



Transport North East Committee

Thursday, 4th December 2014 at 2.00 pm

Members' Pre-meeting at 1.30pm

Meeting to be held: Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL

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SUPPLEMENTAL AGENDA

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3. Transport Budget 2015/16

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To All Members

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North East Combined Authority

Transport North East Committee

DATE: 4 December 2014

SUBJECT: Transport Revenue Budget and Levies 2015/16

REPORT OF: Chief Finance Officer

EXECUTIVE SUMMARY

This report provides the Transport North East Committee with a progress update in relation to the transport related budgets for the delivery agencies for 2014/15. It also sets out the latest information about the draft transport budgets and transport levies for 2015/16 for consideration and comment in order to inform the recommendations to be made in the report to the NECA Leadership Board meeting on 20 January 2015. A separate report on this agenda covers the capital programme and this will be considered alongside this report as part of the NECA budget when it is reported to the Leadership Board in January.

RECOMMENDATIONS

Transport North East Committee is recommended to:

- a) Consider the contents of this report;
- b) Agree that the contents of this report should form the basis for an overall draft budget for the North East Combined Authority for 2015/16, for consideration by the NECA Leadership Board in January, taking into account any comments that may be received from the budget consultation.

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1 Executive Summary

- 1.1 This report provides a progress update in relation to the transport related revenue budgets for the delivery agencies for 2014/15, which is estimated at £89.3m, slightly less than the original budget. It also sets out the proposed Transport Revenue Budget and Levies for 2015/16 in order that recommendations can be agreed for inclusion in the budget report to the 20 January Leadership Board meeting. This is a requirement of the NECA constitution and needs to comply with regulations relating to the allocation of Transport Budgets and Levies.
- 1.2 In the current year 2014/15, the overall budget position is broadly in line with the original budget, with some additional pressure on concessionary fare costs in Durham and Northumberland and savings in Tyne and Wear costs. The revised estimate of net expenditure is £89.28m, which is slightly lower than the original budget of £89.34m. In Tyne and Wear, the grant to Nexus is fixed for the year so there is no change compared with the original budget. However, there is a significant improvement within the Nexus Budget for the year, where the estimated deficit to be funded by use of reserves has reduced from £4.77m to £2.98m as a result of reduction in costs and higher income from Metro fares. The ringfenced Tyne Tunnels account also shows a slight improvement.
- 1.3 For 2015/16, Transport net revenue budgets are proposed to slightly reduce in overall terms by £0.7m, with a further reduction in the Tyne and Wear levy of just over £1.0m, a small increase of £0.49m in the budget in Durham County and a small reduction of £0.18m in Northumberland. All budgets are facing inflationary and demand pressures on concessionary travel costs, with savings having to be found in other budget areas. For the first time transport levies are being set in Durham and Northumberland under the requirements of the new Combined Authority as set out in the Order. Details of the proposed budgets and levies for each area for 2015/16 are set out in section 3 below.

2 Transport Revenue Budgets for 2014/15

- 2.1 At its meeting on 29 April 2014, the Combined Authority received a report from the Chief Finance Officer setting out the Authority's proposed base net revenue budget of £89.73m for 2014/15, of which £89.34m related to transport activity.

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- 2.2 In 2014/15, revenue expenditure will be accounted for within a range of existing transport budgets as follows:

Table 1: Summary of original Gross and Net Revenue Budget 2014/15

Original budget for 2014/15	Gross Revenue Expenditure	External Income/ Grants/ Reserves	Net Revenue Expenditure
	£000	£000	£000
<u>Transport</u>			
Tyne & Wear (Nexus Grant)	171,922	(107,002)	64,920
Tyne & Wear (non-Nexus)	3,287	-	3,287
Tyne & Wear (Tyne Tunnels)	25,146	(25,146)	-
Northumberland	6,522	(979)	5,543
Durham	17,076	(1,486)	15,590
Total	223,953	(134,613)	89,340

- 2.3 The latest budget monitoring statements indicated slight pressures on concessionary travel budgets; a reduced pressure on expenditure and use of reserves within the Nexus accounts. The revised estimate for 2014/15 is summarised below.

Table 2: Summary of revised Net Revenue Budget 2014/15

Revised budget for 2014/15 (forecast outturn)	Net Revenue Expenditure	Variance from Original Budget
	£000	£000
<u>Transport</u>		
Tyne & Wear (Nexus Grant)	64,920	0
Tyne & Wear (non-Nexus)	2,942	(345)
Tyne & Wear (Tyne Tunnels)	0	0
Northumberland	5,567	24
Durham	15,854	264
Total	89,283	(57)

- 2.4 The Grant to Nexus is fixed for the year and adjusted in the following year. Within the Nexus budget for 2014/15 there is a significant improvement with the planned deficit of £4.77m being reduced to around £2.98m, as described in section 3.4.6 below. The position in respect of the Tyne Tunnels account has also improved slightly due to additional income.

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3 Transport Revenue Budgets 2015/16

- 3.1 The overall total proposed net revenue budget for transport in 2015/16 is £88.6m. This represents a net reduction of £0.698m (-0.8%) on the overall transport net revenue budget for 2014/15. Information about the draft budget and the levy for each of the three areas in NECA are summarised in the table below and set out in more detail in the following sections and in the appendices.

Table 3: Summary of transport budgets and levies 2015/16

Area	Transport Budget and Levy	Change from 2014/15
	£	£
Durham	16,076,449	486,449
Northumberland	5,366,079	(176,921)
Tyne and Wear	67,200,000	(1,007,230)
Total	88,642,528	(697,702)

3.2 Durham

- 3.2.1 The budget and levy for public passenger transport activity in County Durham is expected to be in the region of £16.076m for 2015/16. This compares with a budget of £15.590m in 2014/15. The budget and levy for 2015/16 is summarised in the table below.

Table 4: Durham Transport Budget and Levy 2015/16

	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£
Grant to Durham			
Concessionary Fares	11,901,730	(10,500)	11,891,230
Subsidised Bus Services	5,114,380	(1,885,895)	3,228,485
Bus Stations	476,906	(293,100)	183,806
Bus Shelters	80,000	0	80,000
PT Information	171,119	(92,159)	78,960
Staffing	629,251	(20,222)	609,029
Total Grant	18,373,386	(2,301,876)	16,071,510
Share of NECA Transport Costs	4,939	0	4,939
Transport Levy	18,378,325	(2,301,876)	16,076,449

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- 3.2.2 Following a recent retendering exercise there has been a reduction in overall tendered bus service costs. However, this is being offset by continued pressure on concessionary fare reimbursement to operators, in line with fares inflation and general increase in the number of concessionary travel journeys.
- 3.2.3 After a number of years of major changes in the commercially operated bus services, the overall bus network in County Durham appears to have now stabilised. There has been a modest growth in passenger numbers over the past 12 months and this trend is forecast to continue over the coming year. There are no significant commercial changes anticipated in 2015/16 and only a very small number of planned contract renewals. The focus of spend will therefore be on maintaining the current contracts, which provide a level of accessibility in rural and semi-rural areas and supplement the daytime commercial network with early and later journeys.
- 3.2.4 The other main area of work for the transport team in Durham will be to continue to deliver efficiency savings against the home to school transport budget. This will continue to involve working closely with schools, education colleagues and transport operators with a focus on developing the interface between scholar services and the public transport network.

3.3 Northumberland

- 3.3.1 The budget and levy for public transport activity in Northumberland is £5.366m in 2015/16 as shown in the table below. This compares with a budget of £5.543m in 2014/15.

Table 5: Northumberland Transport Budget and Levy 2015/16

	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£
Grant to Northumberland			
Concessionary Fares	4,378,630	(12,940)	4,365,690
Subsidised Bus Services	1,479,940	(696,340)	783,600
Bus Stations	-	-	-
PT Information	36,300	-	36,300
Staffing	175,550	-	175,550
Total Grant	6,070,420	(709,280)	5,361,140
Share of NECA Transport Costs	4,939	-	4,939
Transport Levy	6,075,359	(709,280)	5,366,079

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- 3.3.2 The change is largely based on a forecast saving within the Subsidised Bus Services budget due to a forthcoming retendering exercise, with the efficiencies being derived through a better alignment to the equivalent processes for Home to School Transport. This review will also explore the current criteria by which bus service routes are selected for inclusion in the tender. It is hoped that following this exercise, the overall bus network in Northumberland will become more stable.
- 3.3.3 With regard to the Council's approach to Home to School travel, the Council has in the current financial year agreed to remove the previous free Post-16 travel scheme whilst continuing to provide support to students on low incomes. The current provision of free home to school transport will continue for mainstream students and we will continue to carry out a rolling programme of route reviews to ensure provision of an efficient service.
- 3.3.4 The Concessionary Travel budget remains at broadly the same level, but it is recognised that there is increasing pressure in this area, due to fares inflation and a general increase in the number of concessionary travel journeys.
- 3.4 **Tyne and Wear**
- 3.4.1 It is proposed that the Transport Budget and Levy for Tyne and Wear be set at £67,200,000. This is a reduction of £1,007,132 on the 2014/15 levy. The reduction will be achieved by efficiency and other cost savings of £0.511m in the former ITA budget; £0.420m in the Nexus Budget and the use of £0.076m former ITA reserves in 2015/16. This will maintain service outcomes while improving value for money provided to the districts and help them to meet national funding cuts, as well as fully funding any increase in contributions to non-transport NECA budgets for Tyne and Wear councils. A summary of the budget for 2014/15 and 2015/16 is set out below, with more detail provided for the Tyne and Wear (non-Nexus) budget elements at Appendix C and more detail about the Nexus budget elements set out at Appendix B. A summary of the Tyne and Transport Budget is set out below.

