian and North/South/Latin American metros);
- Very good cost efficiency, with operating costs about as low as possible (reflecting the comparatively lower levels of public subsidy necessary to operate the system);
- Relatively high fares (the inference being that increasing fares further will be counter-productive);

- The oldest average fleet age among Comet metros (something that is being addressed); and
- Relatively low levels of demand relative to network length (the inference being that the region has ‘a lot of metro’ given its comparatively lower population and development density, meaning that making the best use of such an extensive asset is imperative).

Transport North East

- 2.60 Since its creation in 2018, the Transport North East (TNE) team has been working at capacity to develop and lead on the delivery of a very broad and ambitious transport programme on behalf of the region. NECA and NTCA together form one of the largest areas in the country by population and geographical size. TNE acts as the strategic transport body that supports both Combined Authorities (via the JTC).
- 2.61 The TNE core budget is funded through contributions from the Transport Levies which are retained to support JTC activity and a topslice of the Local Transport Plan (LTP) Integrated Transport Block grant which is awarded to the JTC plus external contributions to fund specific posts and external grants for specific programmes and projects.
- 2.62 The budget proposed for 2023/24 assumes that contributions from the levies and LTP grant are maintained at the same level as 2022/23.
- 2.63 Forecast expenditure for 2022/23 is £0.871m, slightly below the budget of £0.950m due to reduced costs relating to strategy and Transport Plan work and research and development. Employee costs are forecast to be £0.034m higher than budget due to a restructure of posts which took place during the year, with the increased costs accommodated within the overall budget.
- 2.64 Total income forecast for 2022/23 is £0.990m, which is £0.040m higher than budget due to receipt of additional external contributions and grants. This results in a small forecast surplus of £0.119m which will be added to reserves to fund activity in future years.

Table 12: Transport North East Core Budget

	2022/23 Original Budget	Actual Spend to 31 Oct	2022/23 Forecast Outturn	2022/23 Forecast Variance	2023/24 Budget
	£m	£m	£m	£m	£m
Employee costs	0.709	0.361	0.743	0.034	0.806
Transport Plan / Strategies	0.060	0.036	0.036	(0.024)	0.085
Research and Development	0.100	0.012	0.045	(0.055)	0.090

Travel and Miscellaneous	0.021	0.010	0.023	0.002	0.024
IT / Equipment / Accommodation	0.011	0.000	0.011	0.000	0.004
Contingency	0.049	0.002	0.003	(0.046)	0.018
Organisational Development	0.000	0.004	0.010	0.010	0.010
Total Expenditure	0.950	0.425	0.871	(0.079)	1.037
LTP Grant	(0.500)	0.000	(0.500)	0.000	(0.500)
Retained Transport Levy	(0.284)	(0.284)	(0.284)	0.000	(0.284)
External funding for specific posts	(0.166)	(0.008)	(0.196)	(0.030)	(0.178)
LTA Capacity Revenue grant	0.000	(0.004)	(0.010)	(0.010)	(0.010)
Total income	(0.950)	(0.796)	(0.990)	(0.040)	(0.972)
Net Expenditure to fund from Reserves	0.000	(0.371)	(0.119)	(0.119)	0.065
JTC Unallocated Reserves	0.000	0.371	0.119	0.119	(0.065)

2.65 A number of new revenue funding streams were awarded to TNE to administer subsequent to the original budget being set and these are included in the forecast outturn. 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 the 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. The outcome of a further bid for Capability Fund grant to enable the work to continue into 2023/24 is awaited. The JTC was awarded £9.924m from the Local Transport Fund in respect of socially necessary bus services and light rail services, which was effective from April to October 2022. A further extension has been awarded, £1.312m which applies from October to December 2022.

2.66 Following the government's announcement that the region had been indicatively awarded funding of £163.5m for its Enhanced Bus Partnership, work has been underway to meet the new timescales and requirements set out in the indicative funding letter. Figures included in the forecast outturn for 2022/23 and indicative

budget estimate for 2023/24 are included on the basis that the EP funding is confirmed and received during the current financial year.

2.67 The JTC agreed on 15 November to progress the business case for the Washington Metro Loop to the next stage of development which is the Outline Business Case. Nexus is recommended as the most appropriate body to take the development forward, given that the route is proposed to be a Metro line, and given Nexus' recent experience in developing and delivering the Metro Flow project. Nexus has the resources and expertise in place to take the development of the OBC forward and have identified that it would cost between £7.5 million and £8 million and take 2-3 years.

2.68 In order to begin this work, £0.700m of resources have been allocated from the TNE budget so that work can begin in 2023/24, whilst a strategy is developed to secure the remainder of the funding needed for the development of the business case – from a range of sources, as well as for the delivery of the project itself. At the same time, TNE will continue to progress the development of the first stage business case for the other corridors identified in the North East Rail and Metro Strategy, including the remainder of the Leamside Line. This work will take a light-touch approach to engineering feasibility at this stage.

Table 13: TNE Grants and Contributions Budget

	2022/23 Original Budget	Actual Spend to 31 Oct	2022/23 Forecast Outturn	2022/23 Forecast Variance	2023/24 Budget
	£m	£m	£m	£m	£m
Active Travel Planning	0.796	0.066	0.408	(0.388)	0.626
BSIP / Enhanced Partnership	0.280	0.167	19.127	18.847	38.506
Bus Recovery Grant	0.000	1.676	1.676	1.676	0.000
Capability Fund	0.000	0.004	2.160	2.160	0.000
Freight Study	0.000	0.000	0.050	0.050	0.000
Local Transport Fund (Bus and Light Rail)	0.000	3.650	9.924	9.924	0.000
Metro and Local Rail Studies (including Washington Loop OBC)	1.136	0.191	0.586	(0.550)	1.043
Rail Development	0.236	0.145	0.238	0.002	0.239

Programme Management	0.621	0.224	0.274	(0.347)	0.240
Total Expenditure	3.069	6.123	34.443	31.374	40.654
ATF Revenue Grant	(0.796)	(0.066)	(0.408)	0.388	(0.626)
Capability Fund Grant	0.000	(0.004)	(2.160)	(2.160)	0.000
DfT BSIP Grant	(0.207)	(0.167)	(19.127)	(18.920)	(38.506)
Bus Recovery Grant	0.000	(1.676)	(1.676)	(1.676)	0.000
Local Transport Fund	0.000	(3.650)	(9.924)	(9.924)	0.000
Metro and Local Rail Studies (funded by Nexus budget transfer)	(1.136)	(0.187)	(0.516)	0.620	(0.843)
LEP funding for Metro and Local Rail Studies	0.000	(0.004)	(0.070)	(0.070)	0.000
Rail Administration Grant (via Nexus)	(0.236)	(0.145)	(0.238)	(0.002)	(0.239)
TCF Tranche 2	(0.621)	(0.192)	(0.243)	0.378	(0.240)
Total Grants and Contributions	(2.996)	(6.091)	(34.362)	(31.366)	(40.454)
Net Expenditure	0.073	0.032	0.081	0.008	0.200
Contribution to/(from) Reserves	(0.073)	(0.032)	(0.081)	(0.008)	(0.200)

Tyne Tunnels

- 2.69 The Tyne Tunnels are accounted for as a ring-fenced account within the JTC budget, meaning that all costs relating to the tunnels are wholly funded from toll income and Tyne Tunnels reserves, with no call on the levy or external government funding.
- 2.70 The JTC receives all toll income from the vehicle tunnels in the first instance and a payment under the contract with TT2 is determined based on traffic levels. The balance retained by the JTC is to meet other costs associated with the Tyne Tunnels, primarily interest and principal repayments on borrowing taken out to fund the New

Tyne Crossing project, and other client costs associated with the management of the contract with the concessionaire.

2.71 The updated forecast outturn for 2022/23 and budget for 2023/24 is set out below.

Table 14: Tyne Tunnels Budget 2022/23 and 2023/24

	2022/23 Original Budget	Spend to date 31 Oct 2022	2022/23 Forecast Outturn	2022/23 Variance	2023/24 Budget
	£m	£m	£m	£m	£m
Tolls income	(32.715)	(21.991)	(30.977)	1.738	(35.991)
TT2 Contract	24.322	13.898	24.104	(0.218)	28.032
Employees	0.142	0.073	0.129	(0.013)	0.147
Pensions	0.050	0.027	0.050	0.000	0.065
Premises	0.014	0.000	0.092	0.078	0.114
Support Services	0.155	0.004	0.160	0.005	0.160
Supplies & Services	0.195	0.199	0.525	0.330	0.347
Financing Charges	8.140	0.000	6.466	(1.674)	7.928
Interest/Other Income	(0.065)	(0.010)	(0.208)	(0.143)	(0.150)
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	(0.240)	0.000	(0.240)
(Surplus)/Deficit on Tyne Tunnels revenue account	(0.002)	(8.040)	0.101	0.103	0.412

2.72 The forecast for tolls income in the current financial year is £1.738m lower than the original budget for the year as this had assumed that an increase in the toll would be applied during the financial year. The 2022/23 forecast and 2023/24 budget includes the impact of the decision taken by the Tyne and Wear Sub Committee in November 2022 in relation to the tolls increase. The Committee agreed an increase in the tolls to be applied from May 2023 for Class 2 and Class 3 vehicles, a delay from the earliest applicable date of February 2023, keeping the toll at the current level for both Class 2 and Class 3 vehicles throughout the winter to provide relief for tunnels users during this period taking into account winter fuel bills and the current cost of living

crisis. The income lost by holding the Class 2 tolls at the current levels for this period will be funded by Tyne Tunnels reserves.

- 2.73 This delay does not affect the increase in the 'shadow toll' payable to TT2, which increases from 1 January 2023.
- 2.74 Members of the JTC will be aware that decisions on tolls increases is the responsibility of the TWSC, based on the principles established at the creation of NECA that decisions around assets owned by the Tyne and Wear Integrated Transport Authority (namely the Tyne Tunnels and the Tyne and Wear Metro) would be taken by Tyne and Wear councils, and decisions around transport assets owned by Durham and Northumberland County councils would remain with those individual councils.
- 2.75 The increase in the toll's income estimate between the 2022/23 forecast outturn and 2023/24 budget is £5.014m, or around 16%. The majority of the increase (£4.571m) relates to the increase in the tolls triggered by the level of inflation as measured by the Retail Prices Index, with a further £0.443m relating to assumed increases in traffic. The toll increase from £1.90 to £2.20 totals 15.7% over a two-year period (during which time the Retail Prices Index has increased by 17.5%) following the last toll increase for class 2 vehicles which was implemented in May 2021.
- 2.76 Premises costs included in the budget relate to utilities charges for the Tyne Pedestrian and Cycle Tunnels. The two tunnels are around 270 metres in length and open 24 hours a day, 7 days a week. Electricity costs relating to lighting systems, CCTV and security systems and the lifts at either end are substantial and have increased significantly during 2022/23 as energy prices have increased sharply. The forecast is £0.078m higher than the budget for the year due to price increases.
- 2.77 The forecast for supplies and services is £0.330m higher than the original budget for the year due to the requirement for external engineering and legal support and costs of service contracts relating to the pedestrian and cycle tunnels.
- 2.78 Cost increases are largely accommodated during the financial year because financing charges are forecast to be £1.674m lower than the original budget. The budget had included some additional accelerated principal repayments on debt relating to the New Tyne Crossing. In order to offset the reduction in tolls income the additional, accelerated repayments of debt will not now be made in 2022/23. The minimum level of revenue provision for the repayment of debt will be made, along with all interest payments. In addition, interest and other income is forecast to be £0.143m in excess of the budget, as increases in interest rates during the year mean higher returns are now available on short term investments.
- 2.79 The deficits forecast for 2022/23 and 2023/24 primarily relate to the decision to delay the application of the tolls increase and will be funded from Tyne Tunnels reserves.