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Table 6 : Summary Tyne and Wear Revenue Budget 2014/15 and 2015/16

	2014/15 Original Budget	2014/15 Revised Estimate	2015/16 Proposed Budget
	£	£	£
ITA and NECA Transport Costs	3,287,132	2,942,430	2,776,450
Revenue Grant to Nexus	64,920,000	64,920,000	64,500,000
Contribution to/ (from) Reserves	0	344,702	(76,450)
LEVY / Expenditure	68,207,132	68,207,132	67,200,000

3.4.2 The ITA element of the Budget amounts to £2,776,450, which is 4% of the Tyne and Wear Transport budget. This is a reduction of -£510,682 (-16%) from the original 2014/15 budget, with savings in pension, support services and subscription costs and a reduction in the contingency budget. To balance the budget in 2015/16 £76,450 will be drawn from the ITA transport reserve. The largest single element of the ITA transport budget is £2,236,450 of capital financing costs relating to historic transport capital infrastructure investment.

3.4.3 The distribution of the Levy within Tyne and Wear is based upon population as required by regulations and the levy will reflect changes in population as well as the cut in the overall levy amount. The indicative levy for 2015/16 for each of the Tyne and Wear districts and the population statistics used is shown in the Table below and described in more detail in Appendix A.

Table 7 : Tyne and Wear Levy - Population Based Distribution

	2014/15 Levy	Indicative 2015/16 Levy	Change			
	£	£	Population Change £	Levy Reduction £	Total £	%
Gateshead	£12,318,818	£12,069,094	-£68,844	-£180,880	-£249,724	-2.0%
Newcastle	£17,383,460	£17,308,521	£184,466	-£259,404	-£74,939	-0.4%
North Tyneside	£12,398,399	£12,199,080	-£16,490	-£182,829	-£199,319	-1.6%
South Tyneside	£9,135,299	£8,962,961	-£172,338	-£134,328	-£306,666	-3.4%
Sunderland	£16,971,156	£16,660,344	-£310,812	-£249,690	-£560,502	-3.3%
Tyne & Wear	£68,207,132	£67,200,000	£0	-£1,007,132	-£1,007,132	-1.5%

Nexus Budget Proposal

3.4.4 The Nexus budget proposal for 2015/16 is being formulated taking into account the recommendation made to the Leadership Board when it agreed the report that set out the key issues, principles and proposals that are

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likely to be included in the NECA's 2015/16 budget. For Nexus, this will mean a reduction in its grant funding from the NECA by £0.420m from £64.92m in 2014/15 to £64.5m in 2015/16. The gross expenditure of Nexus before fare income and Government Grants is £176.2m.

- 3.4.5 This continues the budget strategy previously agreed whereby £9.229m (a cumulative 12.5% cash reduction) has been removed from the grant payable to Nexus from the Tyne and Wear transport levy since April 2011, which together with a further reduction in the form of £1.435m of concessionary fares funding redirected to the five districts, is being managed through a combination of efficiency savings and use of reserves. This strategy has been adopted in order to protect service outcomes in the medium term, subject to a more sustainable package of savings linked to the delivery of the bus strategy being achieved. In this regard, NECA took a key decision in October 2014 to proceed to the Bus Quality Contract Scheme Board.

2014/15 Forecast Budget

- 3.4.6 As reported to TNEC in October 2014, the Nexus budget deficit for 2014/15 has reduced from the original budget estimate of £4.770m and is currently forecast to be £2.983m, a positive variance of £1.787m. The main reasons for this variance are summarised below:

Table 8 : Summary of Nexus 2014/15 Budget Variations

	<u>£000</u>	<u>£000</u>	<u>£000</u>
Budgeted deficit			4,770
Metro Revenue	-1,000		
Secured Bus Services	-679		
Bus Infrastructure	-208		
Loan interest	-103		
Metro Concession	<u>-96</u>		
		-2,086	
Investment Income	100		
Smart Ticketing	78		
Rates	71		
Metro Rail Grant	39		
Other	<u>11</u>		
		<u>299</u>	
			-1,787
Latest Forecast Deficit			<u>2,983</u>

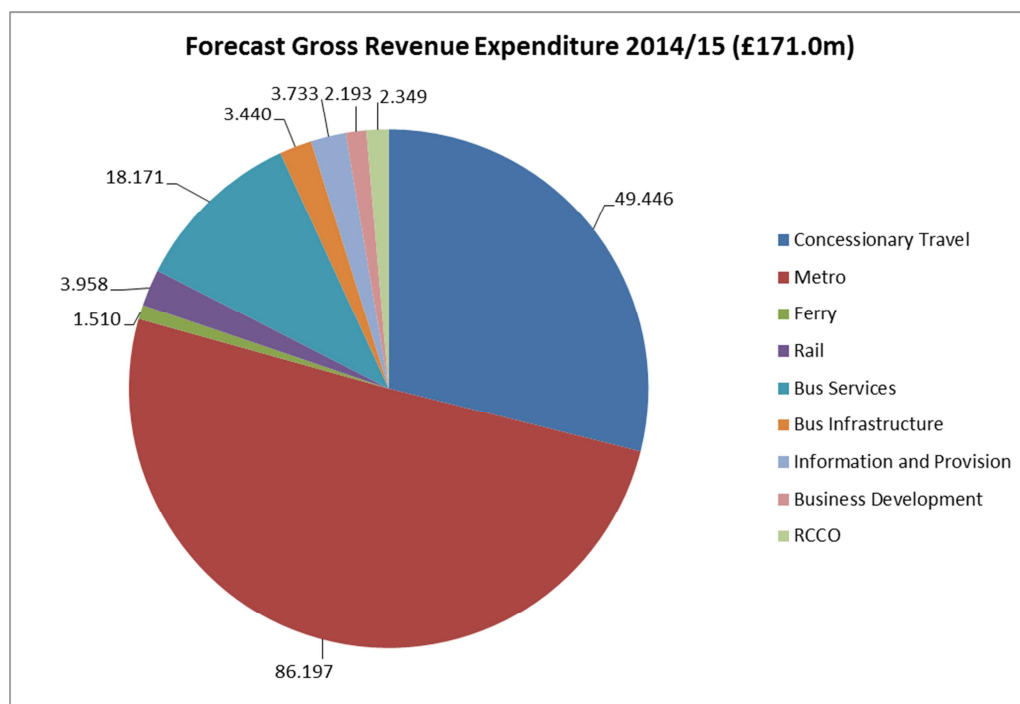
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3.4.7 As far as savings being made during the current year are concerned, it should be noted that some of these variances are one-off in nature and do not carry forward to 2015/16. This is particularly apparent in relation to Secured Bus Services, where although savings have been made during 2014/15, in the interests of maintaining service outcomes, cost pressures will have to be accommodated in 2015/16.

3.4.8 In terms of the net costs to be met from the Levy funded Grant of £64.92m, the largest single element continues to be Concessionary Travel costs (£47.6m – 73%), followed by the costs of supported bus services and bus infrastructure (£14.7m – 23%), which together account for 96% of the Levy funding received by Nexus.

3.4.9 Nexus' current forecasted gross revenue expenditure requirement for 2014/15 is set out in the pie chart below:

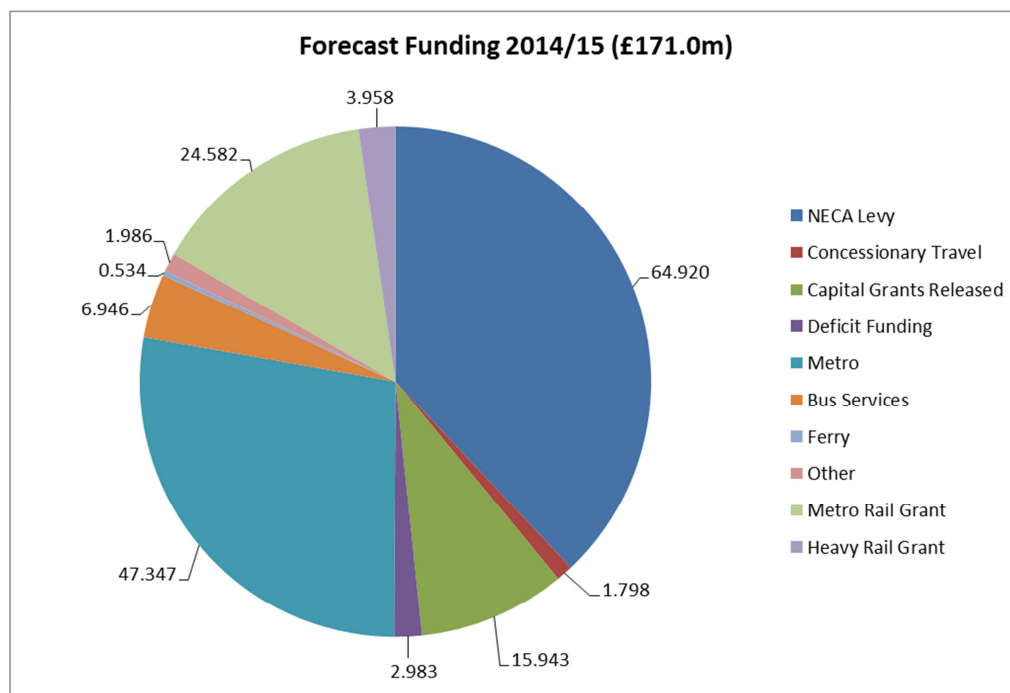


3.4.10 This shows that the largest areas of gross expenditure are in relation to Metro and Bus services including concessionary travel. The majority of this £171.0m is funded by £103.1m of fare income and external grants; £64.9m of Levy funded Grant, leaving a £3.0m budget deficit to be funded from reserves.