Reserves

- 2.80 The JTC holds reserves to fund future activity and to manage financial risk associated with its activities. A summary of the reserves held at 1 April 2022 and the forecast position at 31 March 2023 and 31 March 2024 is shown in the table below.

Table 15: JTC Reserves

	1 April 2022	Forecast 31 March 2023	Movement in Year 2022/23	Forecast 31 March 2024	Movement in Year 2023/24
JTC Unallocated Reserve	(0.933)	(0.971)	(0.038)	(0.934)	0.037
Tyne Tunnels	(9.782)	(9.567)	0.101	(9.155)	0.412
Metro Reinvigoration	(8.108)	(8.293)	(0.185)	(2.993)	5.300
Metro Fleet Renewal	(10.168)	(10.399)	(0.231)	(3.176)	7.223
Go Smarter Legacy (grants unapplied)	(0.044)	(0.044)	0.000	0.000	0.044
Regional Transport Team	(0.184)	(0.184)	0.000	0.000	0.184
Metro and Local Rail Studies	(1.683)	(1.167)	0.516	(0.324)	0.843
Total JTC Reserves	(30.902)	(30.625)	0.163	(16.582)	14.043

2.81 Reserves are forecast to reduce slightly in 2022/23 as a result of the planned use of reserves to fund the Metro and Local Rail Studies work and the cost of the bid to the Levelling Up Fund, and to meet the forecast deficit on the Tyne Tunnels, offset by increased Metro Fleet Renewal and Metro Reinvigoration reserves which have had interest on revenue balances allocated to the balance. In 2023/24, a more significant use of reserves totalling £14.043m is planned, mainly to fund capital expenditure on the Metro Fleet Replacement (£7.223m) and Metro Asset Renewal Programmes (£5.300m) as well drawdowns required to meet the forecast deficit on the Tyne Tunnels and to contribute to the work on the outline business case for the Washington Metro Loop. The reserves are forecast to be £16.582m by 31 March 2024 which is considered to be a prudent level.

2.82 This table does not include Nexus own reserves, use of which is described in the Nexus budget sections above.

3. Reasons for the Proposals

3.1 The proposals are presented in this report to enable the JTC to set its budget for 2023/24.

4. Alternative Options Available

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

4.2 Option 2 – the North East Joint Transport Committee may suggest amendments or alternative proposals to be considered. Option 1 is the recommended option.

4.3 Option 1 is the recommended option. If the recommendations in the report are not agreed, a special meeting of the JTC would be urgently required in order to agree 2023/24 Transport Levies before the statutory deadline of 15 February 2023.

5. Next Steps and Timetable for Implementation

5.1 The NECA Leadership Board and NTCA Cabinet will issue the transport levies to their constituent authorities on behalf of the Joint Transport Committee, and this will be presented for agreement at meetings on 24 January and 31 January respectively.

6. Potential Impact on Objectives

6.1 The budgets presented in this report are aligned to the achievement of the Transport policy objectives of the JTC. They allow a balanced budget to be established in 2023/24 and include a strategy to enable the delivery of services over the medium term.

7. Financial and Other Resources Implications

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

8. Legal Implications

8.1 The JTC must approve the transport budget and levies unanimously. The NECA Leadership Board and NTCA Cabinet will issue the levies to their constituent councils by 15 February preceding the financial year to which they relate. The Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority (Establishment and Functions) Order 2018 specifies that this function is exercisable only by the JTC.

9. Key Risks

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

9.2 The JTC must approve the transport budget and levies unanimously. Despite mitigations including briefings and consultation with all constituent authorities particularly in Tyne and Wear, there remains a risk that it is not possible to achieve unanimous agreement at this meeting.

9.3 Should the proposals for the levies not be agreed unanimously at this meeting, a special meeting of the JTC would be required to consider revised proposals. Without an increase in the Tyne and Wear levy, the approach to balancing the Nexus budget in 2023/24 may involve reductions in services.

9.4 Under the Transport Levying Bodies Regulations 1992, the two combined authorities are required to issue a levy before 15 February preceding the commencement of the financial year in respect of which it is issued. This is to enable constituent local authorities to be able to include the levy amounts in their budgets for the new financial year.

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 in its role as Accountable Body for the JTC be undertaken at least two months prior to the budget being agreed. The draft proposals have been subject to consultation with members of the JTC Overview and Scrutiny Committee and officer groups.

12.2 The JTC Overview and Scrutiny Committee discussed the draft budget proposals in its meetings on 13 October and 15 December. As part of their discussions, Members recognised the current forecasts of deficits in the Nexus budget arising from the high cost of High Voltage power resulted in a serious position for the JTC and a set of stark choices around levy increases.

12.3 Members discussed the impact of changing working patterns on Metro fare revenue. A table setting out the forecast Metro revenue in total and as a proportion of pre-covid income is included in the report.

12.4 Members also noted the reliance on use of reserves in order to balance the budget and the need to reach a balanced position without reliance on reserves at the end of the MTFs period. The forecast for the period to 2025/26 is covered in detail in the report.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report.

14. Appendices

14.1 Appendix 1 – Transport Levy Arrangements

Appendix 2 – Nexus Summary Revenue Budget Requirement 2023/24

Appendix 3 – Detailed 2023/24 budget

15. Background Papers

- 15.1 JTC Budget 2022/23 – Report to JTC 2 February 2022
<https://northeastca.gov.uk/wp-content/uploads/2022/01/2022.02.02-JTC-Public-Document-Pack.pdf>

16. Contact Officers

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

17. Sign off

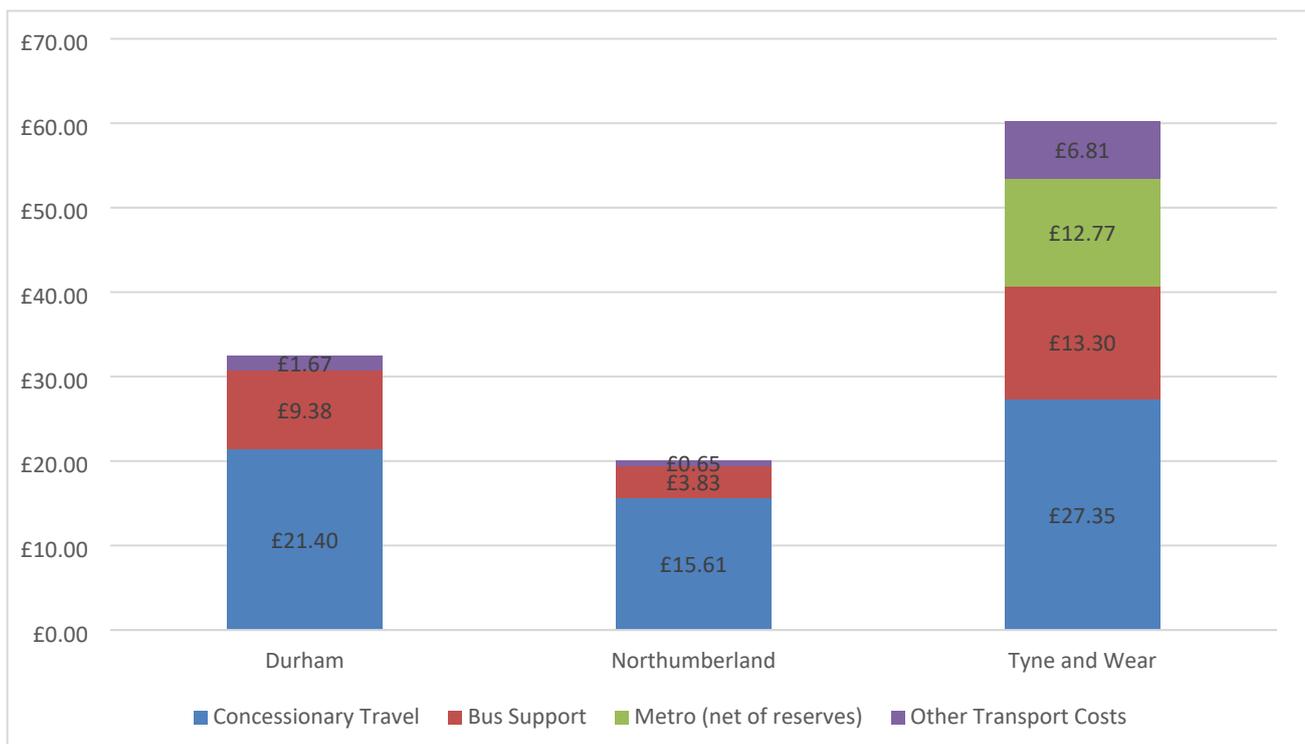
- The Proper Officer for Transport:
- Head of Paid Service:
- Monitoring Officer:
- Chief Finance Officer:

Appendix 1 – Transport Levy Arrangements

Background to Levy Arrangements

Public transport has traditionally been seen as a county-wide service, due to the wider geographic nature of transport services. County-wide precepts for Transport costs were replaced in 1990 with levying arrangements, reflecting Government decisions about how public transport grant support was to be provided, i.e., within the Revenue Support Grant paid to metropolitan districts rather than directly to Passenger Transport Authorities (PTAs). The levying arrangements which specified a population apportionment were set out in the Transport Levying Bodies Regulations 1992. The regulations reflected the principle that all residents in a county area should contribute equally to access to transport services. In recent years concessionary travel costs have also been classified by DLUHC and DfT as a county-wide level service.

In establishing Combined Authorities with levying powers, Government required population to be used as the basis for levy apportionment. The JTC area, unlike other Combined Authority areas, includes three county areas with very different levels of cost and grant funding. The difference in costs relates particularly to the cost of concessionary travel reimbursement, which is considerably higher in Tyne and Wear due to the high levels of travel on an urban transport network as well as higher levels of historic public transport borrowing costs. Both of these items are reflected in higher grants historically paid to Tyne and Wear authorities within revenue support grant. It was not therefore possible to have a single transport levy covering the whole JTC area and the amended levy arrangements established three separate levies through legislation: one for Durham County Council, one for Northumberland County Council and one for Tyne and Wear. The difference in transport costs and levies between the three areas can be seen in the chart below:



The costs per head of population in Tyne and Wear are higher because they reflect a significantly higher level of concessionary travel activity and the support for secured bus services to provide accessible transport schemes across the county. 'Other' Transport costs also includes capital financing costs relating to transport schemes which are not included in the other levies. In 2023/24, due to the deficit forecast on Metro arising from the significant cost of High Voltage power, there is a significant contribution required from the levy, in contract to the pre-pandemic period when the levy contribution to Metro was only to meet the costs of the Gold Card.

Apportionment on Population basis in Tyne and Wear

Under the Transport Levying Bodies Regulations, the measure of population which must be used to apportion the Tyne and Wear Transport levy between the constituent authorities is the total resident population at the relevant date of the area of each Authority concerned (the relevant date being 30 June in the financial year which commenced prior to the levying year).