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3.4.11 The funding for this Gross Revenue Expenditure is summarised in the chart below:



3.4.12 The grant paid to Nexus by the NECA is minimised through commercial income and other direct grants, particularly in relation to Metro and the Northern Rail franchise. The release from capital reserves offsets depreciation on those fixed assets previously funded from government grant and the majority of these costs are attributable to Metro.

3.4.13 Services which are most impacted by the volatility in the grant paid by NECA are concessionary travel, which is a largely statutory service relating to bus, secured bus services, bus infrastructure, the provision of public transport information and the cross Tyne ferry service. The sustainability of the reduction in the grant paid by NECA to Nexus is therefore heavily dependent on being able to deliver long term savings in the cost of the bus network for which a strategy was initially agreed at the November 2011 meeting of the Tyne and Wear ITA. Due to the improved position being reported in 2014/15, there is a reduced call on usable revenue reserves across the medium term which therefore allows the continuation of this strategy in line with the decision of the NECA to proceed to the Bus Quality Contract Scheme Board.

3.4.14 The Government has chosen to provide national grant funding to support transport services in Tyne and Wear in two different ways. Metro rail grant is paid directly to Nexus, which reduced the net cost of Metro to a small

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revenue surplus. Government funding for concessionary travel, bus support and capital financing costs is paid to the Metropolitan District councils as part of their unringfenced general revenue grant. In recent years the changes to the grant system has meant that it is no longer possible to identify the level of grant received specifically for transport services. The levy charged to districts is therefore funded by national grant as well as by local taxpayers.

- 3.4.15 Nexus have updated the information previously provided about the analysis of activity provided in the area of each district and this will be circulated to councils and will be the subject of a future policy seminar for Tyne and Wear Sub-committee members.

2015/16 Base Budget

- 3.4.16 The Nexus 2015/16 budget has been formulated so that pay and price inflationary pressures will be offset by a combination of increased commercial revenues and further efficiency savings as well as ensuring that the proposed further reduction in grant from the NECA of £0.420m becomes a permanent feature of the base budget requirement. In this regard, a further review of staffing arrangements is being planned, including a review of senior management structures.
- 3.4.17 Table 9 illustrates that the provisional estimates used to determine the Nexus budget for 2015/16 is currently forecasting an estimated deficit of £3.103m. It should be noted that this is consistent with earlier forecasts presented to Treasurers prior to the NECA deciding to proceed to the Quality Contracts Scheme Board at its meeting held on 21 October 2014.

Table 9 : Summary of Movement in Nexus Base Budget

	<u>£m</u>	<u>£m</u>
Base deficit 2014/15		4.770
Contractual inflation	1.035	
Employees	0.690	
Committed growth	0.217	
Changes to grants	0.502	2.444
	<hr/>	
Full year effect of staff changes	-0.198	
Commercial income	-2.521	

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Corporate savings	-1.392	-4.111
Base deficit 2015/16		3.103

- 3.4.18 Contractual inflation mainly relates to the Metro Concession payment due to DB Regio Tyne and Wear Limited, which is currently forecast to increase by £0.366m as a result of the terms of the concession agreement between Nexus and its contractor. There is a £0.500m pressure in respect of HV Power and the rating demand (most of which relates to the Metro infrastructure) is estimated to increase by £0.110m during 2015/16.
- 3.4.19 There is small a provision for pay inflation and incremental progression within the 2015/16 budget.
- 3.4.20 Committed growth relates to the second phase of the Metro re-launch campaign as well as the planned increase in the number of apprentices from twenty to thirty in the autumn of 2015.
- 3.4.21 A net reduction in grant income of £0.502m is estimated. This takes into account the proposed £0.420m reduction in grant paid from NECA together with a marginal decrease in Metro Rail Grant paid by the Department for Transport.
- 3.4.22 Notwithstanding the proposed review of senior management structures, there is an estimated £0.198m reduction in staffing budgets (when comparing the April 2014 staffing establishment with that of the establishment currently expected to be in place for 2015/16). This reduction in employee costs largely reflects the full year effect of the net loss of a number of posts in retail sales as a result of the closure of three Nexus travel shops in September 2014.
- 3.4.23 Commercial revenues are estimated to be some £2.521m higher in 2015/16 than the 2014/15 base. This is largely in respect of Metro revenue where members will recall that the second quarter monitoring report to TNEC in October 2014 estimated that the Metro fare box was expected to be some £1.0m better than the 2014/15 base (this is also depicted in table 8 above). Additional growth in fare income is anticipated in the remainder of 2014/15 and this will be reported as part of the third quarter monitoring report later in the year. This, together with the fares review which the Tyne and Wear Sub-Committee agreed to at its November 2014 meeting which (outside of targeted growth resulting from the introduction of new smart products, the Metro re-launch referred to in paragraph 4.22 and other marketing activities) is expected to yield an additional £0.7m in 2015/16, which all results in an estimate of fare box revenue that is estimated at £2.7m over

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the 2014/15 base. Elsewhere within this particular budget, Nexus will need to accommodate a loss of income estimated at £0.3m as a result of a reduction in the sale of scholar's passes to those local authorities that have elected to cut these budgets in response to government austerity measures. A compensating increase in gold card income of £0.3m will help offset lost income in relation to sales of local authority scholars passes.

- 3.4.24 Nexus continues to examine ways in which it can reduce its cost base, whilst looking to protect and preserve service outcomes. A saving in its pension deficit payment of £0.9m accounts for most of this saving. A further £0.5m will be saved from a reduction in 'controllable costs' where all Heads of Service will be required to deliver cash savings in 2015/16, thereby continuing a strategy initially adopted when the levy was first cut in 2011.
- 3.4.25 A summary of the 2015/16 provisional Budget figures is set out in Appendix C, which shows the provisional estimated use of the £64.5m Levy funded Grant to Nexus from the NECA. The majority of this grant (95%) funds the costs of concessionary travel and supported Bus Services. The draft 2015/16 budget assumes a continued draw on reserves of £3.1m, which is consistent with previous estimates contained within the financial modelling for the Bus Quality Contracts Scheme.

Impact on Usable Reserves of Nexus

- 3.4.26 As set out earlier in this report, the financial strategy has enabled the maintenance of service outcomes since the introduction of cuts to Nexus' grant funding via the transport levy. It is dependent on a mix of efficiency savings and use of revenue reserves for which retention of a minimum value of circa £5.0m was previously established. This strategy therefore continues to provide an appropriate balance between these competing objectives, in particular the retention of a minimum, prudent level of revenue reserves.

	£000
Balance at 31st March 2014	15,265
Forecast Deficit 2014/15	<u>-2,483</u>
Balance at 31st March 2015	12,782
Forecast Deficit 2015/16	<u>-3,100</u>
Balance at 31st March 2016	9,682

- 3.4.27 Usable capital reserves held by Nexus are earmarked for current and future investment purposes. In the short term, residual costs relating to the Metro

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Ticketing and Gating scheme, a provision for match funding for capital works associated with Nexus projects receiving support from the Strategic Economic Plan, the Bus Strategy project, Metro re-launch and above ground works at Sunderland railway station are all currently earmarked to be met from usable capital reserves. In the medium to longer term, Nexus has also earmarked usable capital reserves in order to provide for developmental costs associated with the Metro Strategy 2030.

3.4.28 As with its usable revenue reserves, Nexus have also established the need to provide £5.0m as a strategic balance in order to accommodate any unforeseen and uninsurable losses across its estate.

3.4.29 In addition, £11.425m was held on behalf of Nexus by the Tyne and Wear ITA and earmarked for the Metro Asset Renewal Plan as at 31 March 2014. This is now held by the NECA on Nexus' behalf (as agreed by the Tyne and Wear ITA at its January 2014 meeting) and is necessary to part fund the required 10% local contribution (with the remainder coming from the LTP).

3.5 Tyne and Wear (non-Nexus)

3.5.1 This budget relates to activity inherited from the former Tyne and Wear ITA. The vast majority (around 80%) relates to financing charges on historic debt. Additionally, there is budget provision to pay for support services/Transport SLAs, other supplies and services, the external audit fee and a repayment to the Tyne Tunnels for use of reserves in 2013/14 to pay off the pension deficit.

3.5.2 The Tyne and Wear (former ITA) Transport Revenue reserves are estimated to reduce from £574k at the start of 2014/15 to £479k at the year end. The budget for 2015/16 shows a planned reduction in reserves of £76k to £403k.

3.5.3 Further details are set out in Appendix C.

3.6 Tyne Tunnels

3.6.1 The Tyne Tunnels are accounted for as a ringfenced trading account within the accounts of NECA, meaning that it is wholly funded from the tolls and Tyne Tunnels reserves, with no call on the levy or government funding at all.

3.6.2 The forecast for 2014/15 shows an increase in toll income as traffic has been higher than predicted (some of the recent increase appears to be due to roadworks affecting the Tyne Bridge and the A1). This increased income

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is largely offset by increased payments to the concessionaire, TT2 Ltd., as their payments are calculated based on the traffic figures. The forecast deficit position is likely to be largely in line, or slightly below, the original estimate, and will be met from the Tyne Tunnels reserves which have been built up from tolls income.

- 3.6.3 The annual deficit on the account to be met from the Reserves balance is expected to increase slightly in 2015/16. This is because although tolls are due to increase from January 2016, the shadow toll paid to the concessionaire increases by inflation with effect from January 2015, so there is a full year inflationary cost pressure while only a quarter year inflationary increase in toll income. As a result the draw on the Tyne Tunnel Financing Reserve will increase in 2015/16 to up to £1.5m

- 3.6.4 Further details are set out in Appendix D.

3.7 NECA Highway and Strategic Transport Team and Capacity

- 3.7.1 The NECA transport agenda needs to sustain sufficient capacity to support its functions, to influence external partnerships and investment decisions by national government, to coordinate funding opportunities and assess projects, to deliver collectively-agreed projects, and to provide policy advice to members of the Leadership Board, LEP and Transport North East Committees. This capacity is transitioning from disparate support arrangements working at different levels of geography and on behalf of different governance arrangements, to a coordinated team working on behalf of the North East Combined Authority. A NECA Transport Officers Group has been established to oversee this work programme, and access to programme funding for project development and delivery. The current cost of this capacity is £1m, and NECA Transport Officers are in the process of reviewing the resource requirements.
- 3.7.2 This capacity be funded through a combination of charges against the capital programme, as part of the topslice of the Local Growth Fund (which has a substantial transport element) that has already been proposed, and through a top-slice of resources provided by the DfT through the Local Transport Plan (LTP) arrangements. This would continue the topslice arrangement principle applied in Tyne and Wear in previous years. It is anticipated that the top-slice should be set at a level of no more than 4% of the Tyne & Wear element of the LTP block (which is the current level of the topslice), with the costs which apply across the NECA as a whole being assigned to Northumberland and Durham on a basis to be agreed.

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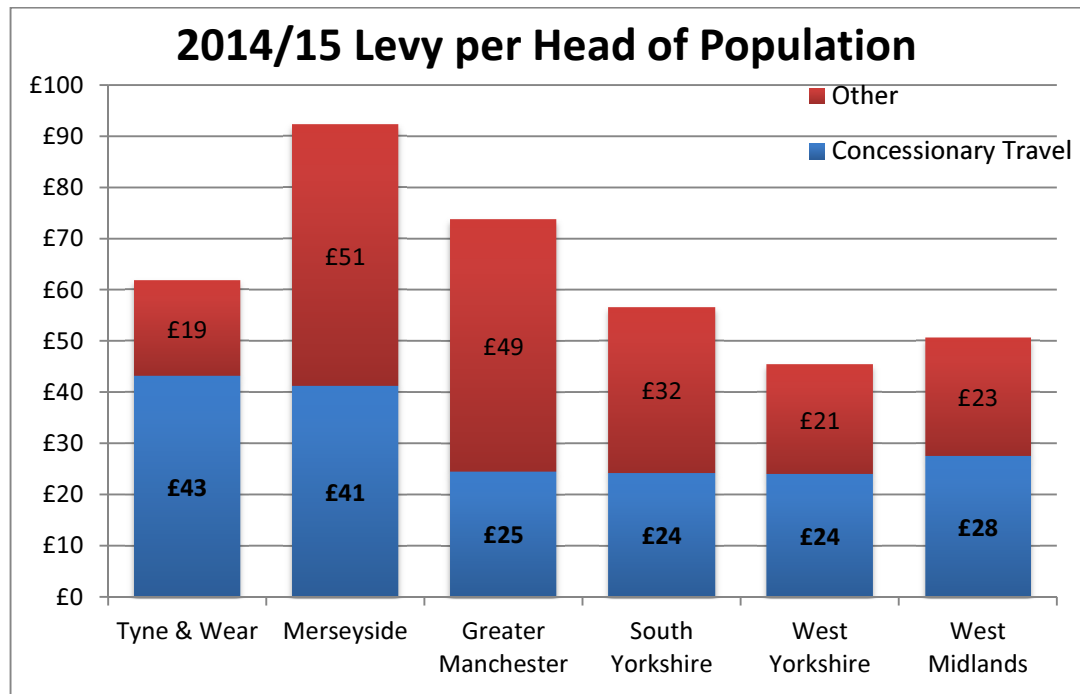
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- 3.7.3 The LTP IT allocation has been announced by DfT for Northumberland (£1.695m), Durham (£2.789m) and Tyne & Wear (£9.465m); although in practice we expect these sums to be paid as a single grant into the Combined Authority, together with the maintenance allocation which this yet to be confirmed. The current practice is to assign the majority of this funding to the individual districts (after the top-slice described above), to fund local priorities, and to provide match-funding for Local Growth Fund projects. It would be appropriate to use the DfT's own allocation formula to determine the funding for the two counties, (with separate figures having already been announced) and for Tyne & Wear an existing formula can be applied, updated where new data is available. This includes an allocation to Nexus, which would need to be sufficient to meet commitments to part-fund the Metro Reinvigoration Project.
- 3.7.4 Once the details have been finalised through the Transport Officer Group discussions and discussions with each council, they will be included in the final report to the Leadership Board in January.
- 3.8 **Value for Money Analysis – Transport Budgets**
- 3.8.1 The relative levels of the levies are shown in the Chart in Appendix A, with relatively low cost per head of population in Northumberland and Durham.
- 3.8.2 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 services across the county.
- 3.8.3 In recent years the significant saving to districts from reductions in the levy and retention of concessionary travel grants have resulted in total annual savings of £10.7m (12.5% in cash terms and over 20% in real terms) since 2011, with no material reduction or detrimental impact on service outcomes. At the same time population has risen slightly by 0.6%. A reduction of £10.7m is equivalent to a reduction in the levy per head of population of £10 per person, which is a significant improvement in recent years.
- 3.8.4 A comparison of levy per head of population in 2014/15 for the other metropolitan ITAs shows that while Tyne and Wear has the 3rd highest levy per person at £60.15, this is due to the higher volume of concessionary travel, which means that Tyne and Wear has the higher cost per head of population for concessionary travel but the lowest cost per head of population for other transport costs.

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Table 10: Relative Cost per Head of Population 2014/15



4 Next Steps

- 4.1 Further consultation on the 2015/16 budget proposals will be taking place during December. The Leadership Board will meet to agree the 2015/16 NECA Budget and Transport Levies on 20 January, taking into account the recommendation from this committee as well as any comments made during the consultation process.
- 4.2 The revenue budgets of the Delivery Agencies will be monitored and reported to the Transport North East Committee on a quarterly basis during 2015/16

5 Potential Impact on Objectives

- 5.1 The report sets out the proposed transport finance and resourcing of the Combined Authority to support the delivery of its objectives.

6. Finance and Other Resources

- 6.1 The finance implications are set out in detail in the body of the report. The reserves identified in the report are considered to be appropriate to manage risks relating to transport activities of NECA. The transport budget proposals for Tyne and Wear are consistent with the Bus Strategy proposals for a quality contract scheme. The reduction in the Tyne and

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Wear levy, while protecting services outcomes reflects a further improvement in value for money for residents in Tyne and Wear.

7 Legal

7.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an Authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

7.2 The treatment of transport costs and their funding through levies are set out in the NE Combined Authority Order and in the Transport Levying Bodies (amendment) Regulations 2014.

8 Other Considerations

8.1 Consultation/Community Engagement

The budget proposals for 2015/16 are currently subject to a period of consultation which includes the North East Leadership Board, Treasurers/Finance Directors meetings, Chief Executives meetings, meetings with individual Councils to discuss detailed budget points, consultation with the North East Chamber of Commerce and consideration by Overview and Scrutiny Committee.

8.2 Human Rights

There are no specific human rights implications arising from this report.

8.3 Equalities and Diversity

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

8.4 Risk Management

Financial risks associated with the authority's transport activities, and actions taken to mitigate these, will be factored into strategic risk management processes for the Combined Authority. Reserves will be set to help manage risk and will take into account potential risks.

8.5 Crime and Disorder

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

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8.6 Environment and Sustainability

There are no specific environment and sustainability implications arising from this report.

9 Background Documents

9.1 Report on the 2014/15 Budget for the Combined Authority – NELB 29 April 2014

TWITA Budget and Levy 2014/15 report – NELB 23 January 2014

Revenue Budget 2014/15 – Q1 Monitor – TNEC 29 July 2014

Revenue Budget 2014/15 – Q2 Monitor – TNEC 9 October 2014

10 Links to Plans in the Policy Framework

10.1 This report has no direct link to plans in the Policy Framework.

11 Appendices

11.1 Appendix A – Transport Levy Arrangements 2015/16

Appendix B – Nexus 2015/16 budget

Appendix C – Former Tyne & Wear ITA Budget Elements 2014/15 forecast and 2015/16 budget

Appendix D – Tyne Tunnels 2014/15 forecast and 2015/16 budget

12 Contact Officers

12.1 Paul Woods, Chief Finance Officer, paul.woods@northtyneside.gov.uk, 07446936840

13 Sign off

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

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Appendix A – Transport Levy Arrangements – 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 District concerned (the relevant date being 30 June in the financial year which commenced two years previous to the levying year).