For the 2023/24 levy, this is the 2021 Mid-Year estimates published by the Office for National Statistics (ONS). The population estimates for 2020 and 2021 are set out in the table below. The population estimates for all five authorities have changed by different proportions:

	2020 MYE	2021 MYE	Change	
	People	People	People	% increase/-decrease
Gateshead	201,950	196,154	-5,796	-2.87%
Newcastle	306,824	298,264	-8,560	-2.79%
North Tyneside	208,871	209,151	280	0.13%
South Tyneside	151,133	147,915	-3,218	-2.13%
Sunderland	277,846	274,211	-3,635	-1.31%
Total Tyne & Wear	1,146,624	1,125,695	-20,929	-1.83%

Apportioning the proposed levy of £67.800m gives the following figures for Tyne and Wear:

	2022/23	2023/24	Change from 2022/23	
	£	£	£	%
Gateshead	11,487,800	11,814,249	326,449	2.84%
Newcastle	17,453,495	17,964,279	510,784	2.93%
North Tyneside	11,881,498	12,597,051	715,553	6.02%
South Tyneside	8,597,108	8,908,840	311,732	3.63%
Sunderland	15,805,099	16,515,580	710,481	4.50%
Total Tyne & Wear	65,225,000	67,800,000	2,575,000	3.95%

Appendix 2 – Nexus Summary Revenue Budget Requirement 2023/24

Revenue Budget 2023/24

	Direct Costs	External Income	Net Costs	Net Indirect	Grants	Loan Interest	Capital Adjustment	2023/24 Net
	£m	£m	£m	£m	£m	£m	£m	£m
ENCTS	27.303	-	27.303	0.932	-	-	-	28.235
Discretionary CT	2.911	(0.588)	2.323	0.233	-	-	-	2.556
Metro	114.237	(45.591)	68.646	16.715	(31.623)	1.095	(32.471)	22.362
Ferry	1.471	(0.371)	1.100	0.573	-	0.014	(0.206)	1.481
Bus Services	16.556	(2.447)	14.109	1.799	(0.891)	0.010	(0.058)	14.969
Bus Infrastructure	2.490	(0.404)	2.086	0.684	-	0.235	(0.369)	2.636
Public Transport Information	0.557	(0.178)	0.379	1.044	-	0.030	-	1.453
Total requirement	165.525	(49.579)	115.946	21.980	(32.514)	1.384	(33.104)	73.692
JTC Grant (levy)								(65.700)
Deficit								7.992

Appendix 3 – Nexus Detailed 2023/24 Budget

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
ENCTS	27.303	-	-	-	-	-	27.303
ENCTS	27.303	-	-	-	-	-	27.303
Discretionary CT	2.911	(0.588)	-	-	-	-	2.323
Discretionary CT	2.911	(0.588)	-	-	-	-	2.323
METRO							
Metro Farebox	0.650	(43.461)	-	-	-	-	(42.811)
PFN Income	-	(0.602)	-	-	-	-	(0.602)
Car Park Income	0.005	(0.198)	-	-	-	-	(0.193)
Ticketing & Gating	1.160	-	-	-	-	-	1.160
Automatic Fare Collection	1.522	-	-	-	-	-	1.522
Fare Collection & Revenue	3.337	(44.261)	-	-	-	-	(40.924)
MMA Management	9.499	-	-	-	-	-	9.499
Contracts & Commercial	14.098	(1.317)	-	-	-	-	12.781
Contracts & Commercial	23.597	(1.317)	-	-	-	-	22.280
Planning & Performance	1.442	-	-	-	-	-	1.442
Service Delivery	3.024	-	-	-	-	-	3.024
Operations Delivery	16.087	-	-	-	-	-	16.087
Metro Operations	20.553	-	-	-	-	-	20.553
Rail Infrastructure - Insurance & Claims	1.790	-	-	-	-	-	1.790
Rail Infrastructure - Rates	1.664	-	-	-	-	-	1.664
Utilities	0.718	-	-	-	-	-	0.718

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Metro Marketing	0.674	-	-	-	-	-	0.674
Customer Services	0.049	-	-	-	-	-	0.049
Rail Infrastructure - Depreciation	33.577	-	-	-	-	-	33.577
Metro - Other	38.472	-	-	-	-	-	38.472
Rail Infrastructure - HV Power	15.231	-	-	-	-	-	15.231
Assurance & Safety Metro	2.433	-	-	-	-	-	2.433
Planning Performance	0.755	-	-	-	-	-	0.755
Programme Assurance	0.000	-	-	-	-	-	0.000
Engineering	0.244	-	-	-	-	-	0.244
Buildings & Facilities	0.037	-	-	-	-	-	0.037
IMSM/facilities	3.099	-	-	-	-	-	3.099
Civils & Structures	2.205	-	-	-	-	-	2.205
Rail Management & Administration	0.107	-	-	-	-	-	0.107
Permanent Way	1.821	(0.012)	-	-	-	-	1.809
Power Supplies	0.854	-	-	-	-	-	0.854
Signalling	1.270	-	-	-	-	-	1.270
Stores	0.196	(0.001)	-	-	-	-	0.195
Capital Delivery	0.026	-	-	-	-	-	0.026
Infrastructure Management	28.278	(0.013)	-	-	-	-	28.265
Metro	114.237	(45.591)	-	-	-	-	68.646
Ferry	1.471	(0.371)	-	-	-	-	1.100
Ferry	1.471	(0.371)	-	-	-	-	1.100
Contract Management	0.270	-	-	-	-	-	0.270
Network Management	0.205	-	-	-	-	-	0.205

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
TaxiCard	0.182	(0.024)	-	-	-	-	0.158
Secured Bus Services	15.899	(2.423)	-	-	-	-	13.476
Bus Services	16.556	(2.447)	-	-	-	-	14.109
Bus Infrastructure	2.490	(0.404)	-	-	-	-	2.086
Bus Infrastructure	2.490	(0.404)	-	-	-	-	2.086
Information	0.557	(0.178)	-	-	-	-	0.379
Public Transport Information	0.557	(0.178)	-	-	-	-	0.379
INDIRECT							
Pensions & Provisions	-	-	4.663	-	-	-	4.663
Investment Income	-	-	(0.400)	-	-	-	(0.400)
Democratic Services & Executive	-	-	1.306	-	-	-	1.306
Central Other	-	-	5.569	-	-	-	5.569
Media & Communications	-	-	0.456	-	-	-	0.456
Print & Distribution	-	-	0.211	-	-	-	0.211
Marketing	-	-	0.414	-	-	-	0.414
Customer Services	-	-	1.286	-	-	-	1.286
Customer Services & Communications	-	-	2.367	-	-	-	2.367
Human Resources	-	-	0.824	-	-	-	0.824
Learning & Development	-	-	2.182	-	-	-	2.182
Corporate Planning	-	-	1.400	-	-	-	1.400
People & Culture	-	-	4.406	-	-	-	4.406
Administration & Secretarial	-	-	0.173	-	-	-	0.173
Legal Services	-	-	0.456	-	-	-	0.456

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Finance & Audit	-	-	1.548	-	-	-	1.548
Procurement	-	-	0.260	-	-	-	0.260
Estates	-	-	0.695	-	-	-	0.695
ICT	-	-	4.241	-	-	-	4.241
Finance & Resources	-	-	7.373	-	-	-	7.373
ICT Projects	-	-	0.148	-	-	-	0.148
ISTP	-	-	0.250	-	-	-	0.250
Major Projects	-	-	0.398	-	-	-	0.398
Assurance & Safety	-	-	1.867	-	-	-	1.867
Assurance & Safety	-	-	1.867	-	-	-	1.867
Indirect	-	-	21.980	-	-	-	21.980
Loan Charges	-	-	-	-	1.384	-	1.384
Released from:							
Released from Capital Grants	-	-	-	-	-	(31.907)	(31.907)
Released from Capital Reserves	-	-	-	-	-	(1.197)	(1.197)
Asset Financing					1.384	(33.104)	(31.720)
Bus Operators Grant	-	-	-	(0.891)	-	-	(0.891)
Metro Rail Grant	-	-	-	(27.800)	-	-	(27.800)
Other Grant	-	-	-	(0.523)	-	-	(0.523)
Grant Funding from Reserves	-	-	-	(3.300)	-	-	(3.300)
Grants	-	-	-	(32.514)	-	-	(32.514)

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
TOTAL REQUIREMENT	165.525	(49.579)	21.980	(32.514)	1.384	(33.104)	73.692
JTC Grant	-	-	-	(65.700)	-	-	(65.700)
JTC Grant	-	-	-	(65.700)	-	-	(65.700)
DEFICIT / (SURPLUS)	165.525	(49.579)	21.980	(98.214)	1.384	(33.104)	7.992



North East Joint Transport Committee

Date: 17 January 2023
Subject: Transport Capital Programme 2023/24
Report of: Chief Finance Officer

Executive Summary

This report provides the North East Joint Transport Committee (JTC) with an updated forecast capital overrun for 2022/23 and presents the initial 2023/24 capital programme, totalling £238.994m, for consideration and approval.

The report identifies that total capital expenditure on Transport schemes of £251.408m is now forecast for 2022/23 against the revised programme budget of £272.737m. The main variance since the last update reported to the committee is a substantial revision of forecast expenditure on the Transforming Cities Fund Tranche 2 programme, alongside a reduction in forecast expenditure on the Active Travel Fund Tranche 3 programme, where some schemes have entered into a change control process which must be concluded before schemes can progress. There are also variances forecast on the Metro Asset Renewal Programme, Metro Fleet Replacement, Nexus Other Capital Projects, and Metro Flow which are detailed within the report.

£53.470m of capital expenditure is forecast on Transforming Cities Fund Tranche 2 schemes in 2022/23. This is a sizeable revision of the most recent forecast expenditure (£87.025m) and has arisen largely due to a failure to meet assurance milestones and progress the development of schemes within the programme at the required pace. £44.009m of expenditure has therefore been profiled into 2023/24.

The report sets out details of the Nexus capital programme for 2023/24 totalling £163.315m which includes the Metro Asset Renewal Programme (MARP, £43.897m), Fleet Replacement Programme (FRP, £115.236m), Other Nexus Capital Projects (£3.107m) and Metro Flow (£1.075m). Indicative figures for 2024/25 and 2025/26 are included, which are subject to approval of funding.

The programme includes an estimated £14.057m of Local Transport Plan Integrated Transport Block grant that will be received by NECA on behalf of the JTC, most of which will be paid to constituent authorities and Nexus on a quarterly basis to support their capital programmes. Expenditure on the Nexus elements is included in the sections on the Nexus capital programme and to avoid double counting the remaining £11.309m is reported against the LTP programme line.

Recommendations

The North East Joint Transport Committee is recommended to:

- i) Note the latest position in respect of the 2022/23 capital programme, set out in section 2.1 and the following sections;
- ii) Approve the proposed initial capital programme for 2023/24 which amounts to £238.894m as set out in section 2.1 and the following sections.

1. Background Information

- 1.1 In January 2022, the JTC approved the initial 2022/23 capital programme of £279.774m. The capital programme was updated to take account of adjustments for slippage in the 2021/22 outturn and new developments and funding secured in 2022/23. The revised updated budget for 2022/23, as reported to the JTC in November 2022 is £272.737m.
- 1.2 The programme for 2023/24 includes schemes for which funding has been identified. Where funding announcements are still outstanding (for example in relation to the capital elements of the Bus Service Improvement Plan), schemes will be brought forward for inclusion in the capital programme once funding has been confirmed.

2. Proposals

2022/23 Capital Programme forecast

- 2.1 A summary of the Transport capital outturn forecast for 2022/23, together with details of actual expenditure to 31 October 2022 and the indicative Transport capital programme for 2023/24 is set out in the table below, with further details provided in the sections that follow.

Table 1: Transport Capital Programme 2022/23 and 2023/24

	2022/23 Revised Budget	2022/23 Forecast Outturn	2022/23 Forecast Variance	Actual Spend to 31 Oct	2023/24 Initial Programme
	£m	£m	£m	£m	£m
TCF Tranche 2	60.879	53.470	(7.409)	8.065	44.009
Active Travel Fund Tranche 2	5.278	3.269	(2.009)	1.885	4.161
Active Travel Fund Tranche 3	0.000	1.929	1.929	0.000	16.000
Metro Asset Renewal Programme	35.632	26.788	(8.844)	12.157	43.897
Metro Fleet Replacement	67.999	59.174	(8.825)	38.697	115.236
Nexus Other Capital Projects	4.151	4.135	(0.016)	0.855	3.107
Metro Flow	86.774	90.369	3.595	58.199	1.075

Electric Vehicle Charging Infrastructure	0.175	0.398	0.223	0.022	0.000
Ultra-Low Emission Vehicles – Taxi Project	0.043	0.070	0.027	0.000	0.000
Tyne Tunnels	0.415	0.415	0.000	0.128	0.200
Local Transport Plan	11.391	11.391	0.000	4.663	11.309
Total Capital Programme	272.737	251.408	(21.329)	124.670	238.994

Transforming Cities Fund (TCF) Tranche 2

- 2.2 The North East was awarded £198m of capital grant for Tranche 2 of Transforming Cities Fund. Within the Tranche 2 schemes, £103.8m is for schemes where the decision making on funding is devolved to the region, and the remaining £94m is for the Metro Flow scheme managed by Nexus, where the decision making on the funding is retained by the Department for Transport. Updates on Metro Flow are included with the Nexus Capital Programme sections in this report.
- 2.3 There are 23 schemes within the TCF Tranche 2 programme, of which 18 schemes have currently been approved, and 14 of these have progressed into delivery.
- 2.4 Total expenditure to date within the TCF Tranche 2 programme stands at approximately £14.383m, which represents 13.9% of the overall grant. Over quarter 1 and quarter 2 of 2022/23, £8.065m from the Devolved Pot was incurred. A total of £53.473m of expenditure is forecast for 2022/23. Therefore, a rapid acceleration in the spending over the remainder of 2022/23 is required to meet the forecast. Expenditure forecasts have been based on quarterly monitoring returns and expenditure profiles included within scheme business cases.
- 2.5 Scheme development difficulties, ongoing resource and capacity constraints and challenging market conditions have led to some scheme promoters failing to hit assurance milestones, because of these delays it is now forecast that expenditure will run into the 2023/24 financial year. The Department for Transport have accepted revised forecasts, however, across the Country the Transforming Cities Fund is subject to an ongoing review which will commence in January.

Table 2: TCF Tranche 2 Capital Forecast of Outturn 2022/23 to 2023/24:

TCF Tranche 2	2021/22 Outturn	2022/23 Forecast Outturn	2023/24 Initial Budget	Total Budget
	£m	£m	£m	£m
Devolved Programme Level	5.592	53.470	44.009	103.798

Active Travel Fund – Tranche 2

- 2.6 In November 2020, the North East region was allocated £9.049m of grant funding from Tranche 2 of the Active Travel Fund (ATF) (£7.714m capital and £1.335m revenue). To date £3.269m of the capital funding has been spent.
- 2.7 Eight Active Travel schemes across the seven Local Authorities have been allocated capital funds. In order for a Grant Funding Agreement (GFA) to be set up and claims to be processed for schemes, TNE has requested that an Assurance Statement and a Monitoring and Evaluation Plan is submitted for the scheme. This is additional to the DfT requirement to submit a letter confirming the outcomes of public consultation activities. Six of the eight required GFAs are now in place.
- 2.8 In early December 2022, Active Travel England (ATE) approved a change control request to remove one Sunderland City Council scheme from the ATF Tranche 3 programme (B1405 European Way / Pallion New Road – Segregated Cycle Lanes) and reallocate the funding to Sunderland’s ATF Tranche 2 scheme (A183 Whitburn Road Cycleway) and Sunderland’s other ATF Tranche 3 scheme (A183 Dame Dorothy Street – Segregated Cycle Lanes) due to significant inflationary pressures. As such the allocation for the A183 Whitburn Road Cycleway scheme now stands at £2.292m, consequently the overall ATF Tranche 2 programme allocation (capital and revenue) has been revised to £10.216m.
- 2.9 Due to development difficulties and scheme interdependencies, we are forecasting that three schemes will complete in 2023/24. Inclusive of the Sunderland scheme noted above, the revised capital budget for 2023/24 is £4.160m.

Table 3: ATF Tranche 2 Capital Forecast of Outturn 2022/23 to 2023/24

ATF Tranche 2	2022/23 Forecast Outturn	2023/24 Initial Budget	Total Budget
	£m	£m	£m
Great North Cycleway	0.000	0.000	0.600
Gateshead Town Centre Walking and Cycling Improvements	0.338	0.000	0.361
Grey Street	0.442	1.769	2.250
RVI Active Travel Access Improvements	0.364	0.329	1.040
Strategic Corridors	1.249	0.000	1.575
A183 Whitburn Road Cycleway	0.000	2.062	2.062
Waterloo Road/Renwick Road Cycle Improvements, Blyth	0.336	0.000	0.336
Sea Lane and South Eldon Street	0.540	0.000	0.540
All Programme Level	3.269	4.160	8.765

Active Travel Fund – Tranche 3

- 2.10 In March 2022, the North East was allocated £17.929m of capital grant funding from Active Travel Fund Tranche 3. To date no capital funding has been spent.
- 2.11 Nine schemes across four Local Authorities were allocated funds, however given the change control request noted above there are now eight schemes and the allocation for ATF Tranche 3 totals £16.762m. Similarly, to Tranche 2, in order for a Grant Funding Agreement (GFA) to be set up and claims to be processed for schemes, TNE has requested that an Assurance Statement and a Monitoring and Evaluation Plan is submitted for the scheme. This is additional to the ATE requirement to submit a letter confirming the outcomes of public consultation activities. ATE must also sign off final designs before schemes can progress into delivery.
- 2.12 Schemes have experienced difficulties due to substantial inflationary pressures, and as such ATE recently introduced a new change control procedure which allows Local Authorities to submit requests to amend delivery programmes and request additional funding. There is an allocation put aside centrally within this financial year to process these requests.
- 2.13 Therefore, the full allocation of Tranche 3 expenditure has been forecast into 2023/24 given that the majority of schemes will need to go through the change control process and will need to await the outcome before they can progress into delivery.

Table 4: ATF Tranche 3 Capital Forecast of Outturn 2022/23 to 2023/24

ATF Tranche 3	2022/23 Forecast Outturn	2023/24 Initial Budget	Total Budget
	£m	£m	£m
Brunton Road – Sandy Lane	0.000	2.500	2.500
Claremont Road	0.000	2.100	2.100
Coast Road Newcastle	0.000	3.100 (funding split TBC)	3.100 (funding split TBC)
Heaton Road Newcastle	0.000		
North Tyneside Sea Front Sustainable Route (SF SR)	0.000	3.500	3.500
Ashington: North Seaton Road	0.000	1.497	1.497
Blyth Town Centre to South Beach	0.000	1.966	1.966
A183 Dame Dorothy Street – Segregated Cycle Lanes	0.000	2.100	2.100
All Programme Level	0.000	16.762	16.762

- 2.14 The JTC approved Nexus' Capital Programme for 2022/23 to 2024/25 in January 2022. Following the 2021/22 outturn report a revised 2022/23 Capital Programme budget was approved by the JTC in July 2022. The programme is sub-divided into the following sections:
- i. Metro Asset Renewal Programme (MARP);
 - ii. Fleet Replacement Programme (FRP);
 - iii. Other Capital Projects (OCP); and
 - iv. Metro Flow (MFL)
- 2.15 The following report reviews the financial performance, at the end of Period 8, against the latest revised programme budget approved in terms of:
- i. Actual cumulative spend at the end of the period;
 - ii. Latest forecast outturn for 2022/23; and
 - iii. Actual capital grant recovery.
- 2.16 Nexus' revised capital programme for 2022/23 provides for gross expenditure of £194.556m. By comparison the 2022/23 programme forecast outturn as at Period 8 stands at £180.466m, which is a variance of £14.090m. At the end of Period 8 the total programme spend was £109.908m, against the budgeted profile spend of £118.841m. The £8.933m underspend relates to variances across all four programmes which is detailed below.

Table 5: Total Nexus Capital Programme 2022/23

	Original Budget	Revised Budget	Actual / Forecast	Variance
	£m	£m	£m	£m
Cumulative to Period 8				
MARP	0.000	14.818	12.157	(2.661)
FRP	44.499	44.499	38.697	(5.802)
OCP	1.238	1.238	0.855	(0.383)
MFL	63.186	58.286	58.199	(0.087)
Total	108.923	118.841	109.908	(8.933)
Outturn				
MARP	32.762	35.632	26.788	(8.844)
FRP	69.808	67.999	59.174	(8.825)
OCP	8.345	4.151	4.135	(0.016)
MFL	83.498	86.774	90.369	3.595
Total	194.413	194.556	180.466	(14.090)

2.17 At the end of Period 8, £114.892m of capital grant has been claimed from the DfT. This includes both the MARP, FRP and MFL. The actual amount claimed in total was 99.7% of forecast and therefore within DfT tolerance levels of +/- 5%.

Metro Asset Renewal Programme (MARP) 2022/23 update

2.18 Cumulative actual spend at the end of Period 8 was £12.157m against the revised budgeted profile of £14.818m. The resultant under spend is largely due to reduced spend than that forecast on TVM's, Network Refresh and Tanners Bank.

2.19 The forecast outturn for 2022/23 is £26.788m (including contingency of £0.446m) against a revised budget of £35.632m. The £8.844m expected underspend is across a number of projects, including:

- £1.003m deferral of expenditure on the operating system upgrade of TVM's and other AFC field devices and £0.500m on vehicle replacement, due to long lead times;
- £1.317m deferral of expenditure on Pelaw Switches and Crossings and £1.722m on Whitley Bay Canopy, where the tenders received have been non-compliant;
- £0.688m of reduction on various station projects as the projects have progressed and scopes clarified;
- Slippage across a number of smaller projects into the next financial year; and
- A reduction in the programme contingency of £1.035m.

2.20 The November grant claim was £1.242m, compared to the forecast £1.300m and therefore within the +/- 5% DfT target. Total grant claimed to date is £10.640m and MRG capital grant totalling £20.831m (including £1.163m Metro Flow spend) is forecast to be claimed by year end. This represents a shortfall in MRG Capital Grant 2022/23 recovery of £9.369m. This will require a virement of funding from 2022/23 into 2023/24, which now exceeds the agreed 20% limit i.e., £6.040m, and will therefore require DfT approval, which Nexus has already sought.

2.21 This underspend represents the first time Nexus has had to seek approval outside of its grant funding conditions from DfT to vire monies between years and is a direct consequence of the continued instability in the market where the supply chain continues to suffer delay, price inflation exceeds budget, contractors are being more risk averse when pricing jobs and/or accepting contractual terms and conditions and internal resource capacity has reduced because of problems with recruitment and retention of key staff such as project managers, quantity surveyors and project engineers. These factors are combining to increase risks to successful project delivery.

2.22 Moving forward, Nexus are actively looking at options to de-risk delivery such as the creation of framework contracts for materials and services, and/or innovative packaging of projects. Such mitigations can only be achieved by securing a longer-term funding solution.