For the 2015/16 levy, this is the 2013 Mid-Year estimates published by the Office for National Statistics. The population estimate figures for 2012 and 2012 are set out below.

	2012 MYE	2013 MYE	Change	
	No.	No.	No.	%
Gateshead	200,153	199,998	-155	-0.1%
Newcastle	282,442	286,821	4,379	1.6%
North Tyneside	201,446	202,152	706	0.4%
South Tyneside	148,428	148,526	98	0.1%
Sunderland	275,743	276,080	337	0.1%
Total Tyne & Wear	1,108,212	1,113,577	5,365	0.5%

Apportioning the proposed levy of £67.2m gives the following figures for Tyne and Wear:

	2014/15 Levy	Indicative 2015/16 Levy	Change			
	£	£	Population Change £	Levy Reduction £	Total £	%
Gateshead	£12,318,818	£12,069,094	-£68,844	-£180,880	-£249,724	-2.0%
Newcastle	£17,383,460	£17,308,521	£184,466	-£259,404	-£74,939	-0.4%
North Tyneside	£12,398,399	£12,199,080	-£16,490	-£182,829	-£199,319	-1.6%
South Tyneside	£9,135,299	£8,962,961	-£38,010	-£134,328	-£172,338	-1.9%
Sunderland	£16,971,156	£16,660,344	-£61,122	-£249,690	-£310,812	-1.8%
Tyne & Wear	£68,207,132	£67,200,000	£0	-£1,007,132	-£1,007,132	-1.5%

Background to Levy Arrangements

Public Transport has traditionally been seen as a County-wide level service, due to the wider geographic nature of transport services. County-wide precepts for Transport costs were replaced in 1993 with levying arrangements, which reflected Government decisions about how the public transport grant support was to be provided – within the Revenue Support Grant paid to metropolitan districts as opposed to revenue support grant paid directly to PTAs. The levying arrangements

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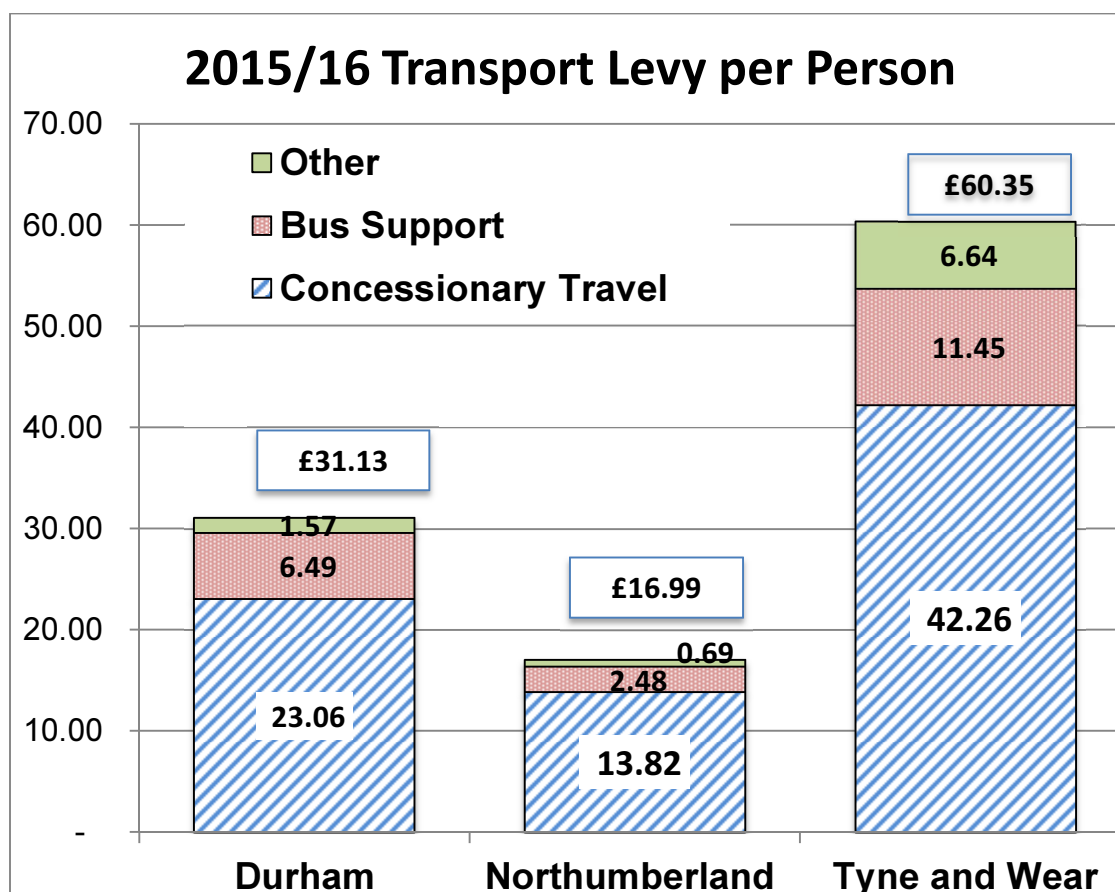
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which specified a population apportionment were set out in the Levying Body Regulations 1992 and reflected the principle that all residents in a county area should contribute equally to access to transport services. In recent years concessionary travel costs have also been classified by DCLG and DfT as a countywide level service.

In establishing Combined Authorities with levying powers the Government required population to continue to be used as the basis of levy apportionment. The NECA area includes three county areas with very different levels of cost and different levels of 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 these items are reflected in higher grants paid to Tyne and Wear districts within their revenue support grant. It was not therefore possible to have a single transport levy covering the whole of the NECA area and the amended levy arrangements established three separate levies: one for Durham County Council, one for Northumberland County Council and one for Tyne and Wear.

The difference in the transport costs and levies between the three areas can clearly be seen in the chart below.

Chart : NECA Transport Levies per Head of Population



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In Northumberland and Durham the vast majority of the Levy relates to grant paid back to the councils as the delivery agents for the operational transport activities in their areas. There is an addition to all three levies for cross cutting transport activities for all parts of the NECA area. The calculation of the proposed charge is set out below.

	Durham	Northumberland	Tyne & Wear	Total
	£	£	£	£
External Audit Fee (allocation for Transport)	300	300	14,400	15,000
Finance and Accounting	1,300	1,300	37,400	40,000
Democratic Services TNEC	2,304	2,304	27,642	32,250
IT Development, expenses and general costs	1,035	1,035	26,930	29,000
Transport Director – NECA wide support /activity	<i>tbc</i>	<i>tbc</i>	<i>tbc</i>	<i>tbc</i>
Total	4,939	4,939	106,372	116,250

The Tyne and Wear charge is a slight reduction on the charge in previous years and reflects the complexity and volume of the Tyne and Wear activity and accounts, including the Tyne Tunnel accounts and the incorporation of the Nexus accounts into the NECA group accounts.

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Appendix B – Nexus Budget

The following table sets out the (provisional) estimated net expenditure of Nexus that is funded by the Levy or Reserves in 2015/16:

Cost centre	Gross Costs £m	Comm. Income £m	Net Costs (1) £m	Govt. Grants £m	Net Costs (2) £m	Capital Adjust £m	Locally Funded £m
Concessionary Travel	48.891	(1.833)	47.058	0.000	47.058	0.000	47.058
Metro	90.461	(48.936)	41.525	(24.503)	17.022	(19.756)	(2.734)
Ferry	1.488	(0.497)	0.991	0.000	0.991	(0.206)	0.785
Northern Rail	2.932	0.000	2.932	(2.901)	0.031	0.000	0.031
Bus Services	19.198	(6.437)	12.761	0.000	12.761	(0.009)	12.752
Bus Infrastructure	3.354	(0.637)	2.717	0.000	2.717	(0.282)	2.435
Information/Promotion	4.380	(0.786)	3.594	0.000	3.594	(0.335)	3.259
Business Development	3.149	(1.396)	1.753	0.000	1.753	(0.085)	1.668
TOTAL OPERATIONS	173.853	(60.522)	113.331	(27.404)	85.927	(20.673)	65.254
Revenue Contributions to Capital	2.349	0.000	2.349	0.000	2.349	0.000	2.349
Net Movement in Capital Reserve	0.000	0.000	0.000	(20.673)	(20.673)	20.673	0.000
TOTAL NEXUS REQUIREMENT	176.202	(60.522)	115.680	(48.077)	67.603	0.000	67.603
GRANT from NECA							(64.500)
DEFICIT							3.103

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Appendix C – Former Tyne & Wear ITA Budget Elements