- 2.23 The forecast outturn of £26.788m will be funded from £19.668m MRG capital grant from DfT, with the remaining £7.120m funded from £4.751m of local funding (LTP), plus £2.369m Highways Challenge Fund (HCF) grant for Tanners Bank. In terms of prioritising how Nexus finances the programme, it is important that LTP and HCF are applied first.
- 2.24 As part of the regional devolution proposal, Metro Capital Rail Grant (MRG) became clearer and although additional funding for 2023/24 and 2024/25 is expected to be confirmed in due course (remitted to Nexus via DfT, rather than as part of any wider CRSTS funding package) members should recognise that this funding is not totally secure. In addition, bids for future funding beyond March 2025 will also need to be submitted via the Department through a future Spending Review. Furthermore, the majority of the local contribution, currently sourced from the Public Transport allocation of the LTP Integrated Transport Block, is likely to form part of CRSTS and Nexus will need to lobby for its continuation.

Fleet Replacement Programme (FRP) 2022/23 update

- 2.25 Cumulative actual spend at the end of Period 8 was £38.697m against the approved budget profile of £44.499m. The £5.802m underspend relates to a £0.910m payment to Stadler under the train manufacturing contract in the current year, which is now programmed for July 2023, £2.129m as a result of delays to Type Testing (of the new trains), £0.928m deferred in respect of the Depot Construction Contract, and £1.835m of contingency that has not needed to be released yet.
- 2.26 Forecast outturn for 2022/23 is now £59.174m (including a risk contingency of £2.222m) against the revised budget of £67.999m. The £8.825m underspend largely relates to the variations set out in the paragraph above, although there is additional slippage in relation to the new depot, where P-Way, Signalling and Overhead Line works which were originally scheduled for March 2023 are now expected to be completed in July 2023.
- 2.27 The November grant claim is 101.8% of the forecast. The £59.174m forecast outturn is funded from the £59.159m DfT Fleet Replacement grant available in 2022/23, with the balance, £0.015m, funded from Arts Council. This results in an under recovery of £5.641m against available Fleet Replacement Grant in 2022/23. Nexus have submitted latest estimates of grant to be applied in the period 2022/23 to 2025/26 to the DfT.

Other Capital Projects (OCP) 2022/23 update

- 2.28 In 2022/23 Other Capital Projects have a revised budget of £4.151m comprising of £2.382m Transforming Cities digital car parks project, £0.137m for the completion of the Bus Contracts system, £1.143m for Ground Investigation works at the site of the proposed North Ferry Landing relocation project, and a further £0.489m for Ferry vessels and maintenance of existing landings (North and South).
- 2.29 Cumulative actual spend at the end of Period 8 was £0.855m against the revised budgeted profile of £1.238m. The £0.383m under spend relates to programme slippage on the Transforming Cities, Digital Car Parks project.

- 2.30 Forecast outturn for 2022/23 is £4.135m (including a risk contingency of £0.419m) against an approved budget of £4.151m.
- 2.31 Slippage in respect of the Digital Car Parks project, will need up to £0.754m of Transforming Cities grant Funding to be carried over into 2023/24, without such approval this cost would need to be met by MRG capital grant in 2023/24.

Metro Flow (MFL) 2022/23 update

- 2.32 Expenditure at the end of Period 8 was £58.199m against a profiled budget of £58.286m. The £0.087m variance includes the purchase of the Network Rail Infrastructure, funded by DfT, totalling £4.900m, offset by a £4.987m underspend relating to a changed profile of works by the contractor, whilst not affecting the delivery of works during the blockade.
- 2.33 Forecast outturn for 2022/23 is £90.369m against a revised budget of £86.774m. The majority of the variance relates to the purchase of Network Rail infrastructure as described above. This is offset by a £1.305m under spend in the forecast as a result of a number of risks now having been closed off, offset by the anticipated additional costs of a telecommunications mast which had not been identified as part of the original budget.
- 2.34 TCF grant of £65.571m has been received from DfT in 2022/23 to date. The £90.369m forecast outturn is mainly funded from TCF grant, £84.307m, with the remaining £1.163m funded from MRG Capital Grant, as part of the local contribution and a separate £4.900m grant approval received from DfT in relation to the acquisition of the Network Rail infrastructure in South Tyneside.

Nexus Capital Programme 2023/24

- 2.35 Nexus' planned capital programme for 2023/24 to 2025/26 includes investment in Metro infrastructure (MARP), the new fleet of Metrocars (Fleet Replacement Programme or FRP); other capital projects such as the cross Tyne Ferry and Metro Flow. Funding for these items is largely provided by the DfT.
- 2.36 In respect of the MARP, the DfT are still to confirm the level of grant funding being made available to Nexus. For 2023/24 and 2024/25, £23.800m of grant funding is confirmed and the programme assumes a further £33.200m of grant funding will be approved, as well as the grant funding for 2025/26. The MARP programme within this report assumes Metropolitan Rail Grant (MRG) (Capital) funding of £28.485m in 2023/24 (inclusive of £8.844m slipped from 2022/23), £37.359m in 2024/25 and £35.756m in 2025/26. In relation to FRP, 2022/23 represents the fifth year of capital funding from DfT, with the programme fully funded to expected completion in 2025/26. OCP is largely funded via Nexus Reserves, in lieu of other funding being confirmed. The North Shields Ferry Landing relocation project funding is subject to a successful bid to the Levelling Up fund. With regard to MFL, residual project costs in 2023/24 are funded from MRG (Capital) Grant.
- 2.37 Other than the FRP, obtaining grant funding for the capital programme 2023/24 to 2025/26 has been extremely challenging. Currently £23.800m of grant funding is confirmed for 2023/24 and 2024/25, however, during summer 2022, the total

allocation for MRG (Capital) in 2023/24 and 2024/25 became clearer and a further £33.200m is expected to be confirmed, although this is contingent on regional devolution. Grant funding is expected to continue to be remitted to Nexus via DfT, rather than as part of any wider City Region Sustainable Transport Settlement (CRSTS) funding package, with bids for future funding beyond March 2025 also being submitted via the Department through a future Spending Review. The majority of the local contribution, currently sourced from the Public Transport allocation of the LTP Integrated Transport Block is likely to form part of CRSTS and Nexus will need to lobby for its continuation.

Metro Asset Renewal Programme (MARP) – 2023/24 budget

- 2.39 Funding for the 2023/24 programme totals £43.897m, consisting of Metro Rail Grant of £26.242m (£28.485m less the £1.075m contribution to Metro Flow funding and £1.168m contribution to Digital Car Parks), supplemented by local contributions of £2.718m LTP grant, £14.937m reserves (including over programming, £9.637m).
- 2.40 As noted earlier, developing the MARP for 2023/24 to 2025/26 has been extremely challenging with capital grant from DfT across the three years still not absolutely confirmed. Since 2019, the MARP has been subject to annual funding settlements and as a result, planning the essential renewals programme has been very difficult. However, notwithstanding the challenges Nexus has had in connection the approval of capital grant allocations across the next three years, the MARP has been developed on the assumption that funding for future years will be obtained.
- 2.41 A number of significant projects across a range of different asset categories are planned in 2023/24. The programme is developed using a prioritisation model that, in the context of finite funding available for investment in the Metro asset base, targets resources based on a range of criteria ranging from safety and performance to impact on demand for the Metro service to strategic fit. The proposed programme is set out in Appendix 1 and a summary is provided below:
- 2.42 **Civils**
- Cullercoats Footbridge repairs
 - Design and planning of refurbishment of bridges at Stoddart Street (Newcastle)
 - Development of a scheme to replace the track system on Howdon Viaduct.
 - Asbestos Management in central area tunnels.
 - Repairs to Stonegate Lane Bridge (Gateshead). Network Rail led work to a shared structure with 50% contribution from Nexus.
 - Remedial works to Regent Centre, Four Lane Ends and Northumberland Park Multi-Storey Car Parks and Surface Car Parks across the network.
- 2.43 **Permanent Way**
- Renewal of switches and crossings at Pelaw.

- Renewal of Prudhoe Street switch and crossing (central Newcastle tunnel).
- Procurement of Switches and Crossings for Installation at Monkseaton in the following year.
- Design and planning for the renewal and refurbishment of track between Regent Centre and Airport.
- Scope and option development to enable reduced reliance on lookout protection for infrastructure works.

2.44 Mechanical and Electrical

- Completion of the programme of half-life refurbishment of lifts and escalators installed in the early years of the Asset Renewal Programme.
- Commence renewal of tunnel lighting across the network with efficient LED units.
- Development and design of Electric Vehicle charging infrastructure.

2.45 Overhead Line Equipment

- Continuation of the overhead line renewal (50% complete to date)
- Initiate programme for replacement of fixed tension sections with automatically tensioned equipment.

2.46 ICT Infrastructure

- Upgrades to ticketing and gating systems including operating system.
- Renewal and reconfiguration of Network Infrastructure equipment.
- Renewal of the core virtual infrastructure
- Scoping and development of systems for remote asset condition monitoring.

2.47 Business Applications

- Complete the implementation of Timetabling and Rostering Applications.
- Commence replacement of the Asset Management Systems
- Scoping and development of a new Asset Management system

2.48 Signalling

- Commencement of development of proposals for a new signalling system.
- Development, design, and implementation of a new SCADA system,
- Continuation of works to address cable degradation in - an ongoing multi-year programme continuing across the Metro infrastructure.

2.49 Stations

- Refurbishment of Whitley Bay Station canopy.
- Repairs to the Monkseaton Station canopy gable end.
- Development and design for refurbishment of Byker Station in 2024/25,
- Continuation of works to refresh and update Halt Stations across the network.
- Scoping and development of Gateshead Interchange and Monument stations.

2.50 Capital Maintenance/Other

- Continued heavy maintenance of the existing fleet.
- Renewal of road vehicles.
- Renewal and refurbishment of critical Engineering and Road/Rail vehicles.
- Investment in our office and operational premises.
- Permanent way, rail grinding, off track enhancements and vegetation management around the system.
- Refurbishment of electrically powered engineering locomotives.

2.51 There are a number of projects where cost uncertainty is high and programme level contingency budget has been included:

- Tunnel asbestos management – scope depends on outcome of regular inspections.
- OLE replacement of fixed tension elements – scope and design development to be confirmed.
- EV charging infrastructure – feasibility, scope, and design to be confirmed.
- Lookout protection works – scope to be confirmed and subject to Office of Rail and Road (ORR) discussions
- SCADA (Supervisory Control and Data Acquisition) – The degree of any cable degradation is still to be established and may require extensive renewal.

2.52 Over-programming has been set at around 22% for 2023/24. This provides delivery flexibility to mitigate unforeseen delays and changes, market conditions and supply chain issues, of which there have been a number in 2022/23. Additionally, it provides options to manage dependencies within the programme – particularly around introduction of the new Metro Fleet. Rigorous periodic monitoring will ensure that the programme delivers within the available funding and virement limits. Over-programming at 22% is consistent with historic levels in the ARP programme.

2.53 Despite considerable investment over the past twelve years, the programme of renewals needs to continue across the next three years and beyond in order to stabilise the backlog that had developed pre-2010, when Metro was subject to annual funding settlements, meaning that the condition of the Metro infrastructure had steadily declined. As highlighted above, the assumed funding for both 2023/24 and 2024/25 is only partially approved and funding for 2025/26 is subject to a further funding submission to DfT. Should this remaining funding for 2023/24 and 2024/25 not materialise, a revised programme will be necessary, with priorities comprising projects for which Nexus has contractual obligations with third parties, safety critical and to a lesser extent, business critical renewals. Consequently, the following projects are unlikely to progress:

- Engineering and Road/Rail Vehicle replacement.
- Remedial work to Multi-storey and surface car parks.
- Cullercoats footbridge repairs.
- Pelaw Switch and Crossing works.
- Track renewal/refurbishment from South Gosforth to Airport.
- Renewal of Engineering RRV vehicles.
- Refurbishment of the Engineering Battery Locomotives.
- Investment in Nexus Office and Operational property.
- Byker Station refurbishment.
- Road vehicle replacement will be downturned.
- Halt station refurbishment will be downturned.
- Bridge repairs, lookout protection and cable degradation works will be downturned.