	2014/15 Original Budget	2014/15 Revised Estimate	2015/16 Proposed Budget	Comments
Service Level Agreement	266,400	250,000	250,000	SLA costs subject to outcome of review and revision Assumes c.50% fee attributed to Tyne and Wear Transport activity
External Audit Fee	19,560	18,000	15,000	Expenses and independent members
Members Allowances and Expenses	86,300	5,000	5,000	
Conferences, Travel and Subsistence	4,000	4,000	3,000	25% saving assumed
Subscriptions	30,000	0	0	LGA subscription - no longer applicable
IT Development / Website costs	20,000	20,000	10,000	Assumes c.50% website cost attributed to transport activity
Supplies and Services	15,000	10,000	10,000	
Scrutiny Advisory Group	4,700	0	0	
Repayment to Tyne Tunnels (for Pension Deficit payment)	240,000	240,000	240,000	Repayment over 14 years to Tyne Tunnels
Financing Charges - Interest and DME	1,245,200	1,201,950	1,155,030	Savings due to reduced loans outstanding
Financing Charges – Principal	1,126,500	1,126,480	1,081,420	Savings due to reduced loans outstanding
Interest Income	-3,000	-3,000	-3,000	
Contingency / Bus Strategy costs	232,472	70,000	10,000	Assumes some costs of Bus Strategy in 2014/15, reduced contingency for 2015/16
Net Expenditure	3,287,132	2,942,430	2,776,450	
TRANSPORT LEVY	-68,207,132	-68,207,132	-67,200,000	
Grant to Nexus	64,920,000	64,920,000	64,500,000	
Contribution to (-) or from Reserves	0	-344,702	76,450	
TYNE AND WEAR TRANSPORT RESERVE	2014/15 Original Budget	2014/15 Revised Estimate	2015/16 Proposed Budget	
Reserves brought forward	-574,494	-574,494	-479,196	
Reserves refund in year	440,000	440,000	0	
Reserves contribution in year	0	-344,702	76,450	
Reserves carried forward	-134,494	-479,196	-402,746	

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Appendix D – Tyne Tunnels Account Estimates

	2014/15 Original Budget £000	2014/15 Revised Budget £000	2015/16 Original Budget £000
Tolls Income	-24,720	-25,315	-27,100
Contract Payments to TT2	18,400	19,040	21,907
Employees	35	35	36
Pensions	50	50	50
Support Services	130	130	120
Supplies & Services	50	50	50
NTC Community Fund	10	10	10
Financing Charges	6,861	6,812	6,793
Interest Income	-150	-150	-200
Repayment from ITA for use of reserves	-240	-240	-240
(Surplus)/Deficit on Tyne Tunnels Account	426	422	1,426
Tyne Tunnels Reserves b/f	-28,171	-28,171	-27,749
Tyne Tunnels Reserves c/f	-27,745	-27,749	-26,324

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Transport North East Committee

DATE: 4 December 2014

SUBJECT: Transport Capital Programme 2015/16

REPORT OF: Chief Finance Officer

EXECUTIVE SUMMARY

This report outlines to the Transport North East Committee the proposals for the Capital Programme during 2015/16 and the funding sources identified to deliver the programme, which covers a wide range of transport improvements and initiatives.

This represents the latest information about the capital programme. It is important to note that the budget report to January would need to reflect the latest information available, including any new information that may be received after this report has been circulated. Any material changes will be circulated to members of TNEC in advance of the report to the Leadership Board being finalised.

RECOMMENDATIONS

Transport North East Committee is recommended to:

1. Recommend the transport capital programme as set out in the body of this report to be included in the NECA capital programme to be recommended to the Leaders Board on 20 January 2015;
2. Recommend the distribution of the Tyne and Wear share of the LTP Integrated Transport Block grant to the Tyne and Wear Districts. Further details will be circulated at the meeting;
3. Agree to receive a further report following delivery of the 2014/15 programme, ensuring that any variations during the remainder of the current financial year are accommodated in the capital programme.
4. Note that for planning purposes, Nexus has received verbal confirmation that the DfT investment board resolved at its 11 November meeting, that full (100%) funding for the Metro Asset Renewal Plan for 2016/17 is to be confirmed with an increase from 50% to 75% funding for years 2017/18 and 2018/19 also confirmed. In addition, Nexus has had positive feedback from a recent DfT commissioned audit and full (100%) funding for years 2017/18 and 2018/19 is expected to be confirmed, subject to a further review as part of Spending Review 2015 in late 2015.

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1 Executive Summary

- 1.1 This report outlines to the Transport North East Committee the proposals for the Capital Programme during 2015/16 and the funding sources identified to deliver the programme, which covers a wide range of transport improvements and initiatives.

2 Background Information

- 2.1 The capital programme for transport includes a wide range of schemes which are summarised in the detail below and the attached appendices.
- 2.2 Funding shown as available for the programme is based on reasonable assumptions and existing approvals. However, the programme will continue to be subject to continuous review to ensure commitments do not exceed available resources, after allowing for a reasonable level of overprogramming to ensure programme delivery.

3 Capital Programme 2015/16

3.1 Summary

Current estimates indicate that a total of up to £91m capital investment will be delivered by NECA in 2015/16 on the following elements of the Transport programme:

Table 1: Summary of NECA Transport Capital Programme 2015/16

	2015/16 Programme
	£m
Metro Asset Renewal Programme	43.220
Nexus Major Projects – Sunderland Station	3.500
Tyne Tunnels Capital Programme	3.100
LTP Integrated Transport Block (less Metro ARP local contribution included above)	11.309
Local Growth Deal Transport Schemes	30.150
Total	91.279

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Work on refining these estimates is still ongoing, and changes to the proposed programme, particularly taking into account delivery of the 2014/15 programme, will be reported back to this committee.

3.2 Tyne and Wear Metro Asset Renewal Programme (ARP)

During the 2015/16 financial year Nexus will be continuing with Year 6 of the ARP. As in previous years this will cover a wide range and large number of projects spread across all asset groups. However, there are a number of significant projects planned to be delivered that are worthy of particular mention and these are detailed below. More detail is provided in Appendix 1.

3.2.1 Permanent Way

Re- railing of the Queen Elizabeth II Bridge is planned to take place over two weekends in May 2015. This will be followed in July/August by the replacement of switches and crossings at Regent Centre then similar work in the tunnels at St. James station in October. These latter two projects are also planned to be completed during weekend closures. During the course of the year planning and preparation work for major track renewal between Tynemouth and Northumberland Park will take place. The first phase is due to be delivered in spring 2016 during a two week blockade of the line. The second phase is due to be delivered in October 2016.

3.2.2 Communications

During 2015/16 the project to install a new radio system across the network will continue and is due to be completed. This is a safety critical system and whilst not obvious to the travelling public is a fundamental part of Metro operations. The project involves fitting equipment to the metro cars as well as installing new transmission masts and antennae around the system and also new equipment at the Metro control centre in South Gosforth and Network Rail's Tyneside Integrated Electronic Control Centre in Gateshead.

3.2.3 Signalling

Another system which is not obvious to the passenger is the PTI (Positive Train Identification) system. This system uses a variety of technologies to route trains around the system, automatically set signals and measure train performance. A project to replace the existing, obsolete, bespoke system will commence and progress throughout the next two years with completion anticipated in 2017 at the earliest.

3.2.4 Overhead Line

Works to replace the overhead line are planned commence in 2015/16. This will be carried out by the internal Capital Delivery Team and is expected to take around four years to complete. The process of purchasing specialist equipment for this project is already underway.

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3.2.5 Stations

Refurbishment projects at Gateshead Stadium, Felling and Heworth are planned to be completed. Work to refurbish Central Station is due to commence in October 2015 and take about one year to complete. In conjunction with work on the ground, designs for Cullercoats, Monkseaton, West Monkseaton, Manors and Gateshead will be progressed. Furthermore, Nexus will continue working with South Tyneside Council and their development partner on a new Bus/Metro interchange at South Shields.

3.2.6 Bridges and Structures

Works to install collision protection measures to three low bridges in South Tyneside is due to take place over the summer of 2015. This will ensure that Metro services can continue to run in the event that these bridges are struck by road vehicles and hence reduce delays to passengers. Designs for a major bridge replacement project at Killingworth Road in Gosforth will be progressed. The construction work for which is scheduled for 2017.

3.2.7 Metro Cars

The Metro Cars refurbishment programme is due to be concluded. The final 6 cars are planned to be completed by July 2015.

3.2.8 Sunderland Station

Nexus is working with Sunderland City Council and Network Rail to progress the redevelopment of the above ground part of Sunderland Station. The scheme will focus on redeveloping the concourse area with improved access, retail offering and passenger information. The exterior of the building will provide a light and bright focal point for the area incorporating artwork. Wider public realm improvements are being considered by the City Council as a second phase to the scheme. Design work is underway and it is anticipated that construction will commence during 2015/16. The scheme is estimated to cost in the region of £6-7million with Nexus contributing £3.5m.

The programme is being established at a level that is in excess of the 2015/16 total available funding (including the 10% local contribution) of £37.900m. Experience shows that effective management of the programme requires a degree of re-profiling and re-phasing of planned works in order to keep within prescribed funding levels.