2.54 The 2023/24 proposed programme is inclusive of projects which have slipped from the 2022/23 programme at a value of £8.844m. The corresponding slippage of funding exceeds the 20% allowable and a request for the excess virement between years has been approved by DfT.

2.55 Investment that is planned over the next 36 months (2023/24 to 2025/26) at asset category level is set out below and in more detail at Appendix 1.

Table 6: Proposed Budget 2023/24 to 2025/26

	Proposed Budget 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26
	£m	£m	£m
Capital Maintenance	4.868	3.100	2.650
Civils	4.247	4.247	7.100

Level Crossings	0.100	0.100	0.100
Mechanical and Electrical	0.884	1.766	4.200
Overhead line	3.850	5.150	3.200
Permanent Way (Plain line)	8.189	7.166	7.904
Plant	0.698	2.558	0.340
Risk Contingency	1.500	2.000	3.500
Signalling	4.692	6.653	3.905
Stations	7.350	4.643	3.350
Business Applications	0.701	0.636	0.355
ICT Infrastructure	3.647	3.545	0.620
Miscellaneous	2.916	4.500	1.000
Power	0.255	0.250	0.250
	43.897	46.314	38.474

2.56 The proposed 2023/24 programme has been assessed for feasibility of delivery and sufficient resources have been made available to enable that. Nexus will still be required to fund 10% of the overall investment in the MARP, which will amount to £3.165m in 2023/24. As with investment since 2010, Nexus will secure this from the LTP Integrated Transport Block. However, the LTP Integrated Transport Block is likely to form part of CRSTS and Nexus will need to lobby for its continuation.

Fleet Replacement Programme (FRP) – 2023/24 Budget

2.57 In October 2017, government announced £336.8m of grant funding for the replacement of Nexus' fleet of Metrocars. This is augmented by a £25.0m local contribution.

2.58 The funding profile was confirmed in January 2020 based on the key milestones to be delivered within the programme and is detailed below:

Table 7: Original FRP funding profile

	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
DfT Capital	-	21.6	29.8	44.0	78.6	117.7	43.6	1.5	336.8
Local Cont.	1.1	7.6	16.3	-	-	-	-	-	25.0
	1.1	29.2	46.1	44.0	78.6	117.7	43.6	1.5	361.8

2.59 As the project has progressed the funding profile has been amended with the agreement of DfT. The latest approved funding profile from October 2021 is illustrated below:

Table 8: October 2021 approved FRP funding profile

	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	Total
	£m								
DfT Capital	-	21.6	35.8	54.1	64.8	99.0	42.3	19.2	336.8
Local Cont.	1.5	3.3	7.9	7.3	5.0	-	-	-	25.0
	1.5	24.9	43.7	61.4	69.8	99.0	42.3	19.2	361.8

2.60 During 2022/23 the profile has evolved further with most notably a 3 month delay to completion of type testing. As a result, the following funding profile has been agreed with DfT:

Table 9: Latest approved FRP funding profile

	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
DfT Capital	-	21.6	35.8	54.1	59.2	108.0	44.3	13.8	336.8
Local Cont.	1.5	3.3	7.9	5.1	-	7.2	-	-	25.0
	1.5	24.9	43.7	59.2	59.2	115.2	44.3	13.8	361.8

2.61 The re-profiling of the delivery programme does not reflect any delay to the planned delivery of the new train fleet, although to the extent there is a delay, the profile would need to be amended and grant funding limits agreed with DfT. Currently, it is envisaged that over the next 36 months, the Manufacture and Supply Agreement (MSA) will progress through manufacture and acceptance leading to the delivery of all 46 new trains. In addition, the existing depot site will continue to be configured to enable stabling of the entire new fleet. The following expenditure is forecast:

Table 10: FRP Forecast 2023/24 to 2025/26

	Proposed Budget 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26
	£m	£m	£m
New Train Fleet (MSA)	97.876	41.103	1.076
Gosforth Depot (DCC)	8.809	-	-
Project Delivery	4.975	2.601	0.511
Risk Contingency	3.577	0.644	12.178
	115.236	44.348	13.765

Other Capital Projects (OCP) – 2023/24 budget

2.62 Other Capital Projects largely feature other external funding that Nexus has yet to secure. During the three years Nexus will complete delivery of a range of digital enhancements at car parks across the Metro estate, funded by MRG (Capital) Grant.

The relocation of the North Shields Ferry Landing to a new site on North Shields Fish Quay is also planned for 2024/25, but this is subject to a successful bid into the Levelling Up fund or failing that, the acquisition of other external funding. The construction cost, whilst included in the table below, is therefore subject to external funding being obtained:

Table 11: OCP Forecast 2023/24 to 2025/26

	Proposed Budget 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26
	£m	£m	£m
North Shields Ferry Landing Relocation	0.826	9.882	0.280
Other Ferry Infrastructure	1.113	0.517	0.060
Digital Car Park Enhancements	1.168	-	-
	3.107	10.399	0.340

- 2.63 Should funding for the North Shields Ferry Landing Relocation project be unsuccessful, the existing landing will require remedial capital renewals which would increase pressure on Nexus Reserves funding, although it should be recognised that the existing north landing is expected to be life expired within the timeframe of this capital programme.
- 2.64 Bus Service Improvement Plan (BSIP) projects deliverable by Nexus are still to be defined and delivery will be subject to funding being made available.
- 2.65 During the next three years Nexus expects to develop the strategic outline business case for the Wearside Loop Metro expansion. This is subject to funding being provided by Transport North East (TNE) and does not feature within the programme detailed in this report.

Metro Flow (MFL) – 2023/24 budget

- 2.66 In March 2020 DfT awarded Nexus £95.0m of Transforming Cities funding for the Metro Flow project, subject to approval of the Final Business Case which was duly achieved in Summer 2021. A local contribution of £8.4m, from an allocation of Metro Rail Grant was confirmed by DfT, ahead of final confirmation of MRG funding for 2022/23.
- 2.67 The MFL project, largely completed during 2022/23, allows passive provision to deliver more capacity, better frequency, and more resilience (subject to the revenue budget allowing for this) because of the implementation of dual tracking in South Tyneside
- 2.68 During 2023/24 a budget of £1.075m is required for any small scale residual works and project management. This will be funded by MRG (Capital) grant as part of the project’s local contribution.

Nexus Capital Programme Funding

2.69 Funding for the proposed Capital Programme for 2023/24 to 2025/26 is only secured in part, with £33.200m of MRG (Capital) funding for 2023/24 and 2024/25, and the entire funding of £35.756m for 2025/26, still to be confirmed by DfT. Notwithstanding this, the programme funding is summarised in the following table:

Table 12: Nexus Capital Programme Proposed Funding 2023/24 to 2025/26

	Proposed Funding 2023/24	Proposed Funding 2024/25	Proposed Funding 2025/26	Total
	£m	£m	£m	£m
Metro Rail Grant (DfT)	28.485	37.359	35.756	101.600
NoTCA Funding	-	0.687	0.063	0.750
LTP Grant	2.797	2.797	2.797	8.392
Fleet Replacement Grant (DfT)	108.013	44.348	13.765	166.126
Levelling Up Fund	0.805	9.195	-	10.000
	140.101	94.386	52.381	286.868
Nexus Reserves	1.055	0.438	0.198	1.690
Nexus Retained Reserves for MARP	5.300	4.700	-	10.000
Fleet Reserves	7.223	-	-	7.223
Overprogramming	9.637	1.537	-	11.174
	23.214	6.675	0.198	30.087
Total	163.315	101.061	52.579	316.955

2.70 As noted earlier, dialogue will continue with DfT in respect of confirming the MRG funding for 2023/24 to 2025/26.

Electric Vehicle Charging Infrastructure

2.71 Work is continuing around to progress the installation of new EV charging infrastructure at sites around the North East. One recent change relates to the planned siting of charging infrastructure in the main car park at West Denton leisure centre, Newcastle. As the leisure centre and car park are undergoing a complete rebuild in the next 2 years following receipt of a Levelling Up grant, the charger is now to be located in the rear car park, which is not affected by the works, and the contractors are liaising with Newcastle's Major Projects Team to progress this.

Go Ultra Low taxi project

2.72 It is expected that the final two chargers in Newcastle and North Tyneside will go live imminently with orders being placed for connections. Delays are owing to legal

agreements and the capacity of the supply chain to act. The framework agreement with the supplier of the infrastructure is due to expire in February 2023 and discussions are ongoing with Local Authority partners as to the future of this contract. Evaluation of the success of the programme and future engagement is underway.

Tyne Tunnels

- 2.73 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
- 2.74 The inclined glass lifts at the Tyne Cyclist and Pedestrian Tunnels are additional lifts which have been planned to increase capacity for cyclists and to provide a tourist attraction, as they are bespoke glass lifts which travel on a steep incline down the historic escalator shaft to the lowest part of the tunnels. Completion and certification of the inclined lifts is still awaited, as they have proved difficult to complete due to the bespoke nature of the design and issues with contractors.
- 2.75 The completion of the inclined lifts was delayed throughout 2020 with the Italian lift engineers (Maspero) citing Covid-19 travel restrictions as the principal reason for this. Maspero engineers were last on site in January 2020 and have not been back to site since.
- 2.76 New lift contractors were appointed in 2021 with works taking place in late 2021 and continuing into 2022. The new specialist lift engineers have made good progress on replacing 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 have been ordered, although they are subject to a longer delivery process than expected due to supply chain delays. 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.
- 2.77 It is likely that testing and commissioning of the inclined lifts will be completed early in the 2023/24 financial year. Capital budget provision of up to £0.200m to be funded from Tyne Tunnels reserves has been included in the programme for this.

Capital Programme Financing

- 2.78 Forecast capital expenditure for the 2022/23 year will be financed as follows:

Table 13: Capital Programme Financing 2022/23

	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Forecast	Variance
	£m	£m	£m	£m
Government Grants	269.728	270.027	250.993	(19.034)
Earmarked Reserves	10.046	2.710	0.415	(2.295)
Total Funding	279.774	272.737	251.408	(21.329)

2.83 The proposed 2023/24 capital programme will be financed as follows:

Table 14: Capital Programme Financing 2023/24

	2023/24 Initial Programme Budget
	£m
Government Grants	225.216
Earmarked Reserves	13.778
Total Funding	238.994

3. Reasons for the Proposals

3.1 The proposals are presented in this report to enable the JTC to agree its capital programme for 2023/24.

4. Alternative Options Available

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

4.2 Option 2 – the North East Joint Transport Committee may not accept the recommendations set out in this report.

4.3 Option 1 is the recommended option.

5. Next Steps and Timetable for Implementation

5.1 Progress against the JTC Capital Programme will be reported regularly throughout the year and monitored carefully by officers at the various delivery bodies. As and when updated information on funding bids is received, the capital programme will be updated and presented to the JTC for consideration and approval.

6. Potential Impact on Objectives

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

7. Financial and Other Resources Implications

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

8. Legal Implications

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

9. Key Risks

9.1 Risks associated with the delivery of transport schemes by the key delivery bodies are factored into the risk management processes of those organisations.

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 Projects being delivered by constituent authorities and other delivery partners, or in constituent authority areas, are subject to local consultation and planning approvals.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report.