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Table 2: Indicative Metro ARP Capital Programme 2015/16

Capital Scheme	Indicative Programme 2015/16 £
Civils	12,071,262
Permanent Way	8,108,939
Overhead Line	1,928,915
Stations	3,378,873
Communications	3,836,006
Signalling	4,404,870
Level Crossings	18,550
Plant	1,058
Mechanical and Electrical	1,246,450
Metro Cars	1,380,941
Capital Maintenance	1,786,499
Miscellaneous	2,756,343
PM Costs	2,301,000
Total ARP Programme Funding	43,219,705

Major Projects – Sunderland Station	3,500,000
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3.3 Tyne Tunnels Capital Programme

3.3.1 New Tyne Crossing - £0.600m

There are a small number of pieces of work still underway on the New Tyne Crossing project which are included in the project budget requirement for 2015/16.

The main outstanding item of spend included within the programme is the contribution to the Hexham Fish Pass works agreed with Northumberland County Council. This was a requirement under the environmental obligations of the approval for the project.

There remain a number of outstanding Part 1 Land Compensation Claims. These relate to properties where the owners feel the value of the property has been detrimentally affected by the project. Budget provision is included for anticipated claims to be settled during 2015/16.

There is some work ongoing in relation to land transfers with North and South Tyneside Councils and other organisations. Professional fees and costs associated with this work and work on variations to the Project Agreement are also included within the 2015/16 budget.

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3.3.2 Tyne Pedestrian and Cycle Tunnels - £2.500m

2015/16 will be the final year of this project, as the refurbishment works and installation of the new inclined lifts are due to be completed and the tunnels re-opened to the public.

A full review of the project and programming is currently underway by the contractors and the project team. The results of this review and any impact on the budget and programme will be reported in detail to the next meeting of the Tyne & Wear Sub Committee. The costs of this scheme will be funded from the Tyne Tunnels reserves.

3.4 **Local Transport Plan Integrated Transport Block**

3.4.1 Core Local Transport Plan (LTP) funding is made available by the Department for Transport (DfT). Changes have been made to the funding formula for the Integrated Transport block for the 2015/16 to 2020/21 period (with a “break point” after three years at 2017/18, where the formula will be recalculated across the authorities using updated data)

The grant has been awarded by DfT to NECA in three blocks comprising Durham, Northumberland and Tyne and Wear.

Total confirmed allocations for the NECA area are as follows:

Table 3: LTP IT Block Allocations 2015/16-2017/18

	2015/16	2016/17	2017/18
	£m	£m	£m
Durham	2.789	2.789	2.789
Northumberland	1.695	1.695	1.695
Tyne & Wear	9.465	9.465	9.465
Total	13.949	13.949	13.949

3.4.2 Tyne & Wear LTP IT Block Distribution

The overall level of the Integrated Transport block award from DfT has been reduced significantly as a result of a cut in the total amount available nationally in order to partly fund the increased allocations for the Growth Deal and a change to the distribution formula. The 2015/16 allocation for Tyne and Wear is £9.465m, compared with £17.426m in 2014/15.

The Tyne and Wear allocation was previously distributed across the Districts and Nexus according to a locally agreed formula. The formula used several

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data sources that have been superseded by more recent data sets. The proposal is that the Tyne and Wear grant is distributed using the previous formula updated for current data sets. Options for the distribution between the Tyne and Wear Districts and Nexus are currently being discussed by officers, with a recommendation to be updated at the meeting on 4 December.

It is recommended that allocations be agreed for an initial three year period, after which new data will be used to refresh the calculation, in line with the “break point” after which DfT will re-examine the overall grant award. Such three year allocations will also allow districts certainty of capital funding for the planning of their capital programmes.

3.5 Local Growth Deal Capital Schemes

3.5.1 The North East Growth Deal announced in July included funding for a number of transport schemes, including the devolution of Local Major Schemes funding previously agreed.

3.5.2 The following schemes are proposed for a 2015/16 start:

A1 Local Junctions Improvement Package

A1 Corridor Scotswood Bridgehead Improvements – Improvements will ensure access over this crucial river crossing bridge for all modes to the employment opportunities on both sides of the river Tyne. This scheme will support the development of Metro Green in Gateshead (850 new homes and 15000sqm of office accommodation) and the Scotswood Masterplan site (1300 new homes). It will also benefit from being upgraded to support traffic from housing developments in the West of Newcastle, including Callerton (approx. 3000 homes); Dinnington (approx. 250 homes); Newcastle Great Park (up to 1200 homes) and Newcastle International Airport (50ha development site).

A1056/A189 Weetslade Roundabout and A1/A19 Link – Improvements to flows in the A188/A189 corridor and linkages to future employment development at Weetslade and existing employment sites in Killingworth. Facilitates Indigo Park, an 82 acre strategic employment site with the potential for 1000 new jobs.

Central Gateway Regeneration Initiative

Newcastle Central Station to Stephenson Quarter – Direct link from Newcastle Central Station to the Stephenson Quarter regeneration site. This proposal addresses a major physical barrier that currently reduces accessibility from the main rail station in the North East LEP area to a major regeneration site. The scheme is designed to accelerate development in

Newcastle's historic Stephenson Quarter. The Stephenson Quarter is a development that will create 2,431 gross additional jobs in the local economy, resulting in a net GVA contribution per annum of £97.3m.

Central Metro Station – Central Metro station is based in the centre of Newcastle and is a key transport interchange between Metro and heavy rail as well as providing connections to local bus services for the region. This scheme proposes the complete refurbishment of the station concourse and platforms in a style in keeping with the recently refurbished Haymarket Metro station.

Haddricks Mill Strategic Junction Improvement

Northern Access Corridor (Phase 2) Osborne Road to Haddricks Mill – The Haddricks Mill junction is located approximately 2km to the north of Newcastle City Centre close to the Newcastle/North Tyneside district boundary. The junction is a major pinchpoint on the boundary of several major employment sites, including the large employment site at Benton Park View (home of HMRC and DWP), the Freeman Hospital and Quorum Business Park. It is proposed to remove the existing mini roundabout junctions and provide a roundabout with a larger circulatory. This will be signalised and will incorporate the full signalisation of secondary junctions.

A19 Local Junctions Improvement Package

A19 Lindisfarne Roundabout - South Tyneside Council are intending to undertake a carriageway improvement scheme that will improve traffic movements at Lindisfarne Roundabout thus providing improved connectivity (economic growth opportunities) to the Port of Tyne and South Shields town centre. South Tyneside Council will also deliver localised improvements to the A1300/A194 roundabout, as well as improving access to the Strategic Highway Network.

A191 Junctions Coach Lane and Tyne View Park - Improved access to Tyne View Park employment site and improved flows in A191 corridor. The Tyne View Park junction currently operates at 124% of capacity in the AM peak and 121% in the PM peak. The planned improvements to flows will have benefits for the wider A19 corridor.

A19 access improvements Silverlink North - Facilitates economic development in the A19 corridor including the occupation of the remaining units at Cobalt Business Park (former Enterprise Zone site), a regionally significant location for skilled employment. It will address capacity issues in the area (the roundabout of A191 and The Silverlink North currently operates at 94% of capacity in the AM peak): significant additional traffic is expected from committed development as remaining units on the business park are occupied.

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Local Sustainable Transport Fund Capital Interventions

LA7 LSTF 2015/16 Capital Package – Comprehensive upgrade to Durham and Tyne and Wear Urban Traffic Management and Control systems, with linked functionality in order to provide improved journey time reliability for public transport and to reduce instances of congestion. ‘Gateway Improvements’ to four major heavy rail station and improved linkages between Newcastle International Airport and the Tyne and Wear Metro, Strategic Cycle package linking to key public transport gateways.

- 3.5.3 The revised programming for 2015/16 and 2016/17 is currently with DfT for review, so the split of these figures is not yet confirmed.

Appendix 2 shows details of the schemes planned for a 2015/16 start.

3.6 Capital Programme Financing

The proposed financing of the 2015/16 programme is summarised in the table below. This shows that the majority of the programme (around 86%) is to be funded from external grant.

Table 4: Proposed Financing of Capital Programme

Financing	2015/16 Total (£m)
Grants from Central Government	78.198
Reserves	7.750
Overprogramming*	5.331
Total	91.279

A level of overprogramming is included within the Metro ARP, to ensure full delivery of the required level of spend as set out in the agreement with DfT.

4 Next Steps

- 4.1 The capital programme for 2015/16, including non-transport elements, will be further refined during December and reported to the North East Leaders Board meeting on 20 January 2015 for agreement.
- 4.2 Progress against the 2015/16 capital programme will be reported regularly throughout the year and monitored carefully by officers at the various delivery

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bodies.

5 Potential Impact on Objectives

- 5.1 The capital programme and proposed financing set out above will enable the North East Combined Authority to make a positive impact on its objectives, particularly in relation to Transport connectivity.

6. Finance and Other Resources

- 6.1 The finance implications are set out in detail in the body of the report.

7 Legal

- 7.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an Authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

8 Other Considerations

8.1 Consultation/Community Engagement

This report forms part of the consultation period for the 2015/16 budget and capital programme, which has included reports to the Leaders Board, Governance Committee, Overview and Scrutiny Committee and the North East Chamber of Commerce.

8.2 Human Rights

There are no specific human rights implications arising from this report.

8.3 Equalities and Diversity

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

8.4 Risk Management

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

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8.5 Crime and Disorder

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

8.6 Environment and Sustainability

There are no specific environment and sustainability implications arising from this report.