14. Appendices

14.1 Appendix 1 – Proposed Nexus Capital Programme 2023/24 to 2025/26

15. Background Papers

15.1 JTC Capital Programme 2022/23 – Report to JTC 18 January 2022 ([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:

Appendix 1 – Proposed Nexus Capital Programme 2023/24 to 2025/26

Asset Category	Proposed Budget 2023/24 £m	Proposed Budget 2024/25 £m	Proposed Budget 2025/26 £m
Metro ARP	43.897	46.314	38.474
Capital Maintenance	4.868	3.100	2.650
<i>Capital Maintenance - Existing fleet and transition.</i>	3.223	1.700	1.700
<i>Infrastructure Vehicle Renewal and Refurbishment (RRV's, wagons, etc.)</i>	0.720	0.800	-
<i>Plain Line (Heavy Maintenance)</i>	0.600	0.600	0.600
<i>Rail Grinding</i>	0.325	-	0.350
Civils	4.247	4.247	7.100
<i>Structural Assessments – overbridges</i>	0.075	0.075	0.075
<i>Tanners Bank Underbridge</i>	0.005	-	-
<i>Tunnels - repairs and asbestos maintenance</i>	0.225	0.225	0.225
<i>Howdon Viaduct - Track System Renewal</i>	0.800	0.250	6.200
<i>Stoddart Street bridges - repair/waterproofing</i>	0.157	2.430	-
<i>Cullercoats Footbridge</i>	0.850	-	-
<i>Multi Storey Car Parks refurbishment</i>	0.810	0.442	-
<i>Surface Car Parks Refurbishment</i>	0.275	0.325	-
<i>Bridges - condition and assessment led repairs/painting</i>	0.500	0.500	0.600
<i>Stoneygate Lane Bridge - Network Rail Contribution</i>	0.550	-	-
Level Crossings	0.100	0.100	0.100

Asset Category	Proposed Budget 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26
	£m	£m	£m
Crossing Upgrade / repairs	0.100	0.100	0.100
Mechanical and Electrical	0.884	1.766	4.200
<i>Escalators - Haymarket (No. 1&3) 1/2 Life Refurbishment</i>	0.384	0.016	-
<i>Tunnel Lighting</i>	0.200	1.500	2.000
<i>Central and Monument Escalator half life refurb</i>	-	0.050	1.300
<i>Regent Centre and St James Lift 1/2 life refurb</i>	-	0.050	0.800
<i>Network wide LED lighting and Heating upgrades (Efficiency)</i>	0.200	0.050	-
EV Vehicle infrastructure	0.100	0.100	0.100
Overhead line	3.850	5.150	3.200
<i>OHL renewal - Continued from Phase 2 ARP</i>	3.700	3.650	1.700
<i>Replacement of fixed tensioning with automatic</i>	0.150	1.500	1.500
Permanent Way (Plain line)	8.189	7.166	7.904
<i>Vegetation management - / Off track remedial works</i>	0.750	0.750	0.750
<i>Metro Infrastructure Boundary improvements</i>	0.100	0.100	0.100
<i>Switches & Crossings - Pelaw 7005/7006/17 pts</i>	1.646	0.200	-
<i>Switches & Crossings - Prudhoe Street 6007A/B pts</i>	2.090	-	-
<i>Plain Line Refurbishment. SGF to Airport (Col)</i>	2.377	3.625	6.804
<i>Switches & Crossings - Monkseaton 2036Bpts (Turnout), 2034 Abpts (Crossover), 2032 AB pts (Crossover)</i>	0.976	2.241	-
<i>Lookout Protection infrastructure works</i>	0.250	0.250	0.250

Asset Category	Proposed Budget 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26
	£m	£m	£m
Plant	0.698	2.558	0.340
<i>Vehicle replacement Programme</i>	<i>0.600</i>	<i>0.300</i>	<i>0.300</i>
<i>Battery Locomotive refurbishment</i>	<i>0.098</i>	<i>2.258</i>	<i>0.040</i>
Risk Contingency	1.500	2.000	3.500
Signalling	4.692	6.653	3.905
<i>Cable Testing and Replacement</i>	<i>0.600</i>	<i>0.600</i>	<i>0.600</i>
<i>Location Rewire</i>	<i>0.210</i>	<i>0.225</i>	<i>0.250</i>
<i>Cable degradation - relay rooms</i>	<i>0.350</i>	<i>0.150</i>	<i>-</i>
<i>Scada (and Mimic)</i>	<i>2.922</i>	<i>4.928</i>	<i>1.055</i>
<i>Delta Track Circuits</i>	<i>0.005</i>	<i>-</i>	<i>-</i>
<i>Signal Sighting</i>	<i>0.005</i>	<i>-</i>	<i>-</i>
<i>Troughing</i>	<i>0.100</i>	<i>-</i>	<i>-</i>
<i>Signalling System replacement development</i>	<i>0.500</i>	<i>0.750</i>	<i>1.000</i>
<i>RTMS Upgrade / refresh</i>	<i>-</i>	<i>-</i>	<i>1.000</i>
Stations	7.350	4.643	3.350
<i>Northumberland Park Car Park</i>	<i>0.100</i>	<i>1.000</i>	<i>-</i>
<i>Interchange station GHD (Design)</i>	<i>0.075</i>	<i>-</i>	<i>-</i>
<i>Whitley Bay (Canopy)</i>	<i>4.078</i>	<i>0.618</i>	<i>-</i>
<i>Byker</i>	<i>0.520</i>	<i>1.640</i>	<i>-</i>
<i>Jesmond</i>	<i>-</i>	<i>-</i>	<i>0.200</i>

Asset Category	Proposed Budget 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26
	£m	£m	£m
<i>Manors</i>	-	-	0.050
<i>Monkseaton (incl canopy)</i>	0.766	-	-
<i>Monument Scope and Design</i>	0.050	0.075	0.100
<i>Station- Heworth Interchange- Construction</i>	0.050	0.500	2.500
<i>Four Lane Ends interchange enhancement</i>	-	-	0.100
<i>Chichester refurbishment</i>	1.000	0.500	-
<i>Halt Stations - including Sunderland line</i>	0.711	0.310	0.250
<i>Airport Stations</i>	-	-	0.150
Business Applications	0.701	0.636	0.355
<i>Asset Management Software Replacement</i>	0.116	0.526	0.255
<i>Timetable & Driver Rostering</i>	0.260	-	-
<i>Project System & Process upgrades/reporting and integration</i>	0.025	0.025	0.025
<i>Business Applications</i>	0.075	0.075	0.075
<i>Domain Controllers</i>	0.025	-	-
<i>NTS Time sources</i>	-	0.010	-
<i>Database EOL replacement</i>	0.200	-	-
ICT Infrastructure	3.647	3.545	0.620
<i>Cycle Lockers</i>	0.050	-	-
<i>Microsoft SQL Server</i>	0.050	0.050	-
<i>Network Refresh</i>	0.373	-	-

Asset Category	Proposed Budget 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26
	£m	£m	£m
<i>Digital Connectivity</i>	0.100	-	-
<i>Remote condition monitoring inc' point motors, track circuits</i>	0.200	0.300	0.300
<i>Core Virtual Infrastructure</i>	2.609	-	-
<i>CCTV Storage Platform</i>	0.050	2.400	-
<i>CCTV - Safety and Security led enhancements</i>	0.050	0.050	-
<i>Copper ICT 50 pair cable</i>	0.120	0.110	0.050
<i>Lift Help Points</i>	-	0.075	-
<i>PA Speakers and Cabling</i>	-	-	0.150
<i>UPS EOL replacement</i>	0.045	-	-
<i>Office LAN</i>	-	0.340	-
<i>Telephony architecture</i>	-	0.100	-
<i>Smartphone renewal</i>	-	0.120	0.120
Miscellaneous	2.916	4.500	1.000
<i>Benton Square (Safety and Security)</i>	0.100	-	-
<i>Fare Collection Systems - Reader upgrades and asset renewal</i>	0.050	3.000	-
<i>Control Centre improvements (further)</i>	0.251	-	-
<i>Nexus Office and Operational Property strategy delivery.</i>	1.000	1.500	1.000
<i>Upgrade TVMs, gates/barriers, validators, TOMs XP</i>	1.515	-	-
Power	0.255	0.250	0.250
<i>DC Switch Boxes</i>	0.250	0.250	0.250

Asset Category	Proposed Budget 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26
	£m	£m	£m
<i>HV Improvements</i>	0.005	-	-
Fleet Replacement Programme	115.236	44.348	13.765
<i>MSA</i>	97.876	41.103	1.076
<i>DCC</i>	8.809	-	-
<i>Project Delivery</i>	4.975	2.601	0.511
<i>Risk Allowance</i>	3.577	0.644	12.178
Metro Flow	1.075	-	-
Other Capital Projects	3.107	10.399	0.340
<i>Digital Car Park</i>	1.168	-	-
<i>Ferry</i>	1.939	10.399	0.340
<i>Ferry Vessels</i>	0.202	0.517	0.060
<i>Ferry North Landing Relocation</i>	0.826	9.882	0.280
<i>South Landing works</i>	0.911	-	-
Total Capital Programme	163.315	101.061	52.579

North East Joint Transport Committee

Date: 17th January 2023

Subject: Transport Plan Progress Report

Report of: Managing Director, Transport North East

Executive Summary

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

A new devolution deal for the region will see a Mayoral Combined Authority with an elected Mayor replacing the two present authorities in 2024. The deal will unlock £563m from the City Regional Sustainable Transport Fund to help improve our transport infrastructure.

Extra funding is being sought from the government to help address the financial difficulties caused to the Metro system by rising high-voltage power bills.

Intensive work is taking place to develop the next version of Transport for the North's (TfN) Strategic Transport Plan. Regular consultation is taking place with all TfN's partners, including Transport North East, as part of this process.

Concerns have been raised with Ministers about the poor performance of Northern Rail in the region, especially the unexpected announcement about the closure of Sunderland station for several days during the Christmas period.

It is expected that the final two chargers in Newcastle and North Tyneside for the Go Ultra Low EV taxi charging project will go live in the New Year.

A successful and well-received conference on transport and health was held at Newcastle University on 2nd December with the aim of starting a new cross-sector partnership focused on delivering shared regional objectives and tackling health inequalities through sustainable transport solutions.

Recommendations

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

1. Background Information

- 1.1 The North East Transport Plan sets out a vision of ‘moving to a green, healthy, dynamic and thriving North East’ through the delivery of transport improvements under seven policy areas. Recent developments in the transport field are discussed below, organised by policy area.

2. North East Devolution

- 2.1 At midnight on 28th December 2022, the government released the long-awaited details of the proposed devolution deal for the North East. The proposal would see the creation of an Elected Mayor for the region, leading a new North East Mayoral Combined Authority (MCA) that would replace the existing North of Tyne MCA and mayor, as well as the non-mayoral North East Combined Authority.

This will be subject to approval at Cabinets / Councils and public consultation, which is planned to begin in the coming weeks.

This devolution deal offers a potential £4.2bn of investment into the region, including a £900m package of investment in our transport system, with £563m from the City Regional Sustainable Transport Fund, in addition to funding already announced for our buses and Metro system.

If established, the new authority will have the power to make decisions on areas such as transport, skills, housing, finance and economic development, without taking powers away from the individual councils that make up the MCA.

3. Public transport, travelling by bus, Metro, ferry and on demand public transport

- 3.1 Bus travel – The issues with delays and cancellations that have caused disruption for bus users were discussed with operators at the JTC meeting on 21st December. Whilst recognizing the challenges bus companies were facing with rising costs and staff shortages, the Committee stated that major improvements in public transport were needed to ensure the region can combat its climate and air pollution crisis. Operators at the meeting outlined the actions they were taking to improve driver recruitment and stated there was a need for more bus priority measures to improve reliability, although this depended on government funding.