9 Background Documents

9.1 Budget report to NELB 21 October 2014.

10 Links to Plans in the Policy Framework

10.1 This report has no direct link to plans in the Policy Framework.

11 Appendices

11.1 Appendix 1 – Indicative Metro ARP Schemes 2015/16

Appendix 2 – Local Growth Deal Transport Schemes starting in 2015/16

12 Contact Officers

12.1 Eleanor Goodman, Senior Accountant, eleanor.goodman@newcastle.gov.uk, 0191 277 7518

13 Sign off

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

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Appendix 1 – Metro Capital Programme 2015/16

Project	Capital Scheme	Indicative Programme 2015/16 £
	Civils	
BC201	Earthworks - North Shields to Howdon	22,847
BC204	Earthworks - South Gosforth to Jesmond	1,826,211
BC971	Earthworks - TYN-NPK & NPK-SGF	627,530
BC209	Bridges - TYN to MWL (1157 1156 1168 1171) Hud St. + Wvile Rd	30,897
BC211	Bridges - Hadrian Road to Walkergate (1197 1198 1200)	725
BC212	Bridges - Wallsend to Walkergate (1201 1203 1204 1206)	549,774
BC213	Retaining Walls	30,000
BC214	Bridges - Monkseaton, Cullercoats (1124 1137 1144) Marmion Tce only	32,410
BC215	Bridges - Benton (1114 1115B)	336,500
BC216	Bridges - Gateshead (1059 1062)	585,934
BC217	Bridges - Bede, Shiremoor (1024 1024A)	454,925
BC972	Bridges GHD-SSS (Scope)	2,990,000
BC488	Felling Flooding Remedial Works	51,040
BC283	Bridges PCM to SGF	1,651,705
BC400	Bridges BYK-MAN	507,766
BC407	Asbestos revisited works- Central area tunnels	643,758
BC634	DC power cable ducting	194,541
BC666	Gosforth Depot - Roof & Gutter repairs	16,000
BC974	Drainage - TYN -NPK	1,000,392
BC975	Drainage for Plain Line	210,000
BC227	Duct Route - South Gosforth to Airport	451
BC229	Duct Route - Gateshead Stadium to South Shields	138,598
BC230	Duct Route - South Gosforth to Tynemouth	110,811
BC290	Ground Investigation - Rest of System	53,655
BC811	Benton Station Footbridge	4,790
	Total Civils	12,071,261
	Permanent Way	
BC232	Plain Line - South Gosforth to Jesmond	111,762
BC233	Plain Line - Jesmond to Gateshead Stadium	1,281,111
BC976	Plain line- TYN-NPK	2,667,128
BC978	Plain Line NPK-SGF	77,283
BC410	Plain line Gateshead Stadium to South Shields	50,000

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BC412	Plain line Manors to St James	50,000
BC236	Switches & Crossings - South Gosforth	30,370
BC237	Switches & Crossings - Benton	38,967
BC238	Switches & Crossings - St James	442,461
BC967	Switches & Crossings- Regent Centre	1,859,859
BC979	Switches & Crossings (TBC)	1,500,000
	Total Permanent Way	8,108,939
	Overhead Line	
BC240	OLE - System Development	1,928,915
	Total Overhead Line	1,928,915
	Stations	
BC242	Station - North Shields	4,277
BC243	Station - Meadow Well, Percy Main and Howdon	2,147
BC244	Station - Hadrian Road and Wallsend	1,379
BC245	Station - Walkergate and Chillingham Road	79,224
BC246	Station - South Gosforth	-9,496
BC247	Station - Ilford Road	865
BC981	Interchange station package SSS	197,385
BC982	Halt Station Package e.g. FEL, GST	517,306
BC983	Station- Heworth Interchange- Construction	1,691,366
BC988	Halt Station Package E.G. WMN, CUL, MSN (design)	300,000
BC989	City Station- Manors - (design)	250,000
BC990	Interchange Station - GHD - (Design)	300,000
BC530	Kingston Park	7,746
BC100	Simonside	17,452
BC721	Pelaw	19,222
	Total Stations	3,378,874
	Communications	
BC250	Fibre Cable Replacement - Tynemouth to Manors	23,713
BC252	Fibre Cable Replacement - South Gosforth to Airport	85,704
BC253	Fibre Cable Replacement - Jesmond to Gateshead Stadium and Manors to St. James (tunnels)	45,497
BC254	Fibre Cable Replacement - Gateshead Stadium to South Shields	40,981
BC256	Radio	2,928,450
BC257	Telephony	73
BC259	IP Network	310,025
BC840	CCTV / PA Access	94,307
BC956	PA	307,255

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	Total Communications	3,836,006
	Signalling	
BC260	Signalling - Bankfoot Interlocking Area	6,427
BC262	Signalling - Benton Interlocking Area	27,155
BC264	Signalling - North Shields Interlocking Area	66,124
BC267	Signalling - Manors Interlocking Area	31,209
BC272	Signalling - Depot Interlocking Area	207,216
BC273	Signalling - PTI	3,890,635
BC274	Future Signalling System- Development	125,000
BC970	Signalling- Replacement point motors (critical locations)	51,104
	Total Signalling	4,404,870
	Level Crossings	
BC277	Level Crossings - Highway works - Howdon, Fawdon, Kingston Park, Bank Foot, Callerton Parkway	18,550
	Total Level Crossings	18,550
	Plant	
BC280	Tamper	1,058
	Total Plant	1,058
	Mechanical and Electrical	
BC281	Escalator - Central	1,898
BC282	Escalator - Monument	1,643
BC992	Escalators - Heworth	78,569
BC993	Escalators - Gateshead 1-2 (previously 1-3)	37,983
BC995	Escalator - Gateshead 3-6 (previously 4-6)	1,472
BC940	Escalator- Four Lane Ends	744,488
BC973	Lift - St. James	1,018
BC996	Lift- Regent Centre	2,157
BC997	DC Feeder Cable	220,191
BC805	Otn-Ups Support Power Supply	157,030
	Total Mechanical and Electrical	1,246,450
	Metro Cars	
BC288	3/4 Life Refurbishment	1,280,941
BC527	Metrocar further life extension study	100,000
	Total Metro Cars	1,380,941

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	Capital Maintenance	
BC550	Rail Grinding	100,000
BC587	Vehicle Replacement Programme	135,000
BC617	Lifts Refurbishment/Major Items	55,194
BC703	Plain Line Renewal	400,001
BC929	OHL Capital Maintenance	169,810
BC954	Capital Maintenance Concession	875,369
BC532	Stations Refurbishment - Escalator Imps/Major Items	51,125
	Total Capital Maintenance	1,786,498
	Miscellaneous	
BC947	Nexus Document Control System	5,825
BC960	Asset Knowledge	50,518
BC296	Metro Service	500,000
	Bus costs	1,400,000
	Dayworks	600,000
	Blockade Resources	200,000
	Total Miscellaneous	2,756,343
	PM Costs	
	PM Costs	2,301,000
	Total PM Costs	2,301,000
	Total ARP Programme Funding	43,219,705

Funding	
DfT Grant (maximum available)	34,444,444
10% Nexus Contribution	3,444,445
Overprogramming	5,330,816
Total ARP Funding	43,219,705

Minimum/Maximum Spend (assuming no b/f or c/f)	
Minimum Spend	31,000,000
Maximum Spend	37,888,889

ARP Target Spend	34,444,444
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Other	
Sunderland Station (Nexus Contribution)	3,500,000

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Appendix 2 – Local Growth Deal Transport Schemes

Promoter	Description	Expenditure profile (NECA SEP contribution only) (£m)		
		2015/16	2016/17	2017/18
Durham	Horden (Peterlee) Station	0.67	2.67	
North Tyneside Council	A1058 Coast Road major scheme (Billy Mill – Norham Road Improvements)	4.84	1.00	
Sunderland City Council	Low Carbon Zone Infrastructure	2.75	3.20	
South Tyneside Council/Nexus	South Shields Transport Hub: Consolidation of Metro and bus terminals in the heart of South Shields.	2.07	4.83	
Newcastle City Council	Northern Access Corridor (Gosforth Transport Improvements Phase 2), Cowgate to Osborne Road.	3.50	0.59	
Gateshead Council	A167 Park and Ride corridor	1.00	3.99	
Newcastle City Council	A1 Corridor Scotswood Bridgehead Improvements	1.70	2.00	
North Tyneside Council	A1056-A189 Weetslade roundabout improvements and A1-A19 link (A1056)	0.68	1.40	2.24
Newcastle City Council	Newcastle Central Station to Stephenson Quarter	1.00	3.00	2.00
Nexus	Central Metro Station Refurbishment	2.51		
Newcastle City Council	Northern Access Corridor (Gosforth Transport Improvements Phase 3), Osborne Road to Haddricks Mill.	0.50	3.93	
South Tyneside Council	A194/A185 (The Arches) Junction	0.50	5.33	
South Tyneside Council	A19/A194/A1300 Lindisfarne Roundabout	2.93	0.50	
North Tyneside Council	A191 junctions including coach lane and Tyne View Park	0.80	0.70	
North Tyneside Council	A19 employment corridor access improvements e.g. the roundabout of A191 and The Silverlink North	0.70	2.20	1.80
LA7 LSTF 2015/16 Capital Package	UTMC, 'Gateway Improvements', Cycle package to complement revenue bids for A1/A19 corridor, Northumberland and Durham	4.00	3.52	
		30.15	38.86	6.04