- 3.2 Metro – A letter sent on 19th December from the Chair of the JTC to the Secretary of State for Transport outlines the difficulties caused to the system by rising high-voltage power bills. This year, the Energy Bill Relief Scheme (EBRS) has provided a discount of more than £6 million which is expected to reduce the Tyne and Wear Metro’s high voltage power bill to just over £15 million. Although still significantly higher than the original budget of just over £8 million, formulated before the energy crisis took effect, the EBRS has allowed Nexus to maintain the Metro service this year.

However, without further support in 2023-24, Nexus will face an insurmountable financial challenge with a budget gap that is currently estimated at between £5.7 million and £13.6 million,

Metro is a key enabler of economic growth in the region, contributing over £11 to the local economy for each journey made. If services are reduced to cut back on energy costs, this will adversely affect patronage, setting in place a spiral of decline as revenues fall and further cuts become necessary.

4. Connectivity beyond our boundaries

4.1 Transport for the North (TfN) update – Intensive work is taking place on TfN’s second Strategic Transport Plan, with the aim of taking a draft document to TfN Board in March 2023, consultation on the Plan over the summer and final publication in January 2024. This region, along with TfN’s other constituent members, have been reviewing the draft document to ensure it reflects our aspirations and makes a strong and coherent case for investment in the north’s transport networks.

Key messages of the emerging plan are that:

- Unlocking the economic potential of the North remains a priority for the UK
- Investment to improve connectivity is fundamental to achieving that goal
- Transformed connectivity between the North’s cities and towns through the full Northern Powerhouse Rail proposal must be complemented by investment in integrated local transport solutions
- Investment plans must support the North’s decarbonisation objectives

4.2 Rail

Rail – Northern Rail issues – The Chair of the JTC has written to the Rail Minister to express the Committee’s concern about poor local rail performance in the North East.

Local rail users have endured many months of poor performance by Northern Rail across the North East. Even outside of periods of industrial action, Northern’s cancellations and delays in the North East have been far higher than those experienced elsewhere, undermining confidence in local rail services just when we are trying to encourage their use.

Shortly before Christmas Northern Rail announced that Sunderland station would be closed for the majority of the Christmas period. Closure of the station not only affects Northern Rail passengers, but also those of the Tyne and Wear Metro (whose passengers make up a majority of those using the station) and other Train Companies. The impact on the local economy is significant as the station is well-sited for the city centre and heavily used for shopping and leisure travel.

After pressure by local stakeholders the level of closure was reduced but damage had already been caused to the public’s perception of rail services in the city.

Rail – damage to Network Rail infrastructure and impact on Metro – A Network Rail infrastructure problem has led to the Metro service being suspended for several weeks between Central Sunderland and its terminus at South Hylton, with a reduced frequency in the rest of the city. At the time of writing, it is still not possible to restore the service. We are concerned at the length of time needed to fix the problem and the effect it is having on Metro services and the local economy. Also at the time of writing water ingress has caused further disruption to the use of Sunderland station.

Rail – Newcastle to Carlisle services – Following the freight train derailment near Carlisle which disrupted passenger rail services between Newcastle and Carlisle, the line was fully reopened, and normal services restored on 7th December. A normal service of two trains from Newcastle to Carlisle and one from Newcastle to Hexham per hour has resumed.

Rail – Trans Pennine Express (TPE) whole service cancellation – On 22nd December a system issue resulted in no TPE service throughout its network.

Rail – Durham Station upcoming closures – Network Rail has recently announced that it will be closing Durham Station for five consecutive weekends, beginning on the 14th of January, and ending on the 12th of February. The closure is taking place to allow essential work to reduce future disruption and improve reliability. During this period trains will terminate at York or Newcastle. Cross Country will be offering a bus replacement service, and LNER plan to run an hourly service between York and Newcastle, however this is expected to add an extra hour onto passengers' journeys.

5. Making the right travel choice

- 5.1 Transforming Cities Fund – Sixteen of the Transforming Cities Fund (TCF) Tranche 2 schemes are now in or soon to be in delivery, which is an uplift of four schemes since December.

Go Ultra Low taxi project – It is expected that the final two chargers in Newcastle and North Tyneside will go live in the New Year with orders being placed for connections. Delays are owing to legal agreements and the capacity of the supply chain to act.

- 5.2 Transport and health workshop – moving in the same direction – On 2nd December 2022, Transport North East in collaboration with Newcastle University and the North East Office for Health Improvement and Disparities (OHID) hosted the “Transport and Health- moving in the same direction” event, with the aim of starting a new cross-sector partnership focused on delivering shared regional objectives and tackling health inequalities through sustainable transport solutions. The event was attended by 60 people from the public health, transport, planning and academic sectors. Very positive feedback was received from attendees on the quality and relevance of content delivered, and the connections made at the workshop.

- 5.3 Capability Fund – The North East is set to receive an allocation of £1.4m from Active Travel England's Capability fund. This one-year revenue settlement is to fund the design and engagement on a range of active travel infrastructure schemes set out in the North East Transport Plan and Local Cycle and Walking Infrastructure Plans. It will also see the delivery of a region wide programme of training, information and

trials of e-bikes across the region brought together under the Go Smarter Go Active initiative.’

6. Private transport: travelling by car and using road infrastructure

6.1 A69 prospectus – A prospectus is being developed jointly with Cumbria County Council, setting out the case for investment in the A69 to enhance connectivity and improve safety.

6.2 A19 Junctions North of Newcastle – various discussions have been held between Transport North East, local stakeholders and National Highways regarding the case for investment in a major upgrade to Moor Farm and Seaton Burn junctions on the A19.

7. Transport Usage Trends

7.1 Across the region public transport usage remains below pre-pandemic levels, with bus passenger numbers at 84% and Metro passengers at 86% of their pre-pandemic baselines.

8. Reasons for the Proposals

8.1 This report is for information purposes.

9. Alternative Options Available

9.1 Not applicable to this report.

10. Next Steps and Timetable for Implementation

10.1 Next steps are set out under the respective items, where applicable.

11. Potential Impact on Objectives

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

12. Financial and Other Resources Implications

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

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

13. Legal Implications

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

14. Key Risks

14.1 Appropriate risk management arrangements are in place for each programme of work overseen by the delivery agencies responsible.

15. Equality and Diversity

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

16. Crime and Disorder

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

17. Consultation/Engagement

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

18. Other Impact of the Proposals

18.1 No specific impacts.

19. Appendices

19.1 Progress on Key Performance Indicators.

20. Background Papers

20.1 None.

21. Contact Officers

21.1 Tobyn Hughes, Managing Director, Transport North East
Tobyn.hughes@transportnortheast.gov.uk

22. Sign off

- 22.1
- The Proper Officer for Transport:
 - Head of Paid Service:
 - Monitoring Officer:
 - Chief Finance Officer:

23. Glossary

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

Appendix 1

Progress on Key Performance Indicators

<u>KPI</u>	<u>Direction of travel</u>	<u>Key insight</u>
<p><u>Sustainable Travel</u></p> <p>33% of journeys made by public transport, walking and cycling.</p> <p>Data Source: DfT National Travel Survey 2019, published August 2020.</p>	Increase	<p>Data in the National Travel Survey for 2021 shows that 38% of journeys are made by public transport, walking and cycling, which is an increase on the previous year.</p> <p>The sample size for 2021 is significantly smaller than the sample for 2019, so it may be sensible to treat the exact figure with some degree of caution.</p>
<p><u>Public transport accessibility</u></p>	No Change	Data is not yet available to update, however, there have been no

<p>45% People within 25 minutes of key employment, education and retail sites by public transport.</p> <p>Data source: Commissioned analysis August 2020</p>		<p>major changes to infrastructure.</p>
<p><u>Climate action</u></p> <p>CO2 emissions per capita: 1.7 tonnes CO2 emitted per persona annually using transport.</p> <p>Data source: UK local authority and regional CO2 emissions statistics: 2019, Department for Business, Energy & Industrial Strategy, published June 2021</p>	<p>Decrease</p>	<p>Figures for 2020 have been released and show 1.4 tonnes CO2 emitted per persona annually using transport. It can be expected that 2020 is an unusually low year due to COVID-19 related travel restrictions.</p>
<p><u>Take up of ultra-low emission vehicles (ULEVs)</u></p> <p>0.34% Proportion of licenced vehicles in our region that are classed as ultra-low emission (end of 2019)</p> <p>Data source: Department for Transport vehicle licensing statistics</p>	<p>Increase</p>	<p>1.2% of licenced vehicles in the region are classed as ultra-low emission (Q3 2022).</p> <p>The number of ULEVs registered in the North East increased to 12,134 at the end of Q3 2022.</p>
<p><u>Air quality</u></p>	<p>Decrease</p>	<p>For 2021, the highest, median hourly nitrogen dioxide reading was</p>

<p>For 2019, the highest, median, hourly nitrogen dioxide reading was 26.9ug/m³ occurring in the morning traffic peak.</p> <p>Data source: Department for Environment Food & Rural Affairs Automatic Urban and Rural Network (AURN)</p>		<p>25.5ug/m³ occurring in the morning traffic peak. This is an increase on 2020, however 2020 was expected to be unusually low.</p> <p>25.5ug/m³ is lower than the baseline in 2019 – traffic levels began the year lower than pre-Covid, however for much of the year they were at or above their equivalent pre-covid level.</p>
<p><u>Network performance</u></p> <p>In terms of efficiency, in 2019 our regional network scored 71.8%</p> <p>Data source: Department for Transport congestion data.</p>	<p>No Change</p>	<p>Data is not yet available to update</p>
<p><u>Motor vehicle traffic</u></p> <p>Estimated vehicle miles per head in our region in 2019 5,077</p> <p>Data source: Department for Transport Road Traffic Statistics, published August 2020</p>	<p>Decrease</p>	<p>In 2020 the estimated vehicle miles per head was 4,064. We can expect that 2020 will be unusually low due to travel restrictions in place as a result of the COVID-19 pandemic.</p> <p>National Travel Survey data for 2021 has vehicle miles per head reducing from 5,473 in 2019 to 3,900 in 2020 and 3,770 in 2021. The sample size for 2021 is significantly smaller than the sample for 2019, so it may be sensible to treat the</p>

		exact figure with some degree of caution.
<p><u>Road safety: numbers killed and seriously injured</u></p> <p>Numbers killed and seriously injured (KSI) three year rolling average (2016-17 to 2018-19) 778</p> <p>Data source: Traffic Accident Data Unit</p>	Decrease	<p>In the three-year rolling average from 2018 to 2021 there were 683 KSI.</p> <p>It is important to note that lower traffic volumes in 2020 and 2021 are likely to have contributed to the observed reduction in KSIs.</p> <p>The rolling average covering Jan-Sept 2020-22 is 453, a decrease from 498 covering Jan-Sept 2019-21.</p>
<p><u>Road safety: number of slight injuries</u></p> <p>Number of slight injuries three year rolling average (2016-17 to 2018-19) 3,275</p> <p>Data source: Traffic Accident Data Unit</p>	Decrease	<p>The three-year rolling average from 2018 to 2021 was 2,519 slight injuries.</p> <p>It is important to note that lower traffic volumes in 2020 and 2021 are likely to have contributed to the observed reduction in KSIs.</p> <p>The rolling average covering Jan-Sept 2020-22 is 1,638, a decrease from 1,839 covering Jan-Sept 2019-21.</p>

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